Thurrock Borough Council
Statement of Accounts
2012/13

THURROCK COUNCIL
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EXPLANATORY FOREWORD

1. Statement of Accounts

The Code of Practice on Local Authority Accounting in United Kingdom 2012/13 requires publication of the following statements:

(i) The ***Statement of Responsibilities for the Accounts*** sets out the Council's and the Director of Finance and Corporate Governances' responsibilities for the Statement of Accounts;

(ii) The ***Movement in Reserves Statement*** summarises the movements in the different reserves of the Council distinguishing between Usable and Unusable Reserves which are further analysed in the notes to the Financial Statements;

(iii) The ***Comprehensive Income and Expenditure Statement*** reports expenditure and income for each of the services provided by the Council and the surplus or deficit incurred on the provision of services in accordance with generally accepted accounting principles, rather than the amount funded from taxation. This statement consolidates the figures shown separately in the Housing Revenue Account Income and Expenditure Statement;

(iv) The ***Balance Sheet*** shows the assets, liabilities, and reserves held by the Council at the financial year end. This statement includes Collection Fund balances attributable to the Council;

(v) The ***Cash Flow Statement*** summarises the inflows and outflows of cash and cash equivalents arising from the Council's operating, investing and financing activities;

(vi) The ***Notes to the Financial Statements*** provide further analysis and explanation of the figures contained in the Financial Statements;

(vii) The ***Housing Revenue Account (HRA) Income and Expenditure Statement*** (including supporting notes) summarises the income and expenditure relating to the local authority provision of social housing within the borough where the Council is the landlord.

(viii) The ***Collection Fund Statement*** (including supporting notes) records the council tax and business rates transactions in the financial year.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These accounts have been prepared in accordance with the Code of Practice 2012/13, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

3. Financial Performance

■ General Fund

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

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

- Revaluation/Impairments – where an asset has been revalued, any reduction in value must be a charge against the service and some increases must be reflected as a credit against the service;

- Pension Fund Adjustments – the amount that the Council pays Essex County Council is an amount based on a fixed percentage charges against actual salaries paid as well as a fixed sum towards the cost of the deficit – accounting standards requires the Council to charge amounts in line with the Actuary's assessment of the real net cost of the pension scheme in any year; and

- Untaken Annual Leave – services are charged for the 'additional service' that they received from employees through not having taken their full entitlement to leave.

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

The financial outturn was reported to Cabinet on 10 July 2013 and is set out below:

General Fund Outturn by Service Areas:

	Revised Budget	**Outturn**	**Variance**
Adult Social Care	37,611,421	36,709,208	902,213
Chief Executive	2,285,919	2,216,945	68,974
Chief Executive Delivery Unit	1,999,107	1,564,524	434,583
Children's Services	30,307,662	32,102,967	(1,795,305)
Environment	15,564,740	15,190,106	374,634
Finance and Corporate Governance	11,254,652	10,594,318	660,334
Housing	2,901,650	2,675,660	225,990
Libraries and Cultural Services	1,654,058	1,598,200	55,858
Planning and Transportation	6,281,233	6,185,006	96,227
Public Protection	2,699,131	2,375,050	324,081
Serco/Corporate Savings	17,825,528	19,905,531	(2,080,003)
Treasury	8,988,002	8,240,326	747,676
Operating Net Surplus	139,373,103	139,357,841	15,262

The reasons for the key variances are as follows:

Adult Social Care - £0.9m underspent – the service utilised additional grant funding from the PCT to deliver some services in 2012/13.

Children's Services - £1.8m overspent - due to the increasing number of children in care, coupled with high care costs, this budget overspent by £3.77m against a budget of £4.11m. This was offset by additional funding received.

Serco/Corporate Savings - £2.1m overspent – Savings in ICT, procurement and with the strategic service partner were not realised in 2012/13. These totalled £1.2m and will be delivered in 2013/14.

Treasury - £0.75m underspent – further savings were identified of £0.65m relating to lower than expected interest payments.

There were further savings identified in the year contributing to the outturn position as noted below:

Asset Related Savings – the Council budgeted to use £3.00m in proceeds from the sale of assets to reduce prudential debt and achieve annual savings of £0.60m as well as a further £0.30m from related running costs – no sales took place and so the savings were not achieved;

Pension Contributions – unbudgeted pension contributions towards the cost of the pension fund deficit provided a further saving of £0.84m;

Commuted Sums – the budget for commuted sums (those sums provided by developers to be treated as income over a number of years towards the upkeep of public areas from developments) has been understated in previous years – reconciling this has created additional income of £0.88m

To summarise, the Council has once again come within the agreed budget envelope and maintained its General Fund balance at £8m while increasing useable reserves.

Housing Revenue Account

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The Housing Finance Reform changes took place at the end of 2011/12 and swapped the Council's annual liability to pay the government a subsidy for the one off acceptance of debt (totalling £161m). This has led to an expected annual surplus against budget of £6m in 2012/13.

This surplus has been earmarked towards the development of new affordable housing in the borough and, for 2012/13, to transfer £0.7m into the HRA general balance to bring it back to its required balance of £1.7m.

Material variances for 2012/13 include:

a) Rent Income – there is a deficit on rent collection due, mainly, to an adverse variance against budgets relating to non-dwelling income and voids (£2.38m);

b) Repairs and Maintenance - the adverse variance within the repairs and maintenance budget is largely due finalising the Morrison's contract (£0.57m);

c) Supervision and Management – the adverse variance is due to a number of variances against various cost centres around establishment and operating costs (£1.0m);

d) Capital Financing – The favourable variance is due to the depreciation charges and the impact that has on setting aside funds for capital purposes (£1.0m).

As a result of the planned surplus and the above variances, the HRA balance has increased from £1.0m to £1.7m and a new Development Reserve for affordable housing has been set up that stands at £2.7m after accounting for development related expenditure during the year of £0.6m).

In addition, the HRA holds a balance in its Major Repairs Reserve of £3.1m towards the enhanced capital programme that has been agreed for the Council's housing stock.

- **Capital Expenditure**

The total capital expenditure for 2012/13 amounted to £33.177m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

Service	**Budget £000's**	**Total £000's**	**Variance £000's**
Learning & Universal Outcomes	19,138	9,797	9,341
Adult Social Care	111	54	57
Housing General Fund	3,821	1,709	2,112
Housing Revenue Account	12,622	6,884	5,738
Environment	5,029	2,846	2,183
Planning & Transportation	5,515	3,128	2,387
Transformation	5,481	3,583	1,898
Finance and Corporate Governance	4,193	4,017	176
Chief Executives Delivery Unit	1,511	1,159	352
Total	57,421	33,177	24,244
Source of Finance			
Prudential Borrowing	11,767	5,268	6,499
Supported Borrowing (SCER)	1,359	621	738
Usable Capital Receipts	4,730	4,302	428
Earmarked Usable Capital Receipts	1,040	1,008	32
Major Repairs Reserve	12,415	6,884	5,531
Grants	20,673	11,117	9,556
Developers Contributions	1,978	1,488	490
Trusts	650	619	31
Reserves	2,809	1,870	939
Total	57,421	33,177	24,244

The following are key headlines for capital investment:

The completion of buildings works at a number of schools throughout the borough:

- Chafford Hundred Primary – Expansion of school with a gross spend over the period 2010/11 to 2012/13 of £2.421m;

- Purfleet Primary – Improvements to classrooms with a gross spend over the period 2010/11 to 2012/13 of £1.632m;

- Stifford Primary – Additional classrooms with a gross spend over the period 2010/11 to 2012/13 of £1.989m;

- Aveley Primary – Additional classrooms with a gross spend over the period 2011/12 to 2012/13 of £1.209m;

- Tudor Court Primary – Expansion of school with a gross spend over the period 2011/12 to 2012/13 of £2.183m;

- Gable Hall – Development of a multi-trade skills centre, with a gross spend over the period 2009/10 to 2012/13 of £2.316m; and

- Treetops – Development of Kitchen, Dining and Changing rooms, with a gross spend over the period 2010/11 to 2012/13 of £2.190m.
- The completion of 16 new council dwellings at Oxwich Close, Corringham with a gross spend of £1.828m over the period 2011/12 to 2012/13.

- £2.692m spent on the second phase of the Oracle system upgrade, which included the implementation of the Human Resources module and continued the transformation of working practices.

- £6.884m spent on improvements to council dwellings including additional window, kitchen and bathroom replacement, more efficient heating systems to reduce fuel poverty, additional security measures to decrease the fear of crime.

- £0.417m spent on replacing the roof at Corringham leisure centre.

- £3.015m spent on improvements to the highways infrastructure, including works to Motherwell Way / London Road and improvements to cycling facilities.

- Further annual expenditure on improving childrens play areas throughout the borough, including play equipment at Linford, Dilkes and Langdon Hills, youth facilities at Aveley and a ball court and shelter at Anchorfield, Tilbury.

- Completion of works at Belhus library to create a “Community Hub”, which will change the way council services are delivered in years to come and working in partnership with the wider community so peoples needs are met in the best and most efficient way possible.

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 41 to the accounts but, simply, the Surplus/Deficit on Provision of Services (part of the Comprehensive Income and Expenditure Statement) includes the amounts due for the year and paid out whilst the Balance Sheet includes the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The government commissioned a review on public sector pensions and it remains an area of debate. However, one significant change already implemented is the calculation of pension increases which are now based on the Consumer Price Index as opposed to the Retail Price Index. This has reduced forecast payments to retired employees in the future reducing the liability.

Despite this change and the additional contributions made to the Essex Pension Fund in 2012/13, the deficit has increased by £4.4m to £158.0mm.

4. Future Financial Issues

■ Economic Outlook

The outlook for local authority funding remains challenging and this was further enforced in the Comprehensive Spending Review announcement on 26 June 2013. The two main sources of income to fund general services are government grant/business rates income and Council Tax and it is clear that there will be sizeable reductions in government grant whilst trends currently being experienced show greater demands for services, especially in childrens and adults social care.

Changes to Local Government financing have transferred additional risk to the Council whilst also increasing opportunity. For example the Council directly retains business rates collectable in the Thurrock area and, for any business rates that become uncollectable, up to 50% of this sum will be lost adding pressure to the following year's budget. In terms of opportunity, any increases in business rates would see a further 27% of that being retained for use in the local area.

The Council is currently benefitting from low interest rates at this time as a result of the debt restructuring exercise carried out in 2010. Interest rates are forecast to remain low for the next one to two years but, should they rise earlier, costs to the Council could significantly increase if action is not taken in a timely manner. This is closely reviewed and the Medium Term Financial Strategy assumes a phased move to fixed rates from 2015.

■ General Fund

In the period 2010/11 – 2014/15, the Council has had a reduction in government related support totalling £25.1m that, together with service pressures of £37.8m that is mainly due to demographic growth, has required overall savings of £62.9m to be delivered.

The Council has currently set a budget that is balanced for the period 2013/14 – 2014/15 although savings targets are challenging. Setting the budget over the two year period was acknowledging the further challenges that we expect for 2015/16 and beyond and was to provide the Council breathing space to consider its entire budget, services, working practices and opportunities.

These challenges were reinforced in the Comprehensive Spending Review announced on 26 June 2013 where the Chancellor announced further cuts to the public sector, highlighting a 10% reduction in 2015/16. This is in line with the Council's Medium Term Financial Strategy that assumes this level of reduction (£5.5m and £4.6m in 2015/16 and 2016/17 respectively).

The two year balanced budget position will allow a considered and strategic approach to be developed and consulted upon.

■ Welfare Reform

As part of the national austerity measures, central government has and continues to introduce a number of welfare reforms that will impact on the borough's residents and on the Council directly through increased demand for services.

Doe to these measures, it is clear that some of the poorer families in the borough will face significant hardship adding to demands for services, especially in terms of social care and housing.

Housing Revenue Account

The HRA finance reform that took place in March 2012 involved a one off redistribution of debt while at the same time abolishing the subsidy system.

After taking into account debt financing costs, the HRA is now circa £6m per annum better off and this has been committed towards delivering an enhanced capital programme for existing stock and to drive forward an affordable housing new build programme.

Capital and Treasury Issues

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

The Council restructured its debt in August 2010 and has saved circa £8m in interest charges since that date. This has been achieved by taking advantage of the low interest rates offered by temporary borrowing. The Council continues to monitor the economic forecasts for when interest rates may increase. When this happens there will be a material increase in expenditure as the Council moves to higher fixed rate debt. The Medium term Financial Strategy assumes this to take place from 2015/16.

5. Specific Accounting Issues

Asset Valuations:

The Council revalued 100% of its assets during 2012/13 and the results are shown throughout this statement. In summary, council houses increased in value by £77m while non housing assets decreased by £79m, a large proportion of which related to the revaluation of school playing fields without an option of planning permission. These large variations will impact on the readers' understanding of the cost of services within the Comprehensive Income and Expenditure Statement but notes elsewhere in the statement provide further detail.

Other items:

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

6. Governance Statement

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

7. Further Information

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

EXPLANATORY FOREWORD – Guide to the Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (rather than the amount to be funded from taxation). The taxation position is shown in the Movement in Reserves Statement (see pages 13 and 14). Note: The Comprehensive Income and Expenditure Statement is a consolidated account comprising both the General Fund (GF) and Housing Revenue Account (HRA) showing the consolidated in year accounting performance. In the Movement in Reserves Statement and supporting Note 7 these two accounts have been disaggregated so as to show 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. The Housing Revenue Account Income and Expenditure Statement and Movement on HRA Balance show the accounting performance and statutory amounts required to be charged to the Housing Revenue Account Balance for housing rent setting purposes respectively, for the HRA only.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (which are those that can be applied to fund expenditure or to reduce local taxation) 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. The Net Increase or Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value as at the 31 March each year 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. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to fund services, subject to the need to maintain a prudent level of balances and any statutory limitations on their use. For example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' (see Note 7).

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council 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. The net cash flows arising from operating activities are a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

EXPLANATORY FOREWORD – Guide to the Financial Statements (cont.)

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the annual economic cost of providing housing services in accordance with International Financial Reporting Standards, rather than simply the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations: this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Balance.

The Collection Fund Statement

Billing authorities, such as Thurrock Council, are required by statute to maintain a separate Collection Fund Statement. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to the Essex Police and Fire authorities and the Government of Council Tax and Non Domestic Rates. The actual costs of administering collection are accounted for in the Council's General Fund; the amount shown for costs of Collection in the statement below is an allowance fixed in accordance with regulations.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

<u>The Council's Responsibilities</u>

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, that officer is the Director of Finance and Corporate Governance;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts, which the Council has delegated to its Audit Committee.

<u>The Director of Finance and Corporate Governance's Responsibilities</u>

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

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

- selected suitable accounting policies and then applied them consistently;

- made judgments and estimates that were reasonable and prudent; and

- complied with the local authority Code.

The Director of Finance and Corporate Governance 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.

<u>Director of Finance and Corporate Governance's Certificate</u>

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 2013.

Director of Finance and Corporate Governance

Date: 28th June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

To be added 1st page

Auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THURROCK COUNCIL

To be added 2nd page

MOVEMENT IN RESERVES STATEMENT
Core Statement

Balance at 31 March 2011	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
	(6,644)	**(2,898)**	**(13,220)**	**(2,347)**	**(3,806)**	**(9,900)**	**(38,815)**	**(609,462)**	**(648,277)**
<u>Movement in Reserves in 2011/12</u>									
Surplus or (deficit) on provision of services	19,708	178,353	-	-	-	-	**198,061**	-	**198,061**
Other Comprehensive Expenditure and Income	1,014	-	-	-	-	-	**1,014**	53,599	**54,613**
Total Expenditure and Income	**20,722**	**178,353**	**-**	**-**	**-**	**-**	**199,075**	**53,599**	**252,674**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(27,869)	(176,503)	(16)	760	1,412	1,227	**(200,989)**	200,989	**-**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	**(7,147)**	**1,850**	**(16)**	**760**	**1,412**	**1,227**	**(1,914)**	**254,588**	**252,674**
Transfers to/from Earmarked Reserves (Note 17)	5,052	-	(5,052)	-	-	-	**-**	-	**-**
Transferred (Acquired) Operations (TTGDC)	-	-	(5,692)	-	-	**-**	**(5,692)**	(53,337)	**(59,029)**
Increase/Decrease in Year	**(2,095)**	**1,850**	**(10,760)**	**760**	**1,412**	**1,227**	**(7,606)**	**201,251**	**193,645**
Balance at 31 March 2012	**(8,739)**	**(1,048)**	**(23,980)**	**(1,587)**	**(2,394)**	**(8,673)**	**(46,421)**	**(408,211)**	**(454,632)**

MOVEMENT IN RESERVES STATEMENT
Core Statement

Balance at 31 March 2012	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
	(8,739)	**(1,047)**	**(23,980)**	**(1,587)**	**(2,394)**	**(8,673)**	**(46,420)**	**(408,211)**	**(454,631)**
<u>Movement in Reserves in 2012/13</u>									
Surplus or (deficit) on provision of services	143,085	(63,165)	-	-	-	-	**79,920**	-	**79,920**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	**-**	(41,693)	**(41,693)**
Total Expenditure and Income	**143,085**	**(63,165)**	**-**	**-**	**-**	**-**	**79,920**	**(41,693)**	**38,227**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(146,721)	61,553	-	(405)	(709)	(2,804)	**(89,086)**	89,086	**-**
Net Increase/Decrease before Transfers to/from Reserves	**(3,636)**	**(1,612)**	**(400)**	**(405)**	**(709)**	**(2,804)**	**(9,566)**	**47,793**	**38,227**
Transfers to/from Other Reserves	(623)	-	-	80	-	**543**	-	-	**-**
Transfers to/from Earmarked Reserves (Note 17)	4,998	959	(3,768)	518	-	(1,236)	**1,471**	(1,471)	**-**
Increase/Decrease in Year	**739**	**(653)**	**(3,768)**	**193**	**(709)**	**(3,497)**	**(7,695)**	**45,922**	**38,227**
Balance at 31 March 2013	**(8,000)**	**(1,700)**	**(27,748)**	**(1,394)**	**(3,103)**	**(12,170)**	**(54,115)**	**(362,289)**	**(416,404)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
Core Statement

2011/12				2012/13		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
47,076	(12,890)	34,186	Adult social care	52,260	(11,581)	40,679
15,952	(12,455)	3,497	Central services to the public	41,525	(12,413)	29,112
196,807	(122,201)	74,606	Education and children's services	213,654	(92,402)	121,252
33,192	(6,992)	26,200	Cultural, environmental, regulatory & planning services	50,245	(8,139)	42,106
15,138	(6,186)	8,952	Highways and transport services	12,646	(2,369)	10,277
217,604	(45,741)	171,863	Local Authority Housing (HRA)	(21,207)	(48,869)	(70,076)
64,356	(58,190)	6,166	Other housing services	66,488	(60,702)	5,786
9,736	(2,578)	7,158	Corporate and democratic core	9,271	(2,583)	6,688
242	(5,553)	(5,311)	Non distributed costs	(8,900)	(730)	(9,630)
600,103	**(272,786)**	**327,317**	**Cost Of Services**	**415,982**	**(239,788)**	**176,194**
13,096	(1,993)	11,103	Other Operating Expenditure (Note 10)	52,898	(6,537)	46,361
18,912	(14,585)	4,327	Financing and Investment Income and Expenditure (Note 11)	2,707	1,990	4,697
0	(144,686)	(144,686)	Taxation and Non-Specific Grant Income (Note 12)	-	(147,332)	(147,332)
632,111	**(434,050)**	**198,061**	**(Surplus) or Deficit on Provision of Services**	**471,587**	**(391,667)**	**79,920**
-	-	307	Revaluation of Non Current Assets (note 22/25/32/33)	-	-	(52,032)
-	-	53,292	Actuarial gains / losses on pension assets / liabilities (Note 41)	-	-	10,339
-	-	1,014	Other	-	-	-
-	**-**	**54,613**	**Other Comprehensive Income and Expenditure**	**-**	**-**	**(41, 693)**
-	**-**	**252,674**	**Total Comprehensive Income and Expenditure**	**-**	**-**	**38,227**

BALANCE SHEET
Core Statement

31 March 2012 £000		Notes	31 March 2013 £000
849,304	Property, Plant & Equipment	33	801,678
2,743	Investment Property	37	3,745
1,368	Intangible Assets		3,864
20,873	Heritage Assets	32	21,288
993	Long Term Debtors	20	876
875,281	**Long Term Assets**		**831,451**
27,333	Short Term Investments	38	44,752
1,255	Assets Held for Sale	22	777
518	Inventories		222
30,226	Short Term Debtors	21	18,095
4,674	Cash and Cash Equivalents	42	3,693
64,006	**Current Assets**		**67,539**
(95,005)	Short Term Borrowing	38	(93,869)
(36,734)	Short Term Creditors	23	(29,988)
(651)	Leasing Liability	18	(670)
(132,390)	**Current Liabilities**		**(124,527)**
(111)	Provisions	19	(1,273)
(189,118)	Long Term Borrowing	38	(189,116)
(104)	Deferred Discounts		(104)
(153,579)	Pension Liability	41	(157,965)
(2,389)	Leasing Liability	18	(1,719)
(6,964)	Capital Grants Receipts in Advance	26	(7,882)
(352,265)	**Long Term Liabilities**		**(358,059)**
454,632	**Net Assets**		**416,404**
(46,421)	Usable reserves	24	(54,115)
(408,211)	Unusable Reserves	25	(362,289)
(454,632)	**Total Reserves**		**(416,404)**

CASH FLOW STATEMENT (Indirect Method)
Core Statement

2011/12 £'000		Notes	2012/13 £'000
(198,061)	Net surplus or (deficit) on the provision of services		(83,079)
8,955	Adjustment for Development corporation transfer of assets		-
65,328	Adjustment to surplus or deficit on the provision of services for non-cash movements	46	134,561
(32,076)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(24,168)
(155,854)	Net Cash flows from operating activities	43	27,314
16,680	Investing Activities	44	(21,464)
146,766	Financing Activities	45	(6,831)
(7,592)	Net increase or decrease in cash and cash equivalents		(981)
12,266	Cash and cash equivalents at the beginning of the reporting period		4,674
4,674	Cash and cash equivalents at the end of the reporting period	42	3,693

STATEMENT OF ACCOUNTING POLICIES

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summaries the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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.

The Going Concern basis is also assumed.

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 Principles

The Council has adopted the following accounting policies for the purpose of presenting a true and fair view of its financial position and of its financial transactions. The underlying accounting principles are reviewed regularly and may be summarised as follows:

- ***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;

- ***Reliability*** – 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;

- ***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.

- ***Comprehensibility*** – the financial statements have been prepared to ensure that they are as easy to understand as possible;

- ***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;

- ***Accruals*** – other than the Cash Flow Statement, the financial statements report transactions that have been recorded in the accounting period in which the goods and services were received or supplied rather than that in which the cash was received or paid;

- ***Going Concern*** – the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future; and

- ***Legality*** – where accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect the primacy of legislative requirements.

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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provided the relevant goods or services;

- Employee costs are charged to the accounts of the period within which the employees worked;

- Supplies and services are recorded as expenditure when they are consumed or performed. Where there is a gap between the date supplies are received and the date when they are consumed, they are carried as inventory on the Balance Sheet;

- Works are charged as expenditure when they are completed, before which they are carried either as work in progress (revenue) within Inventory or as Assets Under Construction (capital) within Property, Plant and Equipment on the Balance Sheet;

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the actual cash flows, fixed or determined by the relevant contract;

- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to the relevant account for the income that may not be collected; and

- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.

1.5 Cash and Cash Equivalents

Cash is defined as cash-in-hand and demand deposits. Cash equivalents are investments or loans with a known value on maturity and subject to immediate repayment on demand. It is the Council's policy to treat monies lodged overnight as cash equivalents.

1.6 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a potential asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note if the inflow of a receipt or economic benefit is possible.

STATEMENT OF ACCOUNTING POLICIES

1.7 Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of a note if:

- There is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or

- A present obligation arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement has, if applicable, been disclosed. If the transfer of economic benefit in respect of a contingent liability has become probable, a provision has been recognised in the financial statements.

1.8 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.

The Local Government Pension Scheme has been amended so that increases in pensions are now based on the Consumer Price Index (CPI) and not the Retail Price Index (RPI).

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

STATEMENT OF ACCOUNTING POLICIES

- 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 Pension Scheme provides members of the pension scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest reported full triennial valuation was undertaken as at 31 March 2010 (made available in March 2011). Under Pension Regulations, the contribution rates must be set so as to meet all the long-term liabilities of the Fund. Employer contributions will be adjusted in future years to account for any projected deficit on the Fund.

The pension costs charged to the Cost of Services in the Comprehensive Income and Expenditure Statement of both the General Fund and the Housing Revenue Account have been made in accordance with the accounting requirements of the Code. The charge is based on when the retirement benefits that the Council has committed to pay are earned, even though the actual payments may not take place for many years. The difference between the amounts charged under accounting conventions and the actual payments made to the Pension Scheme during the year is adjusted in the Movement in Reserves Statement.

The Balance Sheet includes a Pension Reserve that comprises the share of the Fund's assets attributable to the Council which are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. Fair value comprises:

- ***For quoted securities*** – the current bid price;
- ***For unquoted securities*** – a professional estimate of fair value;
- ***For unitised securities*** – the current bid price; and
- ***For property*** – the market value or other basis determined in accordance with the RICS Valuation Manual and Practice Statements.

The scheme liabilities attributable to the Council are included in the Balance Sheet as a Pensions Liability calculated on an actuarial basis using the projected unit method – 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, employment turnover rates etc, and forecasts of projected earnings for current employees. The use of the projected unit method means that current service costs increase as members of the Fund approach retirement age.

Liabilities are discounted to their current value using a discount rate. In assessing liabilities for retirement benefits at 31 March 2013 the actuary assumed a discount rate of 4.4%

(1.0% real) including an inflation risk premium, a rate based on the current rate of return on a high quality AA rated corporate bond of equivalent currency and term to scheme liabilities. The equivalent assumptions were 4.6% (1.3% real), including an inflation risk premium) at 31 March 2011

The scheme liabilities comprise:

- Any benefits promised under the formal terms of the scheme, and
- Any constructive obligations for further benefits where a public statement or past practice by the Council has created valid expectations in its employees that such benefits will be granted.

The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The Council recognises this as the Pension Liability that reflects its legal or constructive obligations. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following seven components:

- ***Current service cost*** - This is the increase in liabilities as a result of the years of service earned by employees in 2012/13 and is included in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- ***Interest cost*** - This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged within 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement (also see Note 11);
- ***Expected return on assets*** - This is the annual investment return on the Fund's assets attributable to the Council, based on an average of the long-term expected return. It is credited within 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement (also see Note 11);
- ***Actuarial gains and losses*** - These are changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains and losses are recognised in the within 'Other Comprehensive Income and Expenditure' in the Comprehensive Income and Expenditure Statement;
- ***Contributions paid to the Essex County Council Pension Fund*** - This is the cash payable as employer's contributions to the Fund and is the net charge left in the General Fund after the removal of all other notional debits and credits;
- ***Past service costs*** - This is the net increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services' Costs on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately; and

- ***Gains and losses on settlements and curtailments*** **-** Losses arising on a settlement (a reduction in numbers of employees due, for example, to employee transfers) or a curtailment (a reduction of expected future years of service of employees due, for example, to closures of units of activity) not allowed for in the actuarial assumptions, are measured at the date on which the Council becomes demonstrably committed to the transaction. They are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services' Costs for that period.

  Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement for that period.

Statutory provisions limit the Council to raising Council Tax to cover only the amounts payable by the Council to the Pension Fund or directly to pensioners in the year. This means that in the Movement in Reserves Statement there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits (also see Note 7). The negative balance on the Pension Reserve (also see Note 41 (d)) measures the beneficial impact of the Council being required to account for retirement benefits on the basis of cash-flow 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.

1.9 Events After the Reporting Period

Where an event that occurs after the Balance Sheet date, either favourable or unfavourable, provides evidence of conditions that existed at the Balance Sheet date and has a material effect on the amounts included in the accounts, the amounts recognised in the Statement of Accounts have been adjusted. Any disclosures affected by the new information about the "adjusting event" have been updated.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date and has a material effect on the finances of the Council, the amounts recognised in the Statement of Accounts are not adjusted. Instead they are disclosed in a note to the accounts for each material category of non-adjusting event after the Balance Sheet date showing:

- The nature of the event; and
- An estimate of the financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of the authorisation for issue are not reflected in the financial statement.

1.10 Financial Instruments

A financial instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another"[1]. The term "financial

[1] Source: Code of Practice 2012/13

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. Further details are also given in the Notes 38 and 39 on financial instruments.

The Council's policy on financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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. (NB: the Council currently has no financial assets available for sale).

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

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

Loans and receivables are initially measured at fair value, adjusted for directly attributable transaction costs (if material) and carried on the Balance Sheet at their amortised cost. Fair value is defined as the amount for which financial assets can be exchanged between knowledgeable willing parties in an arm's length transaction. Transaction costs include fees and commissions paid to agents, advisors and brokers.

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

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

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.

STATEMENT OF ACCOUNTING POLICIES

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 carried in the Balance Sheet at their amortised cost. Fair value is the amount for which a financial liability can be settled between knowledgeable willing parties in an arm's length transaction. 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, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

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

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

All accounting entries in respect of financial liabilities described above in the Comprehensive Income and Expenditure Statement are included in the 'Financing and Investment Income and Expenditure' line (also see Note 11).

1.11 Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used. In 2012/13 only a very limited number of revenue items were acquired through foreign currency transactions.

1.12 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 all conditions attached to the grant are met. If those conditions are not met immediately the income is held as Capital Grants Receipts in Advance in the Long Term Liabilities section of the Balance Sheet.

Where capital grants have been held as receipts in advance and conditions are 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 (also see Note 7). If the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Reserve (see Note 7). If it has been used to finance capital expenditure in the year it is posted to the Capital Adjustment Account (see note 7).

Revenue Grants
Revenue grants without conditions or revenue grants where conditions have been met will be 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 transfer from earmarked reserves to the general fund. If there are conditions which cannot immediately be 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.

1.13 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.

Recognition
Purchased intangible assets (e.g. software licences) are capitalised as assets. In addition a local authority is permitted to capitalise expenditure on the development of a computer programme provided that it will deliver service benefits for at least one year.

Measurement
A purchased, or internally developed, intangible asset is capitalised at its cost and may only be re-valued where it has a readily ascertainable market value. The types of intangible assets held by the Council are very unlikely to have readily ascertainable market values. Therefore the Council does not revalue intangible assets but accounts for them at amortised cost.

Amortisation
Intangible assets are amortised on a straight-line basis over their useful economic lives. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life is not extended beyond that period unless the legal rights are renewable and renewal is assured.

The useful economic lives of the intangible assets disclosed in the Balance Sheet have been determined at 8 years. Useful lives are reviewed at the end of each reporting period and are revised if necessary.

Disposals and De-recognition
The accounting for these transactions is covered under the "Surplus Assets, Disposals, De-recognition and Assets held for Sale.

Impairments and Revaluation Losses
Intangible assets are reviewed regularly for impairment:

- At the end of the first full financial year following the acquisition; and
- In other periods if events or changes in circumstances indicate that the carrying values may be subject to greater than expected consumption of economic benefits.

Where, on review of an intangible asset, there has been a decrease in value over the previous carrying amount, an impairment loss is recognised. As there is no balance in the Revaluation Reserve in respect of an impaired intangible asset (since they are valued at historic cost), the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account (also see Note 7).

Where a previous impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised. The reversal of a previous impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the new value is directly attributable to the reversal of the event that caused the original impairment loss.

Charges to Revenue
Service revenue accounts, as defined in SeRCOP, together with central support services and trading accounts, and the Housing Revenue Account if appropriate, are charged with a provision for amortisation and, where required, any related impairment loss due to the clear consumption of economic benefits, for all intangible assets used in the provision of services.

1.14 Interest

The Council pays interest on its borrowings (usually raised to finance capital expenditure) and receives interest and dividends on its investments. Interest is apportioned between the Housing Revenue Account and the General Fund in accordance with relevant Regulations.

The Code states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings. For reserves the average 7-day London Inter Bank Bid (LIBID) rate for the year is used, calculated on a daily average, as published by the money markets. The annual averaged 7-day rate was 0.49% in 2012/13 (in 2011/12 it was 0.52%).

Interest is credited to the Housing Revenue Account balance and other reserves based on their average balance in the year. This is taken as their opening balance plus their closing balance divided by 2, to which the average quarterly 7-day money market rate is applied.

Interest relating to the General Fund is reflected in the accounts as follows:

- Interest and dividends received are credited to the 'Financing and Investment Income and Expenditure' section of the Comprehensive Income and Expenditure Statement.

- Interest payable is debited to the 'Financing and Investment Income and Expenditure' section of the Comprehensive Income and Expenditure Statement. As part of this cost relates to the financing of the Housing Revenue Account capital programme, a recharge is made to the Housing Revenue Account.

Interest due or payable at the year-end is accrued and added to the carrying value of the relevant loan or investment.

1.15 Interests in Companies and Other Entities

The Code requires a local authority to consider all its interests and to prepare a full set of group accounts' financial statements where it has material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that might require group accounts and has not identified any relationship that gives rise to a need to prepare them.

1.16 Inventories and Long Term Contracts

Stocks
Stocks are included in the Balance Sheet at the cost of the separate items of stock or of groups of similar items. Their cost has been determined on a FIFO (first in, first out) or average basis, less an allowance for loss in value where appropriate.

Long-term Contracts
A long-term contract is "a contract entered into for the design, manufacture or construction of a single substantial asset or for the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods". Revenue contracts are charged to revenue as payments are made for works or services received and capital contracts are charged as capital expenditure and are shown in the accounts either as assets under construction or, if completed in 2012/13, as additions to fixed assets.

1.17 Investment Property

Recognition
By definition, investment property is held solely to earn rentals and/or for the purposes of capital appreciation. The Council holds a few properties, originally acquired to facilitate capital projects, which have been classified as investment properties. This is because the projects for which the properties were acquired never came to fruition, but the properties have been retained and are let to third parties. Investment property can comprise part of a building provided that the part is capable of being subject to a separate lease or sale.

By definition it must be probable that an investment property will yield future economic benefit to the Council and it must be capable of reliable measurement.

Measurement
Investment properties are initially measured at cost (plus any direct transaction costs), and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length (market value). Investment properties are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, not to the Revaluation Reserve as is the case for Property, Plant and Equipment generally. However, revaluation gains and losses, by Regulation, are not permitted to affect the General Fund balance, so they are reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Amortisation
Investment properties are not depreciated since the consumption of economic benefits over time is taken into account through the annual valuations of fair value.

Disposals and De-recognition
The accounting for these transactions is covered under the "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note (also see Note 22).

In no circumstances can investment properties be re-classified as Assets Held for Sale.

Impairments and Revaluation Losses
Where, on revaluation of an investment property, there has been a decrease over the previous carrying amount, an impairment loss is recognised. The amount of the impairment is written off within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account (also see Note 7).

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss.

Charges to Revenue
Rentals received in respect of investment properties are credited to, and direct operating expenses are debited to, the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund balance.

1.18 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of the ownership of property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for lease classification purposes.

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

STATEMENT OF ACCOUNTING POLICIES

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. Contingent rents are charged as expenses in the periods in which they are incurred. The Council does not currently have any contingent rents.

The Council uses assets under a long term contract which is deemed to incorporate an embedded finance lease. Some of the Council's schools have entered into finance leases for minor items of equipment and the Council itself has some old finance leases covering equipment, mostly wheelie bins. In all cases the lease obligations and asset values have resulted in some minor impact on the Councils accounts, other arrangements were de minimis.

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 (also see Note 7). Any depreciation, revaluation or impairment losses arising on leased assets are reversed to the Capital Adjustment Account in the Movement in Reserves Statement (also see Note 7).

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 not have any finance lease as Lessor.

Operating Leases – the Council as Lessee

Lease that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charges 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.

STATEMENT OF ACCOUNTING POLICIES

Recognition

De Minimis & Materiality Limits:

The capital value of a lease to be recognised as a material Finance Lease	**£20,000**
Annual passing rent to be recognised as a material Finance Lease	**£20,000**
Minimum rental period for recognition:	
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**

1.19 Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure Statement in respect of its outstanding loans and obligations of a similar nature. This charge is known as the Minimum Revenue Provision. It is also permissible for the Council to make additional voluntary repayments. The policy adopted is as follows:

- For supported borrowing, the regulatory method has been adopted. This relates to debt that is supported by the Government through the Revenue Support Grant system. This method is the same as the previous system and comprises 4% of the relevant debt. It mirrors the way the Government calculates the support it plans to give to local authorities; and

- For prudential (or unsupported) borrowing the asset life (equal instalment) method has been adopted. This method involves making provision by equal annual instalments over the estimated useful life of the asset in respect of which the borrowing was made. Incidentally, this is also the method employed for leased assets.

1.20 Overheads and Support Services

Charges or apportionments covering all support service costs (e.g. legal, human resources and finance) are made to all "front line" services (services to the public) in proportion to the

benefits received on a total cost absorption basis. The cost of service management is also apportioned to the accounts representing the activities managed. The bases of apportionment adopted are used consistently for all the expenditure heads to which apportionments are made. This is in accordance with the SeRCOP 2012/13.

The costs of the Corporate and Democratic Core (costs relating to the Council's status as a multi-functional democratic organisation) and of Non Distributed Costs (costs of early retirements and impairments of Assets Held for Sale) are allocated to separate objective expenditure heads in the Comprehensive Income and Expenditure Statement as part of Cost of Services and are not apportioned to services.

STATEMENT OF ACCOUNTING POLICIES

1.21 Prior Period Adjustments

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable.

1.22 Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes for a period of more than one year. Along with intangible assets, investment property and assets held for sale, they are classified generically under IFRS as non current assets.

De Minimis Policies

The Council applies or intends to apply as appropriate the following de minimis thresholds to its asset and capital accounting. Items below the values set out in the table below are not put through the full asset or capital accounting process on the grounds that they have no material effect on the presentation in the financial statements of a true and fair view. These limits may be ignored where accountability to an external funder is required or to maximise the use of a government grant.

Recognition

De Minimis Limits:

The value below which assets are not recorded separately in the Asset Register	**£1**
The value below which any expenditure on a capital project is charged directly to revenue expenditure	**£10,000**
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%**
The value below which capital receipts are treated as revenue income	**£10,000**

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided it can be measured reliably. Expenditure on the acquisition of an item of property, plant or equipment, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as property, plant or equipment, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the services it provides, for a period of more than one year. Expenditure on repairs and maintenance is charged as an expense to revenue. Donated assets are brought on to the Balance Sheet at fair value with a corresponding entry to the Capital Adjustment Account (not the Revaluation Reserve).

Expenditure that is capitalised includes spending on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and

- Acquisition, installation or replacement of plant, machinery, apparatus, vehicles, furniture and equipment.

Enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of an asset; or
- Increase substantially the market value of an asset; or
- Increase substantially the extent to which an asset can, or will, be used for the purposes of, or in conjunction with, the functions of, the Council.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that property, plant or equipment asset maintain their previously assessed standard of performance is recognised in the Comprehensive Income and Expenditure Statement as it is incurred. Expenditure on existing property, plant and equipment is capitalised in three circumstances:

- Enhancement (as defined above);
- Where a component of a property, plant or equipment asset, that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or refurbished; and
- Where the spending relates to a major inspection or overhaul of a property, plant or equipment asset that restores the benefits of the asset that have been consumed by the Council and have previously been reflected in accumulated depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised as property, plant and equipment assets with a matching long-term liability for future rentals payable.

Where a property, plant or equipment asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

Components

The new Code requires the significant components of a property, plant and equipment asset, with measurably different estimated useful lives, to be treated as separate assets for depreciation purposes. The identification of components must take place either when an asset is brought into use or at the point of the replacement of a component. Where applicable, this will require the writing out of the Balance Sheet of the component being replaced. Recognition of replaced components for depreciation purposes applies to enhancement and acquisition expenditure incurred from 1 April 2011 and to certificated asset revaluations carried out after that date.

The Council has a de-minimis threshold of £50k before recognising components for both General Fund and Housing Revenue Account assets. For the individual component to be recognised, the component value must also be greater than 10% of the total asset value. The de-minimis level is reviewed on an annual basis. In line with Department of Communities and Local Government guidance, Council Dwellings are split into land and building elements and not componentised any further. The change in the de-minimis limit from 20% to 10% took place following a revaluation as at 31 March 2012. This had no implication for 2011/12 depreciation in the accounts. This change is to reflect the continued implementation of IFRS and the spirit of componentisation of fixed assets. The effect of the change will be to further enhance the analysis of component accounting in fixed assets in order to charge the correct amount of depreciation to the CIES and hence the economic potential of the service. There are no implications for any previous and current reporting period as any differences arising from the change in treatment would be immaterial.

Vehicles, plant and equipment assets are excluded from this policy as they do not have separate identifiable components of significant value or a significant difference in asset life. Community assets are unlikely to be componentised as they are held at either cost or nil value. Assets under construction are not considered for componentisation until they become operational.

Expenditure on moveable furniture and equipment are written down to nil value in the year in which the expenditure is incurred and as such will not have a carrying value on the balance sheet.

Measurement – Valuation and Revaluation

Property, plant and equipment assets are initially measured at cost. Only those costs that are directly attributable to bringing an asset into working condition for its intended use are included in its measurement. Although it is permitted, the Council does not capitalise any associated borrowing costs.

When substantially all the activities, which are necessary to get an item of property, plant or equipment ready for use, are complete, the asset is categorised and included in the Balance Sheet. Property, plant and equipment assets are divided into the following categories:

- ***Council dwellings*** – these assets are valued based on the use of beacon properties (groups of similar assets) to assess a vacant possession value which is then adjusted downwards by 39% to reflect their occupation by a secure tenant, i.e. to reflect their use for social housing purposes. This adjustment factor is provided by the Government and applies throughout the Eastern Region of England;
- ***Other land and buildings***;
- ***Vehicles, plant, furniture and equipment***;
- ***Infrastructure assets*** – these assets comprise highways, footways, bridges, street furniture and drainage;
- ***Land awaiting development***;
- ***Commercial properties*** – these assets mostly comprise blocks of shops provided on housing estates as part of comprehensive social housing developments;
- ***Community assets*** – these assets comprise parkland (but not any associated buildings), cemeteries and allotments;
- ***Heritage assets –*** these are assets comprised of historic building, works of art and museum exhibits and are of intrinsic cultural value;
- ***Assets under construction***; and
- ***Surplus assets*** – these assets are surplus to current service need but do not meet the criteria for classification as investment property or as assets held for sale. They are valued on the basis of the use to which they were put before they were vacated, de-commissioned or otherwise deemed surplus.

For the financial year 2012/13, a full 100% revaluation of Land and Building assets (including Council dwellings) was undertaken.

STATEMENT OF ACCOUNTING POLICIES

From 2013/14 the authority will carry out a rolling programme (20%) for non housing stock assets that ensures that all property, plant and equipment to be measured at fair value, is revalued every 5 years. Council dwellings will continue to be revalued every 5 years, but subsequently these values will be updated each year as at the Balance Sheet date on a desktop formula basis. During 2012/13 the Valuer's judgment is that asset values for Council dwellings increased by 0.5%. Asset values for other properties in Thurrock have not materially changed. Non-current assets are also re-valued on account of known events that could affect their values. This approach complies with the new Code's requirements and is in accordance with CIPFA's Statement of Asset Valuation Principles.

Property, plant and equipment assets are valued on the bases set out in the table below. Regarding specialised properties, where there is sufficient evidence to enable a Valuer to arrive at a market value in existing use, that value is used, but where there is no, or insufficient, market based evidence, depreciated replacement cost is used. This valuation basis uses the aggregate of the market value for existing use of the land on which the building stands, plus the current gross replacement cost of the building, less an allowance for physical deterioration and obsolescence based on the current level of service or output of the building.

Asset Category	**Valuation Basis**
Council Dwellings	Fair Value based on Existing Use Value – Social Housing
Non Specialised Assets: Other Land and Buildings	Fair Value based on Existing Use Value (EUV)
Specialised Assets: Other Land and Buildings	Depreciated Replacement Cost
Vehicles, Plant, Furniture and Equipment	Depreciated Replacement Cost (unless EUV can be determined)
Land Awaiting Development	Fair Value based on Existing Use
Commercial Properties	Fair Value based on Existing Use
Community Assets	Depreciated Historic Cost
Infrastructure Assets	Depreciated Historic Cost
Surplus Assets for Disposal	Fair Value based on previous Existing Use
Assets Under Construction	Historic Cost

For 2012/13 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's External Valuer (Serco) and GVA Grimley Limited (for former Development Corporation assets), both 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").

The asset valuations have been prepared using the following assumptions:

- The Council has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consents for their current use;

- Plant and machinery is included in the valuation of the property, where applicable;
- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

Accounting for Revaluation
An Asset Register is used to record the details of all non-current assets and their associated accounting information. For all property, plant and equipment assets a rolling record of depreciated historical cost is maintained so that the difference between that and depreciated fair value, where appropriate, can be identified each year in order to establish the balance in respect of each asset of revaluation gains held in the Revaluation Reserve. The depreciated historical cost includes any subsequent capital expenditure incurred on enhancements.

Where a property, plant or equipment asset is included in the Balance Sheet at a re-valued amount, the asset account is debited and the Revaluation Reserve credited with the gain. If, however, the increase over the previous carrying amount at which that asset was

included in the Balance Sheet immediately prior to the latest re-valuation reverses previous revaluation or impairment losses, the amount of the gain up to the previously recognised losses is credited to the Comprehensive Income and Expenditure Statement and taken to the Capital Adjustment Account through the Movement in Reserves Statement. Revaluation gains in the first instance are used to reduce or to eliminate accumulated depreciation and/or accumulated impairment balances. When an asset is re-valued, the difference between the depreciation charge based on the fair value of the asset and that based on historical cost is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation losses are accounted for similarly in relation to any previous revaluation gains, but net of the additional depreciation that would have been charged had not the asset been written down previously. If the loss exceeds any balance in the Revaluation Reserve, the excess is debited to the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation with an opening zero balance in accordance with proper accounting practices. Gains arising before that date have been consolidated into the Capital Adjustment Account. The Revaluation Reserve is not permitted to hold any negative balances reflecting valuation losses.

Impairments and Revaluation Losses
The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and, where there is reason to believe that its value has been impaired materially in the period, the valuation is adjusted accordingly. For non-cash generating assets impairment is considered on the basis of the “recoverable amount”, the cost of replacing the service potential of the asset, normally its depreciated replacement cost. For cash generating assets it is considered in the context of the present value of the cash flows to be derived from the asset.

Events and changes in circumstances that indicate impairment may have occurred include:

- A significant decline in the market value of a property, plant and equipment asset during the period,

- Evidence of obsolescence or physical damage to a property, plant and equipment asset,
- A significant adverse change in the statutory or other regulatory environment in which the Council operates,
- A commitment by the Council to undertake a significant reorganisation leading to major changes in the way an asset is used or expected to be used, or
- A significant deterioration in the expected level of an asset's performance.

Where, on the revaluation of a property, plant or equipment asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If there is a balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off against that balance. If there is no balance or insufficient balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised: it is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account. Any excess of gain over the original loss is credited to the Revaluation Reserve.

Disposals and De-recognition
The accounting for these transactions is covered under the "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note (also see Note 22).

Depreciation
Depreciation is the measure of the cost of the economic benefit of a non-current asset that has been consumed during an accounting period.

Depreciation is calculated on the carrying amount, including any past enhancement expenditure, of all property, plant and equipment assets with a finite useful life, which is estimated at the time of acquisition or revaluation. For all property, plant and equipment assets, other than non-depreciable land, investment properties held at fair value, assets held for sale and assets under construction, the only ground for not charging depreciation is if the depreciation charge is immaterial. Provision for depreciation is made by allocating the cost (or re-valued amount) less the estimated residual value of the assets as fairly as possible over the periods expected to benefit from the use of the related assets. In this way both the historical cost and any revaluation gains are depreciated with consequential effects on an asset's balance in the Revaluation Reserve. Invariably this approach to depreciation accounting results in the charge of equal amounts each year over the life of the asset.

One reason for breaking down large assets into components is to enable depreciation to measure more accurately the consumption of economic benefits during a reporting period, reflecting the fact that major components of large buildings may have significantly different estimated useful lives compared with that of the overall building structure and therefore need to be depreciated separately. The main objective is to ensure that depreciation charges are materially correct.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position of the Council. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the property, plant or equipment asset is depreciated using the revised method over the remaining useful life, beginning with the period in which the change is made.

The estimated useful lives of assets, which can be different from their economic lives, are estimated on a realistic basis, are reviewed annually and, where necessary, are revised. Where the useful life of a property, plant or equipment asset is revised, the carrying amount of the asset is depreciated over the revised remaining useful life.

The overarching provision in IFRS is that the depreciation method should be that most appropriate to each item of property, plant or equipment and its use in the provision of services, which ensures a fair presentation of the Council's financial position. For each category of asset the estimation technique selected is that most appropriate to the type of asset and its use in the provision of services taking account of the expected usage, expected physical deterioration, prospects of obsolescence and any legal limits on usage such as lease expiry dates.

Depreciation has been calculated as follows:

Asset Category	Depreciation Method
Council Dwellings	Charged on the net book value of the buildings divided by their remaining estimated life
Other Land and Buildings	Charged on the net book value of the buildings divided by their remaining estimated life
Vehicles, Plant, Furniture and Equipment	Charged on a straight line basis; computer servers over 5 years and the remainder over 7 years
Land Awaiting Development	No depreciation charge is made
Commercial Properties	Charged on the net book value of the buildings divided by their remaining estimated life
Community Assets	Charged on the net book value of the buildings divided by their remaining estimated life
Infrastructure Assets	Charged on the net book value divided by the remaining estimated life, based on a total estimated life of 30 years
Leased Assets	Charged on valuation divided by term of lease

Depreciation is not generally provided for freehold land, where the Council assumes an asset life of 999 years. However, freehold land would be depreciated where it is subject to depletion by, for example, the extraction of minerals or the deposit of landfill.

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

Asset Category	Useful Life (years)
Council Dwellings	60
Other Land and Buildings	10 - 60
Vehicles, Plant and Equipment	1 - 10
Land Awaiting Development	No life estimated – non-depreciable
Commercial Properties	10 - 60
Community Assets	30 - 60
Infrastructure Assets	30 - 40
Surplus Assets	10 - 60
Leased Assets	Over term of lease

Charges to Revenue

To reflect the real costs of holding assets during the year, General Fund service revenue accounts, as defined in CIPFA's SeRCOP, central support services and trading accounts, are charged with:

- Depreciation for all property, plant and equipment assets used in the provision of services;
- Where required, any related impairment losses, if in excess of any balance on the Revaluation Reserve, for all property, plant and equipment assets used in the provision of services; and
- All expenditure on repairs and maintenance relating to property, plant and equipment assets.

The Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement is further charged, or credited, with:

- Finance costs, including interest payable on loans and interest payable under finance leases; and
- Gains arising from revaluations which reverse earlier revaluation losses on the same asset that were charged originally to the Comprehensive Income and Expenditure Statement.

Depreciation and impairment of property, plant and equipment assets are all reversed in the Movement in Reserves Statement to the Capital Adjustment Account and replaced by the Minimum Revenue Provision so that only a statutory calculation of the costs of servicing the Council's borrowings are met from Council Tax.

1.23 Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. They are recorded as current or long-term liabilities depending on whether the liability is expected to be settled within twelve months or not at the Balance Sheet date.

Provisions are recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is judged more likely than not to occur. Provisions are charged to the Comprehensive Income and Expenditure Statement when the Council becomes aware of the obligation. When payments are incurred to which the provision relates they are charged direct to the provision in the Balance Sheet. The amount recognised as a provision is the best estimate at the Balance Sheet date, taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is written back into the Comprehensive Income and Expenditure Statement. Once the amount of the provision is no longer uncertain the provision is re-classified as a creditor.

Where some or all of the expenditure required to set up a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that it will be received if the obligation is settled. The reimbursement is treated as a separate asset. In the appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

1.24 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. More details are provided in the notes to the accounts (see Note 25).

- ***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. More details of each reserve are set out in the notes to the accounts (see Notes 7, 17 and 24) and in the Movement in Reserves Statement.

1.25 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

1.26 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.

1.27 Schools

The working balances of all schools, excluding academies, have been included in the Balance Sheet (included in Earmarked Reserves – see Note 17). Academies are responsible for producing their own annual accounts and have to submit a return to the Charity's Commission.

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

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

1.28 Surplus Assets, Disposals, De-recognition and Non-Current Assets Held for Sale

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 year-end. 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 (also see Note 7). 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 in compliance with CIPFA's interpretation of IFRS, any RTBs processed early in 2013/14 where the transaction was fully committed as at 31 March 2013 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.

1.29 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 in accordance with SSAP 5 since there is no IFRS dealing with accounting for VAT. VAT receivable is excluded from income.

1.30 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.

1.31 Heritage Assets

Under the Code of Practice the Council was required to account for Heritage Assets under FRS 30 for the first time in 2011/12. The Council held records of these assets and accounted for them as community assets prior to 2011/12.

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 account as appropriate. The valuations are reviewed annually 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 annually as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

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

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

1.32 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

NOTES TO THE CORE STATEMENTS
General Notes

Note 1 ACCOUNTING POLICIES

The Council's Accounting Policies are set out in the previous section.

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

There is a requirement under the Code that the valuation of property, plant and equipment is at fair value. Currently highways Infrastructure is valued at historic cost in accordance with CIPFA's Code of Practice. It is still to be determined by CIPFA when a fair valuation will be required but is anticipated to apply to the 2014/15 financial statements.

The following standards have also been issued but not adopted:

IAS19 Employment Benefits – there were revisions in June 2011 that will apply from periods beginning or after 1 January 2013 (1 April 2013 for Thurrock Borough Council).

The main changes are:

- Removal of the expected return on assets, to be replaced by a net interest cost made up of interest income on the assets and interest expense on the liabilities – these are
- both calculated with reference to the discount rate.
- Some labelling changes to headings.
- Administration expenses will be accounted for within the Service Cost, previously it was a deduction to the actual and expected return on assets.

If the amendments had been adopted in 2012/13 the amount recognised in the Comprehensive Income and Expenditure Account would have been £6.88m compared with £4.29m which has been recognised in the current year.

IAS 12 Deferred Tax – Recovery of Underlying Assets. These amendments apply from 2013/14 and affect group accounts and hence there is no impact on the Council.

IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities sets out required information to make users aware of the effect of netting arrangements and applies from 2013/14.

IFRS 13 Fair Value Measurement – the standard defines fair value, sets out in a single standard a framework for measuring fair value, and requires disclosures about fair value measurements. These changes will apply to the 2014/15 financial statements.

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES (cont.)

to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;

- The Council is a partner to a long-term strategic service partnership contract under which several major services are provided to the Council. The Council has determined that this is not a PFI scheme – or service concession under IFRS – but does contain embedded leases which have been accounted for accordingly;
- The Council has made a provision for a number of redundancies known at the Balance Sheet date. The Council has agreed for any further severance costs to be met from reserves; and
- The Council undertakes an annual review to ascertain if any there are impairments or changes in value as part of the annual price review for non current assets.

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

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

The items in the Authority's Balance Sheet at 31 March 2013 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 £0.875m.
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 £8.004m.
Arrears	The Council's debtors and the overall provision for impairment are disclosed in Note 21. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	The Council has increased its bad debt provision for general and housing purposes to £1.65m. If collection rates were to deteriorate a doubling of the impairment provision for doubtful debts would require a similar amount to be set aside.

Note 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (cont.)

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

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

These include figures for sums collected through Council Tax - the Councils' proportion is £57.6 million (£68.2 million across all preceptors).

Housing Benefits, whilst generally considered to be break-even to the Council, involves paying out sums in the region of £59 million and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £8.0 million. £5.5 million relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform. The debt of £160.89m was shown reflected in HRA expenditure in the prior year.

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £299m. These are shown in Note 26 to the accounts.

Note 6 RESTATEMENT OF 2011/12 COMPARATIVE FIGURES

The senior officer remuneration figures shown in Note 14 to the 2011/12 Statement of Accounts incorrectly included employers national insurance. This has been removed from the corresponding figures in Note 14 to the 2012/13 Statement of Accounts for both 2011/12 and 2012/13 to comply with the requirements of the Code of Practice.

The opening cost position in Note 33 has been restated. The category for Other Land and Buildings now includes the balances which were previously included in the categories of Commercial Property and Land Awaiting Development. There has been a further minor reclassification of assets held under finance lease between Other Land and Buildings and Vehicles, Plant and Equipment totalling £146k which now accurately reflects the correct position.

Note 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Note details the adjustments that have been made in the Comprehensive Income and Expenditure Statement (CIES) for the year to 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.

	2012/13							
	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 CIES								
Amortisation of intangible assets	(195)	-	-	-	-	-	(195)	195
Depreciation of non-current assets	(9,195)	(6,470)	-	-	-	-	(15,665)	15,665
Revaluation and Impairment losses on Property, Plant and Equipment	(136,343)	(11,291)	-	-	-	-	(147,634)	147,634
Revaluation gains reversing previous losses	12,374	78,612	-	-	-	-	90,986	(90,986)
Movement in Market Value on Investment Property	1,191	14	-	-	-	-	1,205	(1,205)
Movement in value of held for sale assets	-	(65)	-	-	-	-	(65)	65
Capital grants and contributions unapplied to the CIES	6,171	-	-	-	-	(6,171)	-	-
Capital grants and contributions applied to the CIES	7,485						7,485	(7,485)
Revenue expenditure funded from capital under statute (REFCUS)	(6,470)	-	-	-	-	-	(6,470)	6,470
Grant Funding for REFCUS	2,769						2,769	(2,769)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(41,331)	(10,231)	-	-	-	-	(51,562)	51,562
Insertion of items not debited or credited to the CIES								
Statutory Provision for the repayment of debt (MRP) Includes Finance Leases	6,287	-	-	-	-	-	6,287	(6,287)
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing (to capital adjustment account)	-	-	-	-	-	3,368	3,368	(3,368)

NOTES TO THE CORE STATEMENTS
General Notes

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

	2012/13							
	Usable Reserves							Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:								
Capital Receipts applied to fund Capital Expenditure	-	-	-	5,309	-	-	5,309	(5,309)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	3,218	3,319	-	(6,537)	-	-	-	-
Contribution from the Capital Receipts Reserve towards administration costs of non-current assets	(65)	-	-	65	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(758)	-	-	758	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	-	7,593	-	-	(7,593)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	6,884	-	6,884	(6,884)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	189	-	-	-	-	-	189	(189)
Adjustment involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,923)	(368)	-	-	-	-	(4,291)	4,291
Employer's pension contributions and direct payment to pensioners payable in year	9,811	433	-	-	-	-	10,244	(10,244)
Adjustments involving the Collection Fund:								
Amount by which amounts charged to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements & other Collection Fund adjustments	1,378	-	-	-	-	-	1,378	(1,378)
Adjustment involving the Accumulated Absences Account:								

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

	2012/13							
				Usable Reserves				Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	
	£000	£000	£000	£000	£000	£000	£000	£000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	684	7	-	-	-	-	691	(691)
Total Adjustments	**(146,721)**	**61,553**	**-**	**(405)**	**(709)**	**(2,804)**	**(89,086)**	**89,086**

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

2011/12	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)
	Usable Reserves							
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to CIES								
Amortisation of intangible assets	(734)	-	-	-	-	-	(734)	734
Depreciation of non-current assets	(7,299)	(6,080)	-	-	-	-	(13,379)	13,379
Revaluation and Impairment losses on Property, Plant and Equipment	(39,500)	(8,993)	-	-	-	-	(48,493)	48,493
Revaluation gains reversing previous losses	1,001	228	-	-	-	-	1,229	(1,229)
Movement in Market Value of Investment Property	(611)	(393)	-	-	-	-	(1,004)	1,004
Movement in value of held for sale assets		(83)	-	-	-	-	(83)	83
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	(32)	(902)	-	-	-	-	(934)	934
Capital Grants and Contributions unapplied credited to the CIES	2,488	-	-	-	-	(2,488)	-	-
Revenue expenditure funded from capital under statute (REFCUS) - net of funding	(8,784)	-	-	-	-	-	(8,784)	8,784
Amounts of Property, Plant & Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(1,112)	(9,123)	-	-	-	-	(10,235)	10,235
Insertion of items not debited or credited to the CIES								
Statutory Provision for Repayment of Debt (MRP) (includes Finance Lease Liabilities)	6,844	-	-	-	-	-	6,844	(6,844)
HRA Self Financing Capital Expenditure	-	(160,889)	-	-	-	-	(160,889)	160,889
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions applied credited to the CIES	16,156	278	-	-	-	41	16,475	(16,475)
Application of grants to capital financing (to capital adjustment account)	-	-	-	-	-	3,674	3,674	(3,674)
Adjustments primarily involving the Capital Receipts Reserve:								

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

	2011/12							
	Usable Reserves							Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	
	£000	£000	£000	£000	£000	£000	£000	£000
Capital Receipts applied to fund Capital Expenditure	-	-	-	1,351	-	-	1,351	(1,351)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	121	1,963	-	(2,084)	-	-	-	-
Contribution from the Capital Receipts Reserve towards administration costs of non-current assets	(83)	-	-	83	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1,410)	-	-	1,410	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	-	7,676	-	-	(7,676)	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	9,088	-	9,088	(9,088)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	189	-	-	-	-	-	189	(189)
Adjustment involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(6,294)	(205)	-	-	-	-	(6,499)	6,499
Employer's pension contributions and direct payment to pensioners payable in year	11,148	-	-	-	-	-	11,148	(11,148)
Prior year adjustment	438	-	(16)	-	-	-	422	(422)
Adjustments involving the Collection Fund:								
Amount by which amounts charged to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements & other Collection Fund adjustments	(767)	-	-	-	-	-	(767)	767

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

	2011/12							
	Usable Reserves							Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	
	£000	£000	£000	£000	£000	£000	£000	£000
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	372	20	-	-	-	-	392	(392)
Total Adjustments	**(27,869)**	**(176,503)**	**(16)**	**760**	**1,412**	**1,227**	**(200,989)**	**200,989**

Note 8 EXCEPTIONAL ITEMS

The Council undertook a full valuation of property, plant and equipment in 2012/13. As a result the following exceptional items were charged to the Comprehensive Income and Expenditure statement:

Impairment of property plant and equipment – £147.6m

Reversal of previous impairments of property, plant and equipment charged to the CIES – £91.0m

A more detailed analysis of property, plant and equipment is included in Note 33 to the accounts.

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2012/13 are as follows:

Schools Budget Funded By Dedicated Schools Grant (DSG)

Notes		Central Expenditure	Individual Schools Budget	Total
		£000	£000	£000
A	Final DSG for 2012/13 before Academy Recoupment	10,572	110,899	121,471
B	Academy figure recouped for 2012/13	587	44,259	44,846
C	Total DSG after Academy Recoupment for 2012/13	9,985	66,640	76,625
D	Brought Forward from 2011/12	2,580	-	2,580
E	Carry forward agreed to 2013/14 agreed in advance	-	-	-
F	Agreed budgeted distribution in 2012/13	12,565	66,640	79,205
G	In Year Budget Adjustments	(1,009)	1,009	-
H	Actual Central Expenditures	8,842	-	8,842
I	Actual ISB deployed to schools	-	67,649	67,649
J	Local authority contribution 2011/12	-	-	-
K	Carry Forward to 2013/14	2,714	-	2,714

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT (cont.)

Comparatives for 2011/12 were as follows:

Comparatives for 2011/12 were as follows :	Central Expenditure £000	Individual Schools Budget £000	Total £000
Income	11,485	84,336	95,821
Less Expenditure	(8,905)	(84,336)	(93,241)
Carrying Forward to 2011/12	**2,580**	**0**	**2,580**

Notes

A This is the original Final DSG Figure, before recoupment for historic and in-year Academy Conversions.

B This is the reduction in the Thurrock allocation of DSG for those Schools that are no longer under local Authority Control and are now funded directly by the DfE

C This is the Net DSG figure issued by DfE in March 2013. For Funding Maintained Schools and Specific Education services to Schools and Academies.

D This figure brought forward from 2011/12, is unspent Central DSG Contingency.

E Any amount which the authority decided after consultation with the schools forum to carry forward to 2013/14 rather than distribute in 2012/13.

F Budgeted distribution of DSG, adjusted for in year Academy conversions, as agreed with the schools forum.

G Budget movements from Contingency to ISB.

H Actual amount of central expenditure items in 2012/13, after contingency allocations to ISB.

I Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).

J Any contribution from the local authority in 2012/13 which will have the effect of substituting for DSG in funding the Schools Budget.

K Carry forward to 2013/14.

NOTES TO THE CORE STATEMENTS
General Notes

Note 10 OTHER OPERATING EXPENDITURE

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

2011/12 £000		2012/13 £000
518	Levies	578
1,409	Payments to the Government Housing Capital Receipts Pool	758
9,176	Gains/losses on the disposal of non current assets	45,025
11,103	**Total**	**46,361**

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2011/12 £000		2012/13 £000
2,171	Interest payable and similar charges	2,504
3,028	Pensions interest cost and expected return on pensions assets	4,007
(684)	Interest receivable and similar income	(435)
(188)	Income and expenditure in relation to investment properties and changes in their fair value	(1,379)
4,327	**Total**	**4,697**

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2011/12 £000		2012/13 £000
(56,502)	Council tax income (include surplus/deficit on collection fund)	(58,927)
(47,009)	Non domestic rates	(57,444)
(29,599)	Non-ring fenced grants (i.e. includes Revenue Support Grant)	(17,303)
(11,576)	Capital grants and contributions	(13,658)
(144,686)	**Total**	**(147,332)**

Note 13 MEMBERS' ALLOWANCES

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

Members' Allowances	**2011/12 £000**	**2012/13 £000**
Allowances	583	612
Expenses	1	-
Total	**584**	**612**

NOTES TO THE CORE STATEMENTS
General Notes

Note 14 REMUNERATION OF SENIOR STAFF

2012/13 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included in the bandings table, where the salary was between £50,000 and £150,000 per annum, were as follows:

Senior Staff Emoluments 2012/13	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
	£	£	£	£	£	£
Chief Executive - Graham Farrant Note 1	174,999	10,000	-	-	21,350	206,349
Assistant Chief Executive	102,999	-	-	-	12,566	115,565
Director of Children's' Services	132,000	-	280	-	16,104	148,384
Director of Environment Note 2	71,009	-	-	-	8,663	79,672
Acting Director of Environment Note 2	23,819	-	-	-	2,906	26,725
Director of Finance and Corporate Governance	125,502	-	-	-	15,311	140,813
Director of Housing	112,125	-	-	-	13,679	125,804
Director of Planning & Transportation Note 3	71,395	-	-	-	8,711	80,106
Director of Sustainable Communities Note 4	10,459	-	-	66,189	1,276	77,924
Director of Transformation Note 5	27,966	-	-	-	3,180	31,146
Head of Legal Services Note 6	63,128	-	-	-	5,826	68,954

Notes

1 As from 24th July 2012 the Chief Executive became a shared post with the London Borough of Dagenham & Barking who pays a monthly contribution of £9,569.72 towards his salary. For 2012/13 this equated to £78,766.15 for the period covered by this arrangement.

2 The Director of Environment left December 2012 and was replaced by Acting Director of Environment.

3 The Director of Planning & Transportation has been in post since August 2012.

4 The Director of Sustainable Communities left service in April 2012.

5 The Director of Transformation left service voluntarily in June 2012

6 The Head of Legal Services/Monitoring Offices is an ongoing shared service with the London Borough of Dagenham & Barking (LBDB) and until September 2012 this post was filled by a Thurrock Council employee – the Council received a quarterly contribution towards their salary of £ 21,216.50. From Oct-12 this post was filled by a LBDB employee and the Council made a total contribution of £29,478.00 towards their salary paid of £78,604.50.

NOTES TO THE CORE STATEMENTS
General Notes

Note 14 REMUNERATION OF SENIOR STAFF (cont.)

2011/12 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included in the bandings table, where the salary was between £50,000 and £150,000 per annum, were as follows:

Senior Staff Emoluments 2011/12	Salary, Fees and Allowances	Performance Related bonus	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
	£	£	£	£	£	£
Chief Executive – Graham Farrant	174,999	10,000	-	-	21,350	206,349
Director of Community Well Being	54,675	-	-	64,987	6,465	126,127
Director of Sustainable Communities	125,502	-	-	-	15,311	140,813
Director of Children's' Services	132,000	-	-	-	16,104	148,104
Director of Finance and Corporate Governance	125,502	-	-	-	15,311	140,813
Director of Transformation	125,502	-	-	-	15,311	140,813
Head of Legal Services	122,498	-		-	11,651	134,149

Note The above figures exclude Employer's NI as this was incorrectly shown in 2011/12, therefore the previous year's figures have been restated for comparative purposes

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration of Senior Staff Pay Band	2011/12 Numbers of Employees	2012/13 Numbers of Employees
50,001 - 55,000	45	45
55,001 - 60,000	44	35
60,001 - 65,000	21	26
65,001 - 70,000	19	22
70,001 - 75,000	9	12
75,001 - 80,000	2	4
80,001 - 85,000	5	4
85,001 - 90,000	9	4
90,001 - 95,000	6	7
95,001 - 100,000	1	1
100,001 - 105,000	1	0
105,001 - 110,000	0	1
110,001 - 115,000	0	0
115,001 - 120,000	0	0
120,001 - 125,000	0	0
125,001 - 130,000	0	0
130,001 - 135,000	0	0
135,001 - 140,000	1	0

Note The above figures exclude Employer's NI as this was incorrectly shown in 2011/12, therefore the previous year's figures have been restated for comparative purposes

Note 14 REMUNERATION OF SENIOR STAFF (cont.)

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

Exit Package cost Band £	No of Compulsory Redundancies 2011/12	No of Compulsory Redundancies 2012/13	Other Departures 2011/12	Other Departures 2012/13	Total Number of Exit Packages by Cost 2011/12	Total Number of Exit Packages by Cost 2012/13	Total Cost of Exit Packages 2011/12	Total Cost of Exit Packages 2012/13
0 – 20,000	72	5	15	5	87	10	566,752	56,070
20,001- 40,000	10	1	3	2	13	3	338,669	94,985
40,001 – 60,000	2	3	-	1	2	4	94,860	198,355
60,001 – 80,000	1	1	1	-	2	1	138,972	60,364
80,001 – 100,000	1	-	1	1	2	1	180,432	88,535
100,001 – 150,000	-	-	2	4	2	4	264,223	603,671
Total	**86**	**10**	**22**	**13**	**108**	**23**	**1,583,908**	**1,101,980**

Remuneration for the purposes of this disclosure includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

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 26.

Members and Other Public Bodies

Members have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2012/13 is shown in Note 13.

The Council paid £240,045 to voluntary organisations in which five members had positions on the governing body. 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.

Note 15 RELATED PARTY TRANSACTIONS (cont.)

Officers

The Chief Executive declared he is a trustee and also currently hold the position of interim chair to High House Production Park. This is an arts organisation whose funding from the Council totalled £4,600 in 2012/13. The Chief Executive did not take part in any discussion, decision or administration relating to the grant.

The Head of Corporate Finance declared he is treasurer to the Citizens Advice Bureau whose funding from the Council totalled £139,445 in 2012/13. The officer did not take part in any discussion, decision or administration relating to the funding.

Note 16 EXTERNAL AUDIT COSTS

In 2012/13 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

External Audit Costs	**2011/12 £000**	**2012/13 £000**
Fees Payable to the Audit Commission (2011/12) and Ernst & Young (2012/13)		
External Audit Services including Statutory Inspections	350	177
Certification of Grant Claims and Returns	80	29
Total	**430**	**206**

As part of the government's Comprehensive Spending Review, the Audit Practice of the Audit Commission was disbanded and staff transferred to Ernst and Young who are the Council's auditors for 2012/13. As a result of the Audit Commission procurement process the audit fees fell by 40% compared with the prior year. The Council also incurred additional fees in 2011/12 which are reflected in the figures.

There has also been a 40% reduction to grants fees as well as a reduction in the number of claims audited in 2012/13.

NOTES TO THE CORE STATEMENTS
General Notes

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES

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

Balance at 1 April 2011 £000	Net Transfers (In)/Out £000	Balance at 31 March 2012 £000		Balance at 1 April 2012 £000	Net Transfers (In)/Out £000	Balance at 31 March 2013 £000
(8,562)	1,538	**(7,024)**	Balances held by Schools under a Scheme of Delegation	(7,024)	577	**(6,447)**
-	(500)	**(500)**	Corporate Plan	(500)	(50)	**(550)**
-	(400)	**(400)**	Transformation	(400)	400	**-**
(1,391)	131	**(1,260)**	Revenue Grants Unapplied	(1,260)	-	**(1,260)**
(96)	90	**(6)**	Contest	(6)	6	**-**
(1,017)	61	**(956)**	LABGI	(956)	192	**(764)**
-	(1,000)	**(1,000)**	Demographics	(1,000)	(1,278)	**(2,278)**
(341)	(477)	**(818)**	Electronic Government Information Technology	(818)	(1)	**(819)**
(36)	-	**(36)**	Building Control	(36)	69	**33**
(1,250)	318	**(932)**	Capital Expenditure	(932)	317	**(615)**
(60)	-	**(60)**	Waste Development	(60)	60	**-**
-	(637)	**(637)**	MMI	(637)	637	**-**
(64)	-	**(64)**	Historic Buildings	(64)	-	**(64)**
(2)	-	**(2)**	The Salting, Tilbury	(2)	-	**(2)**
(15)	(6)	**(21)**	Museum Donations	(21)	21	**-**
-	(34)	**(34)**	Land Charges Liability Provision	(34)	(35)	**(69)**
-	(8,442)	**(8,442)**	Commuted Sums	(8,442)	6,790	**(1,652)**
-	(444)	**(444)**	PRG/LSPA Reserve	(444)	224	**(220)**
-	(160)	**(160)**	Education Reserve	(160)	160	**-**
-	-	**-**	DCLG DC Reserve	-	(1,541)	**(1,541)**
-	-	**-**	Grant Carried Forward	-	(2,262)	**(2,262)**
-	-	**-**	LSCB	-	(106)	**(106)**
-	-	**-**	Safeguarding Vulnerable People	-	(11)	**(11)**
-	-	**-**	HR / OD Reserve	-	(183)	**(183)**
-	-	**-**	Regeneration Reserve	-	(160)	**(160)**
-	-	**-**	DC Receipts	-	(886)	**(886)**
-	-	**-**	NEETS Reserve	-	(300)	**(300)**
-	-	**-**	School Improvement Reserve	-	(1,000)	**(1,000)**
-	-	**-**	Flood Defence	-	(326)	**(326)**
-	-	**-**	DSG	-	(2,714)	**(2,714)**
-	-	**-**	Development Reserve	-	(2,791)	**(2,791)**
(386)	(798)	**(1,184)**	RCCO Contributions	(1,184)	423	**(761)**
(13,220)	**(10,760)**	**(23,980)**	**Earmarked Reserves**	**(23,980)**	**(3,768)**	**(27,748)**

Note the opening balance on commuted sums includes £5.692m in respect of amounts relating to the Development Corporation. These were included in the earmarked reserves balance in 2011/12 but not incorporated in the table above

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES (cont.)

The purposes of the above reserves are summarised as follows:

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

- The ***Corporate Plan Reserve*** has been set up using part of the 2012/12 budget surplus to provide funds for the delivery of the Council's priorities.

- The ***Transformation Reserve*** is to provide funds to support the delivery of the Transformation programme.

- 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 ***Contest Reserve*** has been established from grant monies received to finance work as part of the Council's Emergency Planning responsibilities;

- The ***LABGI Reserve*** is to be used for stimulating enterprise, climate change and local business incentives;

- The ***Demographic Reserve*** has been set up to provide a contingency to meet service demand over and above that budgeted for.

- The ***Electronic Government Information Technology Reserve*** has been set up to fund projects to promote electronic government in accordance with the Government's agenda;

- The ***Building Control Reserve*** has been established in accordance with legislation under the Building (Local Authority Charges) Regulations 1998. Any surpluses arising from the revenue account is held to finance future operations;

- The ***Capital Expenditure Reserve*** is used to supplement the resources available to finance future capital expenditure;

- The ***Waste Development Reserve*** has been set up to meet the costs of the procurement process for a long-term waste solution;

- The ***MMI Reserve*** was set up to meet any levy or reductions in claims under the MMI Scheme of Arrangement drawn up by that Company to permit the orderly winding up of its business. The balance has been reclassified as a provision and appears elsewhere in the Balance Sheet.

- The ***Historic Buildings Reserve*** was established to meet the cost of purchasing any historic buildings within the Borough, which are at risk due to lack of maintenance;

- The ***Saltings Tilbury Reserve*** represents income earned set aside to finance future work at the site;

- *The* ***Land* Charges *Liability provision*** provides a reserve for any claims arising from the levy of these charges.

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES (cont.)

- *The* ***Commuted Sums reserve*** represents the amounts received from developers for various developments in the borough.

- The ***PRG/LSPA Reserve*** represents the outstanding commitments in the delivery of the community related projects.

- The ***Museum Donations Reserve*** represents funds set aside for specific purposes associated with the Thurrock Museum.

- The ***Education Reserve*** represents funds set aside for purposes associated with educational needs of the borough; and

- 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 ***LSCB*** reserve relates to funds that the Council holds on behalf of the Local Safeguarding children board.

- The ***Safeguarding Vulnerable People*** reserve relates to funds that the Council holds on behave of the board.

- The ***HR/OD*** reserve relates to carried forward fund to be used to supported the Councils Organisational Development and Human Resources requirements.

- The ***Regeneration*** reserve is to support projects identified as part of the regeneration agenda of the Council.

- The ***DC Receipts*** reserve relates to monies transferred to the Council from the Department of Communities and Local Government towards the cost of wider regeneration projects taken on by the Council.

- The ***NEETs*** reserve was identified as a requirement during the budget setting process to contributed towards individuals not in employment, education or training.

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

- The ***Flood Defence*** reserve has been set up to meet statutory requirements following changes in government legislation.

- The ***DSG*** reserve will be used to fund expenditure within education services within the remit of the dedicated schools grant.

- The ***Development*** reserve has been established to fund regeneration and new development works within the Housing Revenue Account.

- The ***RCCO Contributions Reserve*** has been established through earmarking a proportion of General Fund balances to finance capital schemes.

Note 18 LEASES

The Council as Lessee:

Finance Leases:

The Council has acquired Property, Plant and Equipment directly under various leasing arrangements. These assets have been acquired over several years and many are not material under the council's materiality policy and hence not of sufficient current value to justify the setting up of full asset accounting arrangements under IFRS. In previous years these accounts dealt with embedded leases this information has now been restated and is included with all other leases, these accounts deals with assets deemed to comprise an embedded finance lease under a long-term contract.

The Council is required to make minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The net present values of the minimum lease payments are made up of the following amounts:

2011/12 £000		**2012/13 £000**
	Finance lease liabilities (net present value of minimum lease payments):	
651	• current	636
2,389	• non current	1,491
-	Finance Cost	122
3,040	**Minimum lease payments**	**2,249**

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments 2011/12 £000	**Finance Lease Liabilities 2011/12 £000**		**Minimum Lease Payments 2012/13 £000**	**Finance Lease Liabilities 2012/13 £000**
651	651	Not later than 1 year	712	670
2,389	2,389	Later than 1 year and not later than 5 years	1,537	1,719
-	452	Later than 5 years	-	-
3,040	**3,490**		**2,249**	**2,389**

The carrying amount of leased assets is shown below:

2011/12 £000		**2012/13 £000**
113	Other Land and Buildings	-
2,610	Vehicles, Plant, Furniture and Equipment	2,088
2,723		**2,088**

Note 18 LEASES (cont.)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents payable by the Council.

Operating Leases

The Council has the use of capital assets in the categories of land and buildings through operating leases in respect of which rentals payable in 2012/13 amounted to £146,889 (£98,966 in 2011/12).

The future minimum lease payments due under non-cancellable operating leases from 31 March 2013 onwards are as follows:

2011/12 £000		2012/13 £000
99	Not later than one year	147
99	**Total**	**147**

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2011/12 £000		2012/13 £000
99	Minimum lease payments	147
99	**Total**	**147**

The Council as Lessor:

Finance Leases

There are no finances leases where the Council is the 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.

Note 18 LEASES (cont.)

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

2011/12 £000		2012/13 £000
1,066	Not later than one year	1,726
3,136	Later than one year and not later than five years	2,893
5,732	Later than five years	334
9,934		**4,953**

Note 19 PROVISIONS

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

A judgement by the Supreme Court on 28 March 2012 confirmed that employers insurance liability applies to the time when employees were first exposed to asbestos as opposed to when symptoms appeared. This meant the MMI insurance cover would not be sufficient to cover all potential claims. The Councils' maximum exposure was estimated at £816,000 but officers have been advised a provision of £408,000 is appropriate.

The balance represents provisions made for other insurance claims.

At the 31 March 2013 a number of redundancies were announced and a provision for the severance costs has been made for £297,000.

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

	Insurance £'000	Redundancy £'000	Total £'000
Balance at 01 April 2012	**(111)**	**-**	**(111)**
Additional Provision made in 2012/13	(1,781)	(297)	(2,079)
Amounts Used in 2012/13	917	-	917
Balance at 31 March 2013	**(975)**	**(297)**	**(1,273)**
Balance at 01 April 2011	(350)	-	(350)
Additional Provision made in 2011/12	(474)	-	(474)
Amounts used in 2011/12	713	-	713
Balance at 31 March 2012	**(111)**	**-**	**(111)**

Note 20 LONG-TERM DEBTORS

During 2009/10 the Council incurred external costs of £0.870m in the course of setting up new arrangements for Waste Collection. The new five year contract, which commenced during 2010/11, will however generate annual savings of £2.100m. It was determined in 2009/10 that the most equitable way of treating the costs incurred was to charge five equal and annual instalments during the course of the contract so that the set up costs are matched to, and are charged against, the savings that will arise from the new contract, with effect from 2010/11. Each year (until fully written-off), the written down uncharged balance of these costs will appear within Long-Term Debtors in the Council's Balance Sheet. As at 31st March 2013, the balance stands at £466,655.

In addition, during 2009/10 the Council made a £250,000 loan to Impulse Leisure and is shown within Long-Term Debtors in the Council's Balance Sheet.

Note 21 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 2012 £000		31 March 2013 £000
5,679	Central government bodies	6,026
125	Other local authorities	639
-	NHS bodies	75
-	Public corporations and trading funds	-
15,467	Other entities and individuals	11,355
21,271	**Total**	**18,095**
8,955	Transferred from TTG Development Corporation (Receipts)	-
30,226	Consolidated total	**18,095**

Note 22 ASSETS HELD FOR SALE

The table below gives details of Property, Plant and Equipment treated as non-current or current asset, Assets Held for Sale. Details of any non-current assets, which are surplus or awaiting disposal, are included in Note 33.

Current 2011/12 £000	Non Current 2011/12 £000		Current 2012/13 £000	Non Current 2012/13 £000
59	**0**	**Balance outstanding at start of year**	**1,255**	**0**
		Assets newly classified as held for sale:		
2,213	-	Property, Plant and Equipment	2,641	-
-	-	Reclassification of Former Development Corporation Assets	3,135	-

Note 22 ASSETS HELD FOR SALE (cont.)

Current 2011/12 £000	Non Current 2011/12 £000		Current 2012/13 £000	Non Current 2012/13 £000
		Revaluations and Impairments:		
(83)	-	Revaluation losses	(65)	-
-	-	Revaluation gains	117	-
		Assets declassified as held for sale:		
-	-	Property, Plant and Equipment	(1,255)	-
(934)	-	Assets sold	(5,052)	-
1,255	**0**	**Balance outstanding at year-end**	**777**	**0**

Note 23 SHORT-TERM CREDITORS

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

31 March 2012 £000		31 March 2013 £000
-	Central government bodies	(665)
(2)	Other local authorities	(2,313)
(156)	NHS bodies	(848)
(18)	Public corporations and trading funds	-
(33,294)	Other entities and individuals	(26,163)
(33,470)	**Total**	**(29,988)**
(3,264)	Transferred from TTG Development Corporation (S106 Monies)	**0**
(36,734)	**Consolidated total**	**(29,988)**

Note 24 USABLE RESERVES

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

31-Mar-12 £000		Notes	31-Mar-13 £000
(8,739)	General Fund Balance	(a)	(8,000)
(1,048)	Housing Revenue Account Balance	(b)	(1,700)
(23,980)	Earmarked Reserve	(c)	(27,748)
(1,587)	Capital Receipts Reserve	(d)	(1,394)
(2,394)	Major Repair Reserve	(e)	(3,103)
(8,673)	Capital Grants Unapplied	(f)	(12,170)
(46,421)	**Total Usable Reserves**		**(54,115)**

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.

Note 24 USABLE RESERVES (cont.)

(a) General Fund Balance

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

(b) Housing Revenue Account

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

(c) Earmarked Reserves Balance

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

(d) Capital Receipts Reserve

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

(e) Major Repairs Reserve

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

(f) Capital Grants Unapplied

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

Note 25 UNUSABLE RESERVES

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

31-Mar-12 £000		Notes	31-Mar-13 £000
(51,142)	Revaluation Reserve*	(a)	(94,857)
(528,684)	Capital Adjustment Account	(b)	(441,176)
15,316	Financial Instruments Adjustment Account	(c)	15,127
153,579	Pensions Reserve	(d)	157,965
936	Collection Fund (including the Collection Fund Adjustment Account)	(e)	(441)
1,784	Accumulated Absences Account	(f)	1,093
(408,211)	**Total Unusable Reserves**		**(362,289)**

Note 25 UNUSABLE RESERVES (cont.)

(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.

2011/12 £000		2012/13 £000	
(52,102)	**Balance at 1 April**	**-**	**(51,142)**
307	Upward revaluation of assets	(65,964)	-
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,932	-
307	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-	**(52,032)**
552	Difference between fair value depreciation and historical cost depreciation	1,261	-
101	Accumulated gains on assets sold or scrapped	7,056	-
653	Amount written off to the Capital Adjustment Account	-	**8,317**
(51,142)	**Balance at 31 March**	**-**	**(94,857)**

(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.

Note 25 UNUSABLE RESERVES (cont.)

2011/12 £000		2012/13 £000	
(680,569)	**Balance at 1 April**		**(528,684)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
13,379	• Charges for depreciation of non current assets (PPE)	15,664	
48,495	• Revaluation and Impairment losses on Property, Plant and Equipment	147,634	
(1,229)	• Revaluation gains reversing previous losses (PPE)	(90,987)	
734	• Amortisation of intangible assets	195	
8,784	• Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	6,470	
-	• Investment property written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	178	
10,235	• PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	46,332	
934	• Assets Held for Sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,052	
(101)	• Accumulated gains on assets sold or scrapped	(7,056)	
81,231		**123,483**	
(552)	Adjusting amounts written out of the Revaluation Reserve		(1,261)
80,679	**Net written out amount of the cost of non-current assets consumed in the year**		**122,222**
	Capital financing applied in the year:		
(1,351)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(5,309)	
(9,088)	• Use of the Major Repairs Reserve to finance new capital expenditure	(6,884)	
(20,149)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(13,223)	
(6,844)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(6,287)	
	• Capital expenditure charged against the General Fund and HRA balances (DRC)	(1,870)	
160,889	**HRA Self financing Reform**	**-**	
123,457		**(33,574)**	
(53,337)	**Assets transferred from Development corporation**		**-**
1,004	**Movements in the market value of Investment Properties debited or credited to the CIES**		**(1,205)**
83	**Movements in assets held for sale debited or credited to the CIES**		**65**
(528,684)	**Balance at 31 March**		**(441,176)**

Note 25 UNUSABLE RESERVES (cont.)

(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.

2011/12 £000		2012/13 £000
15,505	**Balance at 1 April**	**15,316**
(189)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(189)
15,316	**Balance at 31 March**	**15,127**

(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.

2011/12 £000		2012/13 £000
104,936	**Balance at 1 April**	**153,579**
53,292	Actuarial gains or losses on pensions assets and liabilities	10,339
6,499	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	4,291
(11,148)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,244)
153,579	**Balance at 31 March**	**157,965**

Note 25 UNUSABLE RESERVES (cont.)

(e) Collection Fund (including Collection Fund Adjustment Account)

This account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £000		2012/13 £000
591	**Balance at 1 April**	**936**
345	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements, and other Collection Fund Adjustments	(1,377)
936	**Balance at 31 March**	**(441)**

(f) Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the financial year, such as annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to and from the account.

2011/12 £000		2012/13 £000
2,176	**Balance at 1 April**	**1,784**
(2,176)	Settlement or cancellation of accrual made at the end of the preceding year	(1,784)
1,784	Amounts accrued at the end of the current year	1,093
(392)	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	(691)
1,784	**Balance at 31 March**	**1,093**

NOTES TO THE CORE STATEMENTS
General Notes

Note 26 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure Statement in financial years 2011/12 and 2012/13.

2011/12 £'000		2012/13 £'000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(56,502)	Council Tax (include surplus/deficit on collection fund)	(58,927)
(47,009)	National Non Domestic Rates	(57,444)
(8,293)	Revenue Support Grant	(1,114)
(5,762)	Local Area Based Grant	-
(485)	New Homes Bonus	(649)
(1,434)	Council Tax Freeze Grant	(1,439)
(7,568)	Early Intervention Grant	(8,066)
(4,408)	Learning Disability and health reform	(4,526)
(1,364)	Council Tax Benefit Admin Grant	(1,142)
(153)	Preventing Homelessness Grant	(167)
(132)	Fisheries and Flood defence	(144)
-	Section 106	(56)
	Capital	
(3,046)	Department for Transport	(3,688)
(634)	Section 106	(964)
(7,460)	Department for Education	(8,029)
(45)	Department of Communities and Local Government	(-)
(120)	Thurrock Thames Gateway Development Corporation	-
(271)	Other	(977)
(144,686)	**Total**	**(147,332)**
	Credited to Services:	
	Revenue	
(67,937)	Housing and Council Tax Benefit	(71,093)
(435)	LSTF	(875)
(94,611)	Dedicated Schools Grant	(79,168)
(606)	Standards Fund	(942)
(425)	Music Education Grant	-
(686)	Adult Leaning	-
(342)	Workforce Planning	(210)
-	DCLG Development Corporation Implementation	(1,800)
(45)	DAT Grant	(48)
(1,548)	DOH Grant	(245)
-	DCLG Portas Grant	(10)
-	Troubled Families	(395)
(81)	Young Persons' Substance Misuse Grant	(81)
(130)	Safer Communities Fund	(88)
(145)	TCAC Pump Priming Grant	(141)
(58)	LPSA Reward Grant	-
(12)	Aim Higher Funding	-
(94)	Inter Agency Finance	-
(293)	Refugee Grant	(739)
(370)	Youth Justice Board	(441)
(12)	Public Transport	-
(149)	ERDF Knowledge	(48)

Note 26 ANALYSIS OF GOVERNMENT GRANTS (cont.)

2011/12 £'000		2012/13 £'000
(511)	ERDF Low Carbon	(1,116)
(68)	National Standard Cycling	(40)
-	Public Health Transition Grants	(42)
(2,656)	Re-ablement Grant	(2,611)
-	Contributions from Other Bodies	(1,239)
-	Contributions from Other Local Authorities	(804)
-	Personal Social Services	(356)
-	Health Authority Joint Funding	(1,535)
(1,601)	YPLA	-
-	Local Services Support Grant	(330)
	Credited to Schools:	
(1,550)	Pupil Premium Grant	(2176)
(79)	Grants	-
	Capital	
-	CLG	(511)
-	DOE	(1,270)
-	S106	(662)
-	Other	(326)
(174,445)	**Total**	**(169,342)**

** This grant was income in 2011/12 but was not included in the equivalent table in the prior year financial statements

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 year-end are as follows:

31 March 2012 £000		31 March 2013 £000
	Capital Grants & Contributions - Receipts in Advance	
(1,092)	Section 106	(4,702)
(4,771)	Department for Education	(2,177)
(221)	Department of Communities and Local Government	(186)
(155)	Environmental Trusts	(87)
(725)	Port of London Authority	(730)
(6,964)	**Total**	**(7,882)**

Note 27 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.

NOTES TO THE CORE STATEMENTS
General Notes

Note 27 CONTINGENT LIABILITIES (cont.)

The Council is in discussion with its strategic services partner about bringing certain aspects of the contract back in house. If this is agreed there will be a loss of profit compensation payment to be made that will be met from the Council's general reserves.

Note 28 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 28th June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 29 PARTNERSHIPS

The Council delivers a significant proportion of its services through its strategic partnership contract with Serco. The direction and performance of the partnership is governed through the Strategic Partnership Board and key risks are reviewed monthly by Business Development Managers (client side) and representatives of Serco. Reports are also provided to meetings of the Corporate Overview and Scrutiny Committee.

The Council works in partnership with Essex Police to provide public protection. The Council, part-funds 14 posts for the role of Police Community Support Officers within the area.

The Council is part of the Green Business Partnership. The long term aim of this partnership is to reduce local area carbon footprint.

The Council has an agreement to commission services through the Children and Young Peoples Partnership to ensure a range of services and support are available for children aged 0-5 years and their families. Examples of these include parenting support and advice, stay and play sessions to promote early attachment and development. This also includes the commissioning of the early years provision for eligible two, three and four year olds in the private and voluntary sector.

The Council is part of a partnership with Vine HR to assist with HR services within the Council. Vine HR is a not-for-profit company formed by the Heads of HR departments from all 15 local authorities within Essex which includes the Council. The aim of this partnership is to raise performance and achieve consistency in people management, delivering joined-up, cost-effective services.

The Council benefits from sharing legal services, the Monitoring Officers and the Chief Executive with the London Borough of Barking and Dagenham.

The Council, under the Crime and Disorder Act 1998, established a partnership with the Youth Offending Service. The Council works in partnership with Essex Probation Service, Essex Police Authority and the South East and South West Primary Care Trusts (PCTs) to run this service. These partnership agencies along with our youth offending team, are working to support the aim of the Youth Justice System – the prevention of offending by children and young people.

Note 30 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

Note 30 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

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

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2012/13 £000
Net expenditure in the Directorate Analysis	136,438
Amounts not reported to management for decision making	(40,104)
Amounts not included in the Income and Expenditure account	93,116
Allocation of recharges	(13,256)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-
Cost of Services in Comprehensive Income and Expenditure Statement	**176,194**

Reconciliation to Subjective Analysis

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

2012/13 figures	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(75,283)	-	(25,474)	30,312	-	(70,446)	(6,537)	**(76,983)**
Interest and investment income	-	-	(644)	644	-	-	1,990	**1,990**
Income from council tax	-	-	(58,927)	58,927	-	-	(58,927)	**(58,927)**
Government grants and contributions	(94,473)	-	(157,264)	82,395	-	(169,342)	(88,406)	**(257,748)**
Total Income	**(169,756)**	**0**	**(242,310)**	**172,278**	**0**	**(239,788)**	**(151,879)**	**(391,667)**

Note 30 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2012/13 figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee expenses	56,330	-	20,897	-	-	77,227	-	**77,227**
Other service expenses	239,338	-	56,430	(24,287)	-	271,482	-	**271,482**
Support Service recharges	2,307	-	-	-	(13,256)	(10,949)	-	**(10,949)**
Depreciation, amortisation and impairment	-	-	71,352	1,556	-	72,508	-	**72,508**
Interest Payments	8,218	-	4,007	(6,511)	-	5,713	2,707	**8,421**
Precepts & Levies	-	-	578	(578)	-	-	578	**578**
Payments to Housing Capital Receipts Pool	-	-	758	(758)	-	-	758	**758**
(Gain) or Loss on Disposal of Fixed Assets	-	-	48,184	(48,184)	-	-	51,562	**51,562**
Total expenditure	**306,194**	**0**	**202,206**	**(79,162)**	**(13,256)**	**415,982**	**55,605**	**471,587**
Surplus or deficit on the provision of services	**136,438**	**0**	**(40,104)**	**93,116**	**(13,256)**	**176,194**	**(96,274)**	**79,920**

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

Directorate Income and Expenditure	**Sustainable Communities**	**People Services**	**Delivery Unit**	**Transformation**	**Finance and Corporate Governance**	**Housing General Fund**	**Housing Revenue Account**	**Core Accountancy**	**Total**
2011/12 Figures Comparative	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(11,944)	(74,481)	(1,419)	(33,535)	(8,991)	(479)	(45,716)	**-**	**(176,565)**
Government Grants	(514)	(99,620)	(703)	-	(68,236)	(783)	**-**	**-**	**(169,856)**
Earmarked Reserves	-	-	-	-	-	-	**-**	4,755	**4,755**

Note 30 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

Directorate Income and Expenditure 2011/12 Figures Comparative	Sustainable Communities £000	People Services £000	Delivery Unit £000	Transformation £000	Finance and Corporate Governance £000	Housing General Fund £000	Housing Revenue Account £000	Core Accountancy £000	Total £000
Total Income	**(12,458)**	**(174,101)**	**(2,122)**	**(33,535)**	**(77,227)**	**(1,262)**	**(45,716)**	**4,755)**	**(341,666)**
Employee expenses	7,764	62,904	1,225	1,040	(1,944)	642	5,363	-	**76,994**
Other service expenses	27,954	217,920	3,437	31,213	77,800	1,881	210,221	-	**570,426**
Support service recharges	3,271	10,452	149	2,168	8,118	165	1,995	-	**26,318**
Total Expenditure	**38,989**	**291,276**	**4,811**	**34,421**	**83,974**	**2,688**	**217,579**	**0**	**673,738**
Net Expenditure	**26,531**	**117,175**	**2,689**	**886**	**6,747**	**1,426**	**171,863**	**4,755**	**332,072**

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

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**2011/12 £000**
Net expenditure in the Directorate Analysis	332,072
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4,755)
Cost of Services in Comprehensive Income and Expenditure Statement	**327,317**

Note 30 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

Reconciliation to Subjective Analysis

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

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2011/12 figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(171,810)	-	-	-	-	(171,810)	-	**(171,810)**
Interest and investment come	-	-	-	-	-	-	(872)	**(872)**
Income from council tax	-	-	-	-	-	-	(56,502)	**(56,502)**
Government grants and contributions	(169,856)	-	-	(4,755)	-	(174,611)	(88,184)	**(262,795)**
Total Income	**(341,666)**	**0**	**0**	**(4,755)**	**-**	**(346,421)**	**(145,558)**	**(491,979)**
Employee expenses	76,994	-	-	-	-	76,994	-	**76,994**
Other service expenses	507,962	-	-	-	-	507,962	3,028	**510,990**
Support Service recharges	26,318	-	-	-	-	26,318	-	**26,318**
Depreciation, amortisation and impairment	62,464	-	-	-	-	62,464	-	**62,464**
Interest Payments	-	-	-	-	-	-	2,171	**2,171**
Precepts & Levies	-	-	-	-	-	-	518	**518**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1,409	**1,409**
(Gain) or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	9,176	**9,176**
Total expenditure	**673,738**	**0**	**0**	**0**	**0**	**673,738**	**16,302**	**690,040**
Surplus or deficit on the provision of services	**332,072**	**0**	**0**	**(4,755)**	**0**	**327,317**	**(129,256)**	**198,061**

Note 31 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

The Council's accounting policies for recognition and measurement of heritage assets are set out in the accounting policies in Note 1.

In 2011/12 the Council identified assets previously held as community assets within property, plant and equipment with a value of £0.551m. Under FRS30 these are recognised as heritage assets and measured with other artefacts at a total of £21.2 million with a corresponding increase in the Revaluation Reserve.

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, disposals of heritage assets between 2009/10 and 2012/13 with the only changes in asset values relating to revaluations.

	2009/10	2009/10	2010/11	2010/11	2011/12	2011/12	2012/13	2012/13
	Buildings	**Artefacts**	**Buildings**	**Artefacts**	**Buildings**	**Artefacts**	**Buildings**	**Artefacts**
Opening carrying Value	551	-	19,261	122	19,879	123	20,751	122
Revaluations	18,710	122	618	1	872	(1)	415	-
Impairments	-	-	-	-	-	-	-	-
Closing carrying value	19,261	122	19,879	123	20,751	122	21,166	122

NOTES TO THE CORE STATEMENTS

General Notes

Note 32 HERITAGE ASSETS – DETAILED VALUATION LISTING

Heritage assets comprise of six buildings and a number of artefacts held at the Grays Museum. As at 31st March 2013 these items were valued at the following amounts:

Buildings:	**2011/12**	**2012/13**
	£	**£**
Barrel Store Purfleet	998,000	1,017,960
Clock Tower Purfleet	149,000	151,980
Magazine No 5 Purfleet	4,500,000	4,590,000
Stink Pipe	95,000	96,900
Pound Orsett	9,000	9,180
Coalhouse Fort	15,000,000	15,300,000
Total Buildings	**20,751,000**	**21,166,020**
Artefacts:		
Painting English School, Belhus, 18th Century	12,000	12,000
Painting English School, 'Wind against tide' 19th Century	2,000	2,000
Painting English School, circa 1820, 'Tilbury Fort' Essex	700	700
8 Items Heraldic Glass	4,700	4,700
Regency Brass Octagonal hall lantern	6,000	6,000
Belhus Fireplace	8,000	8,000
West Thurrock Amphora burial	2,000	2,000
Wooden Ship Model MV 'British Confidence'	4,000	4,000
Victorian Wooden Training Ship Model	1,500	1,500
Wooden Ship Model 'SS Glenroy'	8,000	8,000
Large brass ships Bell 'HMS Essex'	1,500	1,500
Collection of Potin Coins	58,890	58,890
Medieval Stone Head of a man	1,500	1,500
15th Century Carved oak four panel screen	2,000	2,000
Victorian Silver Medal	1,200	1,200
Thurrock Urban District Council Mayors regalia 1	800	800
Thurrock Urban District Council Mayors regalia 2	4,000	4,000
19th Century Town Hall Clock	2,000	2,000
George III Brass bound mahogany writing box	1,200	1,200
Total Artefacts	**121,990**	**121,990**
Grand Total	**20,872,990**	**21,288,010**

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 33 PROPERTY, PLANT AND EQUIPMENT

Movements on the balances of Property, Plant and Equipment (PP&E) in 2012/13 are summarised as follows:

Movement in 2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2012	445,836	335,700	19,038	15,862	75,833	1,014	10,213	**903,496**
Additions / Donations	7,843	6,384	695	1,218	3,236	-	4,639	**24,015**
Reclassification of Former Development Corporation Assets	-	(49,259)	-	-	1,000	-	45,124	**(3,135)**
Derecognition - Disposals	-	(2)	(32)	-	-	-	-	**(34)**
Derecognition - Other	(7,843)	(38,846)	-	(100)	-	(121)	-	**(46,910)**
Revaluations Recognised in Revaluation Reserve	4,227	41,667	-	-	-	-	453	**46,347**
Revaluations Recognised in Surplus/Deficit on Provision of Services	54,602	(118,581)	-	-	-	-	(14,510)	**(78,489)**
Assets reclassified (to)/from Held for Sale	(2,641)	-	-	-	-	-	1,255	**(1,386)**
Other movements in Cost or Valuation	954	368	-	-	-	(893)	(404)	**25**
At 31 March 2013	**502,978**	**177,432**	**19,701**	**16,980**	**80,069**	**0**	**46,770**	**843,930**
Accumulated Depreciation and Impairment								
At 1 April 2012	(18,256)	(8,644)	(8,825)	(3,984)	(14,343)	-	(139)	**(54,192)**
Depreciation charge	(6,276)	(4,841)	(1,848)	(503)	(2,157)	-	(39)	**(15,664)**
Depreciation charge on previous impairment loss reversals	-	215	-	-	-	-	-	**215**
Depreciation written back to the Revaluation Reserve	332	4,223	-	-	-	-	53	**4,608**
Depreciation written back to Surplus/Deficit on Provision of Services	17,948	4,098	-	-	-	-	125	**22,171**

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Note 33 PROPERTY, PLANT AND EQUIPMENT (cont.)

Movement in 2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Derecognition - Disposals	-	-	32	-	-	-	-	**32**
Derecognition - Other	-	558	-	20	-	-	-	**578**
Other movements in Depreciation and Impairment	(1)	1		-	-	-	-	**0**
At 31 March 2013	**(6,253)**	**(4,390)**	**(10,641)**	**(4,467)**	**(16,500)**	**0**	**0**	**(42,252)**
Net Book Value:								
At 31 March 2012	**427,580**	**327,056**	**10,213**	**11,878**	**61,490**	**1,014**	**10,074**	**849,304**
At 31 March 2013	**496,725**	**173,042**	**9,060**	**12,513**	**63,569**	**0**	**46,770**	**801,678**

Comparative 2011/12	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 2011	454,993	313,919	17,419	15,601	72,462	73	12,423	**886,890**
Additions / Donations	8,907	8,769	841	261	3,371	941	-	**23,090**
Additions – Other	-	336	-	-	-	-	-	**336**
Additions – Development Corporation Assets	-	53,342	-	-	-	-	-	**53,342**
Derecognition - Disposals	-	(218)	(20)	-	-	-	-	**(238)**
Derecognition - Other	(8,943)	(1,070)	-	-	-	-	-	**(10,013)**
Revaluations Recognised in Revaluation Reserve	(465)	(730)	-	-	-	-	13	**(1,182)**

Note 33 PROPERTY, PLANT AND EQUIPMENT (cont.)

Comparative 2011/12	**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**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(8,922)	(37,425)	-	-	-	-	(968)	**(47,315)**
Assets reclassified (to)/from Held for Sale	(957)	-	-	-	-	-	(1,255)	**(2,212)**
Other movements in Cost or Valuation	1,223	(1,223)	798	-	-	-	-	**798**
At 31 March 2011	**445,836**	**335,700**	**19,038**	**15,862**	**75,833**	**1,014**	**10,213**	**903,496**
Accumulated Depreciation and Impairment:								
At 1 April 2011	(12,551)	(5,691)	(6,391)	(3,489)	(12,296)	-	(93)	**(40,511)**
Depreciation charge	(5,736)	(2,989)	(2,075)	(495)	(2,047)	-	(46)	**(13,388)**
Depreciation written back to the Revaluation Reserve	9	-	-	-	-	-	-	**9**
Depreciation written back to Surplus/Deficit on Provision of Services	45	6	-	-	-	-	-	**51**
Derecognition - Disposals	-	6	5	-	-	-	-	**11**
Derecognition - Other	2	-	-	-	-	-	-	**2**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**0**
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	**0**
Other movements in Depreciation and Impairment	(25)	24	(364)	-	-	-	-	**(365)**
At 31 March 2012	**(18,256)**	**(8,644)**	**(8,825)**	**(3,984)**	**(14,343)**	**0**	**(139)**	**(54,192)**
Net Book Value:								
At 31 March 2011	**442,442**	**308,228**	**11,028**	**12,112**	**60,166**	**73**	**12,330**	**846,379**
At 31 March 2012	**427,580**	**327,056**	**10,213**	**11,878**	**61,490**	**1,014**	**10,074**	**849,304**

Note 33 PROPERTY, PLANT AND EQUIPMENT (cont.)

Details of any impairment losses for any material impairment are shown in note 7 to these accounts.

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2013 by an external valuers employed by Europa FM plc and GVA Grimley Limited (for former Development Corporation Assets), in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

From the 1st April 2010 the Social Housing Factor, the amount by which the open market value is discounted for the fact the properties are used for social housing was amended to 39%, in line with guidelines issued by the Department for Communities and Local Government. There has been no change to the Social Housing Factor during 2012/13.

A full valuation of council dwellings was undertaken at 1 April 2012 followed by a desktop valuation to determine any further increases or decreases in property values as at 31 March 2013. Five indices (Halifax, Land Registry, "Office for National Statistics", Right Move and Zoopla.co.uk) were referenced in order to reach a decision. The indices indicated a mixed picture, there being no consensus opinion on direction of movement. The information from Zoopla.co.uk provided the most comprehensive information geographically and given most weight; therefore an increase in Council dwellings of 0.50% 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.

Note 34 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.

2011/12 £000		2012/13 £000
137,973	**Opening Capital Financing Requirement**	**295,718**
	Capital investment	
23,090	Property, Plant and Equipment	24,015
266	Investment Property	-
1,368	Intangible Assets	2,692
3	Heritage Assets	-
8,805	Revenue Expenditure Funded from Capital under Statute	6,470
53,337	Development Corporation Assets Transferred	-
160,889	HRA Financing Reform	-

Note 34 CAPITAL EXPENDITURE AND FINANCING (cont.)

2011/12 £000		2012/13 £000
	Sources of finance	
(1,351)	Capital receipts	(5,309)
(29,121)	Government grants and other contributions (includes REFCUS & MRA)	(21,980)
-	Sums set aside from revenue:	-
(6,844)	• MRP (including finance leases liabilities)	(6,287)
-	• Statutory repayment of debt (finance leases liabilities)	-
(53,337)	Development Corporation Assets Transferred Value	-
640	Other Adjustments	-
295,718	**Closing Capital Financing Requirement**	**295,319**
	Explanation of movements in year	
(3,259)	Increase in underlying need to borrowing (supported by government financial assistance)	(3,114)
(523)	Increase in underlying need to borrowing (unsupported by government financial assistance)	2,715
160,889	HRA Financing Reform	-
638	Assets acquired / adjusted under finance leases	-
157,745	**Increase/(Decrease) in Capital Financing Requirement**	**(399)**

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

Balance Sheet Item	**2011/12 £000**	**2012/13 £000**
Property Plant & Equipment	849,304	801,678
Investment Property	2,743	3,745
Assets Held for Sale	1,255	777
Intangible Assets	1,368	3,864
Heritage Assets	20,873	21,288
Revaluation Reserve	(51,142)	(94,857)
Capital Adjustment Account	(528,684)	(441,176)
Total Capital Financing Requirement	**295,717**	**295,319**

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Note 35 CAPITAL COMMITMENTS

As at 31st March 2013, the Council had authorised expenditure in future years of £18.289m. In addition a further £4.788m had been previously authorised for use in 2013/14 and 2014/15, giving a total future year's commitment of £23.077m. These commitments include the following significant schemes over £0.250m:

Capital Commitments – Schemes	Expenditure Approved in 2012/13 £000	Expenditure Approved in 2013/14 £000
Transport	2,102	3,215
Housing Revenue Account	1,793	-
Affordable Housing	1,427	420
Fleet Vehicle and Plant Replacement (including Waste Contract)	3,073	2,277
Traveller Site's Health and Safety Works	-	279
Healthy Home Loans	304	498
Replacement Roof at Corringham Leisure Centre	330	-
Salix Initiative Fund	352	-
Devolved Formula Capital	315	314
Gable Hall Multi Trades Skills Centre	2,501	443
Skills Centre – Grays School Media and Arts College	1,286	1,113
Treetops School – Kitchen, Dining and Changing Rooms	924	-
Chafford Hundred Primary School Expansion	1,296	-
Purfleet Primary School – Improvements to Classrooms	331	-
Tilbury Manor Primary Amalgamation Works	1,479	1,493
Aveley Primary Additional Classrooms	733	-
Tudor Court Expansion	2,118	369
Primary and Secondary Schools	-	5,622
Early Years – 2 Year Old	-	343
South Ockendon Community Hub	-	321
Local Substainable Transport Fund	-	1,189
Financial Systems – Oracle Upgrade	1,818	-
Customer Services Programme	-	353
Transformation	-	1,294
Disabled Facility Grants	503	809
Public Buildings – Renew Chiller Units	275	-
Purchase of Wheeled Bins	415	340
Rebuild and Refurbish South Ockendon Pavilion	260	-
Workshop Facilities at Oliver Close	450	-
Carbon Economy Programme	557	313
Total	**24,642**	**21,005**

Note 36 CONTRACTUAL COMMITMENTS

The schemes referred to in Note 35 include the following contractual commitments:

Contractor	Scheme	2012/13 £000	2013/14 £000
Borras Construction	Chafford Hundred Primary School (Phase 1)	12	-
Morgan Sindall	Chafford Hundred Primary School (Phase 2)	1,073	23
Ashe Construction	Purfleet Primary School	65	22
Ashe Construction	Stifford Primary School	23	24
Borras Construction	Gable Hall	-	31
Ashe Construction	Grays Media & Arts College	-	1,003
Borras Construction	St Clere's School	1,480	-
Durkan	Affordable Housing	1,004	27
Ashe Construction	Tudor Court Primary	1,144	27
Lakehouse	Treetops	416	24
Evers	Treetops	-	46
Hutton Construction	Tilbury Manor	-	1,468
Lakehouse	Aveley Primary	572	18

Note 37 INVESTMENT PROPERTY

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

At the 31st March 2013 the Council held 43 Investment properties comprising 33 shops and 10 other commercial properties (the figures for 2011/12 were 35 and 11 respectively).

The freehold and leasehold properties which comprise the Council's investment property portfolio have been valued at 31 March 2013 by an external valuer employed by Europa FM plc, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2011/12 £000		**2012/13 £000**
(188)	Rental income from investment property	(175)
(188)	**Net (gain)/ loss**	**(175)**

The following table summarises the movement in the fair value of investment property over the year:

2011/12 £000		**2012/13 £000**
3,481	**Balance at start of the year**	**2,743**
	Additions:	
266	- Purchases	-
-	Disposals	(178)
(1,004)	Net gains/losses from fair value adjustments	1,205
	Transfers:	
-	Other changes	(25)
2,743	**Balance at end of the year**	**3,745**

Note 38 FINANCIAL INSTRUMENTS

a. Categories of Financial Instruments

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

At 31 March 2012 Current £000	At 31 March 2012 Long-term £000		At 31 March 2013 Current £000	At 31 March 2013 Long-term £000
		Investments		
7,065	-	Loans and receivables	24,604	-
20,268	-	Financial assets at fair value through profit and loss	20,148	-
27,333	**0**	**Total Investments**	**44,752**	**0**
		Cash and Cash Equivalents		
4,674	**-**	Cash and Cash Equivalents	3,693	**-**
4,674	**0**	**Total Cash and Cash Equivalents**	**3,693**	**0**
		Debtors		
21,402	-	Financial assets carried at contract amounts	8,603	-
21,402	**0**	**Total Debtors**	**8,603**	**0**
		Borrowings		
(95,005)	**(189,118)**	**Financial liabilities at amortised cost**	**(93,869)**	**(189,116)**
(95,005)	**(189,118)**	**Total Borrowings**	**(93,869)**	**(189,116)**
		Other Liabilities		
(651)	**(2,389)**	**Finance lease liabilities**	**(635)**	**(1,754)**
(651)	**(2389)**	**Total Liabilities**	**(635)**	**(1,754)**
		Creditors		
(21,139)	**-**	**Financial liabilities carried at contract amount**	**(15,401)**	**-**
(21,139)	**0**	**Total Creditors**	**(15,401)**	**0**

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:

	2012/13						
	Financial Liabilities		Financial Assets				
	Liabilities measured at amortised cost £000	Finance Lease Interest £000	Financial assets carried at contract amounts £000	Loans and receivables £000	Available-for-sale assets £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	2,504	-	-	-	-	-	**2,504**
Total expense in Surplus or Deficit on the Provision of Services	**2,504**	**-**	**-**	**-**	**-**	**-**	**2,504**
Interest income	-	-	-	(242)	-	(193)	**(435)**

Note 38 FINANCIAL INSTRUMENTS (cont.)

	2012/13						
	Financial Liabilities		Financial Assets				
	Liabilities measured at amortised cost	Finance Lease Interest	Financial assets carried at contract amounts	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000
Total income in Surplus or Deficit on the Provision of Services	**-**	**-**	**-**	**(242)**	**-**	**(193)**	**(435)**
Net gain/(loss) for the year	**2,504**	**-**	**-**	**(242)**	**-**	**(193)**	**2,069**

	2011/12						
	Financial Liabilities		Financial Assets				
	Liabilities measured at amortised cost	Finance Lease Interest	Financial assets carried at contract amounts	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000
Interest expense	2,265	-	-	-	-	-	**2,265**
Total expense in Surplus or Deficit on the Provision of Services	**2,265**	**-**	**-**	**-**	**-**	**-**	**2,265**
Interest income	-	-	-	(372)	-	(313)	**(685)**
Net gain/(loss) for the year	**2,265**	**-**	**-**	**(372)**	**-**	**(313)**	**1,580**

Notes to Tables above:

- Interest expense is for the total of interest payments made on the Council's borrowings and internal charges from the Housing Revenue Account;
- Losses on de-recognition are for premiums written off on early debt repayment;
- Interest income on loans and receivables is for interest received on the Council's internally made investments;
- Interest income on fair value through the Comprehensive Income and Expenditure Statement is for interest on the Council's externally held investments; and
- Gains on de-recognition are for discounts written off on early debt repayment.

Note 38 FINANCIAL INSTRUMENTS (cont.)

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. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2013.
- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2013;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months the carrying value is assumed to be the same as fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be either the principal outstanding or the billed amount;
- For investments held by the Council's Fund Managers the market value taken from the year-end valuations have been used;
- The fair value of creditors and debtors is taken to be the invoiced or billed amount; and
- The element of long term liabilities maturing in less than one year is now transferred to this category.

The fair values of financial instruments calculated (using the assumptions listed above) are as follows:

31 March 2012 Carrying amount	31 March 2012 Fair Value		31 March 2013 Carrying amount	31 March 2013 Fair Value
£000	**£000**		**£000**	**£000**
(94,695)	(94,695)	Temporary Market Debt	(93,626)	(93,626)
(310)	(310)	Long Term Loans maturing in less than one year	(243)	(243)
(95,005)	**(95,005)**	**Short Term Borrowing**	**(93,869)**	**(93,869)**
(160,889)	(172,108)	PWLB Debt	(160,889)	(175,698)
(28,226)	(49,287)	Long Term Market Debt	(28,224)	(53,037)
(3)	(3)	Bonds/Annuities	(3)	(3)
(189,118)	**(221,398)**	**Long Term Borrowing**	**(189,116)**	**(228,738)**
(21,139)	**(21,139)**	**Other Creditors at Contract Amounts**	**(15,401)**	**(15,401)**
(3,040)	**(3,040)**	**Total Leasing Liability**	**(2,389)**	**(2,389)**
(308,302)	**(340,582)**	**Total Financial Liabilities**	**(300,775)**	**(300,775)**

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Note 38 FINANCIAL INSTRUMENTS (cont.)

31 March 2012 Carrying amount	31 March 2012 Fair Value		31 March 2013 Carrying amount	31 March 2013 Fair Value
7,065	7,065	Temporary Investments	24,604	24,604
20,268	20,268	Fund Managers Investments	20,148	20,148
27,333	**27,333**	**Short Term Investments**	**44,752**	**44,752**
202	202	Cash held by the Council	147	147
(527)	(527)	Bank Current Accounts	(653)	(653)
4,999	4,999	Short term deposits with Financial Institutions	4,199	4,199
4,674	**4,674**	**Cash and Cash Equivalents**	**3,693**	**3,693**
21,402	21,402	Other Debtors at Contract Amounts	8,603	8,603
53,409	53,409	Total Financial Assets	57,049	57,049

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 39 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;

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

- 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 2012/13 the Operational Limit was £343.9m and the Authorised Limit was £368.9m,

    2. Its maximum and minimum exposures to fixed and variable rates. For 2012/13 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 2012/13 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 2012/13 this limit was set at £15m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

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

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance Service to implement the approved strategies and policies. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

Management Advisors, Arlingclose, who send monthly detailed reports and also advise of any updates during the month.

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:

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

Deposits with Banks and Financial Institutions	Amount at 31 March 2012	Amount at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure
	£000	£000	%	%	£000
Investec Target return Fund	5,000	10,018	-	-	-
Banks Rated AAA Long Term	4,690	770	-	-	-
Banks Rated AA Long Term	5,680	9,098	-	-	-
Banks Rated A Long Term	14,200	11,200	-	-	-
Co-Op Bank	-	5,000	-	-	-
Un-rated Building Societies - Overnight Only	-	2,200	-	-	-
Local Authorities	2,000	10,600	-	-	-
Cash	25	15	-	-	-
	31,595	**48,901**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2013 and therefore not comparable to the balance sheet.

No breaches of the Council's counter-party criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its' counter-parties in relation to deposits. 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. A risk of non-recoverability applies to all the Council's deposits but there was no evidence at 31 March 2013 that this was likely to crystallise.

The total amount of short-term debtors outstanding on the balance sheet as at 31 March 2013 was £15.21m, of which £8.6m are classed as financial instruments. The £8.6m is made up of £4.64m of Trade Debtors and £3.96m of Other Debtors that the Council has determined as being financial instruments. The Council does not generally allow credit for its trade debtors, and effectively £4.64m of the total balance was past its due date for payment at 31st March 2013. Therefore provision for bad debts of £1.129m has been calculated with reference to estimated default rates. Of the total £4.64m overdue, £3.42m was overdue by up to 365 days with the remaining £1.22m by more than one year. The Council considers that the remaining amount of Other Debtors were current debtors and therefore all receivable within one year.

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

An aged analysis of amounts due is set out below:

31 March 2012 £000		31 March 2013 £000
2,511	Less than three months	2,615
364	Three to six months	350
805	Six months to one year	461
2,045	More than one year	1,220
5,725	**Total Debtors Classed as Financial Instruments**	**4,645**

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

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

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

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

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

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

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

- 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 is as follows:

31 March 2012 £000	Maturity Profile of Financial Liabilities	31 March 2013 £000
(115,639)	Less than one year	(106,022)
(18,000)	Between twenty five and thirty years	(18,000)
(36,000)	Between thirty five and forty years	-
(135,889)	Between forty and forty five years	(61,000)
-	Over 45 years	(110,889)
(305,528)	**Total Financial Liabilities**	**(295,911)**

The maturity analysis of financial assets is as follows:

31 March 2012 £000	Maturity Profile of Financial Assets	31 March 2013 £000
42,610	Less than one year	58,717
42,610	**Total Financial Assets**	**58,717**

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2013 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. For instance, a rise in both variable and fixed interest rates would have the following effect:

- ***Borrowings at variable rates*** – the interest expense charged to the Comprehensive Income and Expenditure Statement would rise;
- ***Borrowings at fixed rates*** – the fair value of the borrowing liability would fall;
- ***Investments at variable rates*** – the interest income credited to the Comprehensive Income and Expenditure Statement would rise; and
- ***Investments at fixed rates – the fair value of the assets would fall.***

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

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 2013 would have been:

2011/12 £000	Sensitivity Analysis	2012/13 £000
0	**Impact on Other Comprehensive Income and Expenditure**	**0**
34,735	Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	35,540

Notes on the above table:

- ***Variable rate borrowing*** - The Council's variable rate borrowing consists of Lenders Option Borrowers Option (LOBO). The lender has the right at pre-determined dates to increase the rate of the loan and the borrower then has the option to repay the loan if he does not agree with the requested rate increase. The rates on the current loans are of such a level that a 1% increase in interest rate would not trigger a call for an increase from the lender;

- ***Variable rate investments*** - The Council had no variable rate investments during 2012/13;

- ***Fair value of fixed rate investments*** - Fair value of investments with a maturity of less than twelve months is taken to be the principal outstanding. Therefore as all of the Council's internally held investments will mature in twelve months or less there will be no change in their fair value. External investments held by the Council's Fund Managers have been classified as Fair Value through Profit and Loss with profit and losses taken to the Comprehensive Income & Expenditure Statement on an annual basis. These investments have fixed rate interest rates and therefore are not effected by a change in interest rates; and

Note 39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

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 rates.

Note 40 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 this these accounts, it is therefore treated on the same basis as if it were a fully funded defined contribution scheme.

In 2012/13 the Council paid a total of £5.297m, including £1.848m actual teachers' contributions, (£8.802m in 2011/12) in respect of teachers' retirement benefits. The employers contribution rate remained at 14.1%.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

Note 41 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 two post-employment schemes:

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

- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The costs shown in the tables below arise from awards made some years ago.

Transactions Relating to Post Employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services within the Comprehensive Income and Expenditure Statement when those benefits are earned by employees, rather than when the benefits are eventually paid to them as pensions. However, the charge that is required to be made against Council Tax is based upon the cash payable in the year, so that the real cost of post employment/retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement. The following transactions have been made in the

NOTES TO THE CORE STATEMENTS
Pension Notes

Note 41 DEFINED BENEFIT PENSION SCHEMES (cont.)

Comprehensive Income and Expenditure Statement and the General Fund Balance in the Movement in Reserves Statement during the year.

Teachers 2011/12 £000	Local Government Pension Scheme 2011/12 £000		Teachers 2012/13 £000	Local Government Pension Scheme 2012/13 £000
		Comprehensive Income and Expenditure Statement Cost of Services:		
-	9,025	• current service costs	-	9,005
-	(5,554)	• settlements and curtailments	-	(8,721)
		Financing and Investment Income and Expenditure:		
478	16,647	• interest cost	449	15,737
-	(13,619)	• expected return on scheme assets	-	(11,730)
478	**6,499**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**449**	**4,291**
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
-	**53,292**	• **actuarial (gains) and losses**	**401**	**10,339**
-	**59,791**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**-**	**14,630**
		Movement in Reserves Statement		
(478)	**(6,499)**	• **reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code**	**(449)**	**(4,291)**
		Actual amount charged against the General Fund Balance for pensions in the year:		
629	**11,148**	• **employers' contributions payable to scheme**	**660**	**10,244**

Note 41 DEFINED BENEFIT PENSION SCHEMES (cont.)

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a £47.873m loss.

Assets and Liabilities in Relation to Post-Employment Benefits

The reconciliation of the present value of the scheme liabilities, (the defined scheme obligation) is as follows:

Teachers	Local Government Pension Scheme (all benefits)		Teachers	Local Government Pension Scheme (all benefits)
2011/12	**2011/12**		**2012/13**	**2012/13**
£000	**£000**		**£000**	**£000**
(8,997)	**308,195**	**Opening balance at 1 April**	**(10,079)**	**357,949**
-	9,025	Current service cost	-	9,005
(478)	16,647	Interest cost	(449)	15,737
-	2,870	Contributions by scheme participants	-	2,704
-	(10,444)	Liabilities extinguished on settlements	-	(13,466)
(1,233)	41,930	Actuarial (gains) and losses	(401)	23,616
629	(10,946)	Benefits/Transfers paid	660	(11,649)
-	672	Curtailments & Settlements	-	458
(10,079)	**357,949**	**Closing balance at 31 March**	**(10,269)**	**384,354**

The reconciliation of the fair value of the scheme assets is as follows:

Local Government Pension Scheme (all benefits)		Local Government Pension Scheme (all benefits)
2011/12		**2012/13**
£000		**£000**
203,259	**Opening balance at 1 April**	**204,370**
13,619	Expected rate of return	11,730
(11,362)	Actuarial gains and (losses)	13,277
11,148	Employer contributions	10,244
2,870	Contributions by scheme participants	2,704
(10,946)	Benefits/Transfers paid	(11,649)
(4,218)	Receipt/(Payment) of bulk transfer value	(4,287)
204,370	**Closing balance at 31 March**	**226,389**

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

Note 41 DEFINED BENEFIT PENSION SCHEMES (cont.)

are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the relevant markets.

The actual return on scheme assets in the year was £25.007m (£2.258m in 2011/12)

Scheme History

The scheme history is summarised as follows:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government Pension Scheme (all Benefits):	233,819	325,352	308,195	357,949	384,354
Fair value of assets in the Local Government Pension Scheme:					
Local Government Pension Scheme (all Benefits):	(135,766)	(189,797)	(203,259)	(204,370)	(226,389)
Surplus/(deficit) in the scheme:	98,053	135,555	104,936	153,579	157,965

The liabilities show the underlying commitments that the Council has in the long run to pay in post employment (retirement) benefits. The total gross liability of £384.354m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary. Finance is only required to be raised to cover any discretionary benefits when the pensions are actually paid.

The total contributions expected to be payable to the Local Authority Pension Scheme by the Council in the year to 31 March 2014 is £9.163m.

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 2010.

NOTES TO THE CORE STATEMENTS
Pension Notes

Note 41 DEFINED BENEFIT PENSION SCHEMES (cont.)

The principal assumptions used by the actuary are as follows:

Local Government Pension Scheme		**Local Government Pension Scheme**
2011/12		**2012/13**
	Long-term expected rate of return on assets in the scheme:	
6.40%	Equity investments	6.10%
3.30%	Government Bonds	3.00%
4.60%	Other Bonds	4.10%
5.40%	Property	5.10%
0.50%	Cash/Liquidity	0.50%
0.00%	Alternative Assets	6.10%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.7 yrs	Men	22.7 yrs
25.3 yrs	Women	25.3 yrs
	Longevity at 65 for future pensioners:	
24.1yrs	Men	24.2 yrs
26.8 yrs	Women	26.9 yrs
2.50%	Rate of inflation (CPI)	2.60%
4.30%	Rate of increase in salaries	4.40%
2.50%	Rate of increase in pensions	2.60%
4.60%	Rate for discounting scheme liabilities	4.40%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

The Local Government Pension Scheme's assets consisted of the following categories, by proportion of the total assets held:

31 March 12 %		**31 March 13 %**
70	Equity investments	64
4	Government Bonds	7
10	Other Bonds	8
14	Property	12
2	Cash/Liquidity	4
-	Alternative Assets	5
100		**100**

History of Experience of Gains and Losses

The actuarial gains which are identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013 and the previous four years.

Note 41 DEFINED BENEFIT PENSION SCHEMES (cont.)

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the Expected and Actual Return on Assets	(35)	(21)	(2)	(5)	6
Experience of gains and losses on liabilities	0	0	6	0	0

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 42 CASH AND CASH EQUIVALENTS

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

31 March 2012 £000		31 March 2013 £000
202	Cash held by the Council and in transit	(161)
(527)	Bank current accounts	(345)
4,999	Short-term deposits in UK banks & investments in money market funds	4,199
4,674	**Total Cash and Cash Equivalents**	**3,693**

Note 43 OPERATING ACTIVITIES CASH FLOW STATEMENT

2011/12 £000		2012/13 £000
671	Interest Received	373
78	Interest Received Opening Debtor	65
65	Interest Received Closing Debtor	3
(1,811)	Interest paid	(2,366)
8	Adjustments for differences between EIR and actual interest payable	-
966	Interest Paid Opening Creditor	505
505	Interest Paid Closing Creditor	367
4,674	Total Cash and Cash Equivalents	3,693
482	**Total Operating Activities Cash Flow Statement**	**(1,053)**

Note: the table above only includes interest received and interest paid in line with the disclosure requirements of the Code of Practice 2012/13, and therefore does not correlate to the figures in the Cash Flow Statement.

Note 44 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2011/12 £'000		2012/13 £'000
(16,452)	Purchase of property, plant and equipment, investment property and intangible assets	(26,707)
-	New Finance Leases	-
(5,000)	Capital grant repaid	-
(1,539)	Opening Capital Creditors	(4,304)
4,304	Closing Capital Creditors	1,969
-	Purchase of short-term and long-term investments	(17,600)
-	Other payments for investing activities	-
1,981	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,229

Note 44 INVESTING ACTIVITIES CASH FLOW STATEMENT (cont.)

2011/12 £'000		2012/13 £'000
16,000	Proceeds from short-term and long-term investments	-
17,386	Other receipts from investing activities (including capital grants)	18,949
16,680	**Net cash flows from investing activities**	**(21,464)**

Note 45 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2011/12 £'000		2012/13 £'000
508,389	Cash receipts of short and long-term borrowing	206,650
2,305	Billing Authorities - Council Tax and NNDR adjustments	(5,286)
-	Other receipts from financing activities	90
672	Cash payments for the reduction of the outstanding liabilities (finance leases)	(635)
(364,600)	Repayments of short- and long-term borrowing	(207,650)
-	Other payments for financing activities	-
146,766	**Net cash flows from financing activities**	**(6831)**

Note 46 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2011/12 £'000		2012/13 £'000
(198,061)	Net Surplus or (Deficit) on the Provision of Services	(83,079)
	Adjust net surplus or deficit on the provision of services for non Cash movement	
8,955	Adjustment for Development Corporation transfer of assets	-
59,984	Depreciation	72,377
1,125	Impairment and downward valuation	-
734	Amortisation	195
8	Adjustments for effective interest rates	-
-	Increase/ decrease in provision for Impairments/doubtful debts re: Loans & Advances	117
(1,471)	Increase/Decrease in Interest Creditors	(138)
(4,997)	Increase/Decrease in Creditors	(7,287)
13	Increase/Decrease in Interest and Dividend Debtors	62
(6,222)	Increase/Decrease in Debtors	20,214
(377)	Increase/Decrease in Inventories	296
4,854	Movement in Pension Liability	(5,953)
(852)	Contributions to/(from) Provisions	1,162

Note 46 NON CASH MOVEMENT CASH FLOW STATEMENT (cont.)

2011/12 £'000		2012/13 £'000
1,229	Other Adjustments	-
11,170	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	54,720
(121)	Movement in Investment Property Values	(1,204)
358	Other Adjustments	-
(107)	Carrying amount of short/long term investments sold	-
65,328		134,561
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(19,095)	Capital Grants credited to surplus or deficit on the provision of services	(17,815)
(16,000)	Net adjustment from the sale of short and long term investments	119
5,000	Other Adjustments	-
(1,981)	Proceeds from the sale of property plant and equipment, investment Property and intangible assets	(6,472)
(32,076)		(24,168)
(155,854)	**Net cash flows for operating activities**	**23,012**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

Notes		2011/12 £'000	2012/13 £'000
	EXPENDITURE		
	Repairs and Maintenance	13,175	13,944
	Supervision and Management	16,244	19,221
	Rents, Rates, Taxes and Other Charges	77	50
	Negative Subsidy Payable	12,632	-
2	Depreciation and Impairment of Non Current Assets	15,039	(60,852)
9	Debt Management Costs	203	5,679
	Movement in the Allowance for Bad Debts	(168)	300
	HRA Self Finance Payment	160,889	-
	Total Expenditure	**218,091**	**(21,658)**
	INCOME		
1	Gross Rent from Dwellings	(38,762)	(40,386)
	Less Voids	738	1,156
	Net Rent from Dwellings (sub-total)	**(38,024)**	**(39,231)**
	Non Dwelling Rents:		
	Shop Rents	(793)	(740)
	Garage Rents	(769)	(596)
	Premises Income	(213)	(134)
	Non Dwelling Rents (sub-total)	**(1,775)**	**(1,470)**
	Charges for Services and Facilities:		
	Water Charges	(4,964)	(5,156)
	Central Heating Charges	(38)	(37)
	Charges for Services and Facilities (sub-total)	**(5,002)**	**(5,193)**
	Contributions Towards Expenditure:		
	General Fund Transfer: Use of Housing Amenities	(23)	-
	Leaseholder Charges	(487)	(546)
	Tenants Service Charges	(1,961)	(1,978)
	Contributions Towards Expenditure (sub-total)	**(2,471)**	**(2,524)**
	Total Income	**(47,272)**	**(48,418)**
	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	**170,819**	**(70,076)**
	HRA services' share of Corporate and Democratic Core and Non Distributed Costs	68	-
	Net Expenditure on HRA Services	**170,887**	**(70,076)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
	(Gain) or loss on sale of HRA non-current assets	8,027	6,911
	Interest payable and similar charges (Deferred Purchase Interest)	-	-
	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	24	-
	Income and expenditure in relation to investment properties and changes in their fair value	-	-
	Interest and Investment Income	(12)	-
3	Pensions interest cost and expected return on Pension Assets	-	-
	Capital Grants and Contributions Receivable	(573)	-
	(Surplus)/ Deficit for the Year on HRA Services	**178,353**	**(63,165)**

MOVEMENT ON HRA BALANCE

	2011/12 £'000	2012/13 £'000
Balance on HRA at 1 April	**(2,898)**	**(1,047)**
(Surplus)/ Deficit for the Year on HRA Services	178,353	(63,165)
Adjustments Between Accounting Basis and Funding Basis under Statute:	(176,503)	61,553
Net (Increase)/Decrease before Transfers to/(from) Reserves	**1,850**	**(1,612)**
Transfer to/(from) Reserves:	**0**	**959**
(Increase)/Decrease in the Year on the HRA Balance	**1,850**	**(653)**
Balance on HRA at 31 March	**(1,048)**	**(1,700)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	2011/12 £'000	2012/13 £'000
Reversal of Items debited or credited to the HRA Income and Expenditure Account		
Depreciation of non-current assets	(6,080)	(6,470)
Revaluation and Impairment losses on Property, Plant and Equipment	(8,993)	(11,291)
Revaluation gains reversing previous losses	228	78,612
Movement in Market Value on Investment Property	(393)	14
Movement in value of held for sale assets	(83)	(65)
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	(902)	-
Amounts of Property, Plant and Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(9,123)	(10,231)
	(25,346)	**50,569**
Insertion of items not debited or credited to the HRA Income and Expenditure Account		
HRA Self Financing Capital Expenditure	(160,889)	-
Capital grants and contributions unapplied credited to the HRA	278	-
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	1,963	3,319
Reversal of Major Repairs Allowance credited to the HRA	7,676	7,593
Reversal of items relating to requirement benefits debited or credited to the CIES	(205)	(368)
Employer's pension contributions and direct payment to pensioners payable in year		433
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	20	7
	(151,157)	**10,984**
Total	**(176,503)**	**61,553**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

Rent Arrears	2011/12 £'000	2012/13 £'000
Gross Current Arrears at 31 March	1,043	1,119
As a Proportion of Gross Rent Income Collectable in the Year	2.69%	2.77%
Former Tenant Arrears at 31 March	402	435

Amounts written-off during the year amounted to £138,809.

There is a provision in the sum of £432,853 for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £6.470m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £11.3m offset by reversals of impairments of £78.6mm.

Analysis of Depreciation and Impairment Charges	2011/12 £000	2012/13 £000
Depreciation:		
Dwellings	5,736	6,276
Other Land and Buildings	165	82
Plant and Equipment	86	32
Non-Operational Property, Plant and Equipment	93	80
Impairment of Property, Plant and Equipment	8,959	(67,322)
Total for Year	**15,039**	**(60,852)**

Note 3 PENSION RESERVE MOVEMENT

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

Note 4 ACCUMULATED ABSENCES ACCOUNT

In order to comply with proper accounting practices under IFRS the current costs of untaken staff leave at the year end should be included in the HRA Income and Expenditure Statement (subject to materiality). The impact is then reversed out in the Movement on the HRA Balance Statement to the Accumulated Absences Account leaving no overall impact upon the HRA. This has been reflected in the HRA in 2012/13.

NOTES TO THE HOUSING REVENUE ACCOUNT (cont.)

Note 5 HOUSING STOCK

The Council was responsible for managing an average of 10,299 dwellings during 2011/12. The Council's housing stock as at 31 March 2013 was 10,270 and comprised:

Number and Types of Properties at 31 March	**31 March 2012**	**31 March 2013**
Number of Houses and Bungalows	5,557	5,523
Number of Flats and Maisonettes	3,520	3,525
Number of Aged Person Dwellings	1,222	1,222
Total at 31 March	**10,299**	**10,270**

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

Change in Stock of Properties	**2011/12**	**2012/13**
Stock at 1 April	10,312	10,299
Less Sales	(20)	(46)
Additions	7	17
Stock at 31 March	**10,299**	**10,270**

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

Balance Sheet Value of HRA Properties	**2011/12 £000**	**2012/13 £000**
Operational Non-Current Assets:		
Dwellings and other land and buildings	442,246	508,205
Non-Operational Non-Current Assets	10,396	13,682
Totals	**452,642**	**521,887**

The vacant possession value of dwellings within the HRA as at 1st April 2013 was £1.274bn. 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 6 MAJOR REPAIRS RESERVE

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

Major Repairs Reserve	**2011/12 £000**	**2012/13 £000**
Balance as at 1 April	(3,807)	(2,394)
Depreciation	(6,080)	(6,470)
Transfer to HRA	(1,596)	(1,124)
Financing of Capital Expenditure	9,089	6,884
Balances as at 31 March	**(2,394)**	**(3,103)**

NOTES TO THE HOUSING REVENUE ACCOUNT (cont.)

Note 7 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2011/12 was financed as follows:

Financing of Capital Expenditure	**2011/12 £000**	**2012/13 £000**
Major Repairs Reserve	9,089	6,884
Totals	**9,089**	**6,884**

Note 8 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:

Capital Receipts	**2011/12 £'000**	**2012/13 £'000**
Sales of Dwellings	1,905	3,319
Totals	**1,905**	**3,319**

Note 9 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

Debt Management Costs	**2011/12 £'000**	**2012/13 £'000**
HRA Self-Financing Loan Interest	-	5,619
Other Debt Management Costs	203	60
Totals	**203**	**5,679**

THE COLLECTION FUND STATEMENT

Notes		2011/12 £'000	2012/13 £'000	£'000
	INCOME			
2	Council Tax	(57,210)	(58,052)	
	Transfers from General Fund:			
	Council Tax Benefits	(11,047)	(11,001)	
3	Income Collectable from Business Ratepayers	(98,815)	(93,925)	
		(167,072)		**(162,978)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	6,854	7,137	
	Essex Fire Authority	3,446	3,468	
	Thurrock Borough Council	57,212	57,573	
	Precepts and Demands (sub-total)	67,512		68,178
	Business Rates:			
	Payment to National Pool	98,583	93,703	
	Costs of Collection	232	222	
	Business Rates (sub-total)	98,815		93,925
	Provision for Bad Debts:			
	Change in Provision	424	(1,088)	
	Write offs	1,399	532	
	Provision for Bad Debts (sub-total)	1,823		(556)
	CONTRIBUTIONS			
	Essex Police Authority	(85)	(3)	
	Essex Fire Authority	(43)	(1)	
	Thurrock Borough Council	(710)	(24)	
	Contributions (sub-total)	(838)		(28)
	Total Expenditure	**167,312**		**161,519**
	(Surplus)/ Deficit for Year	**240**		**(1,459)**
	Fund Balance Brought Forward	**696**		**936**
	Fund Balance Carried Forward	**936**		**(523)**

NOTES TO THE COLLECTION FUND STATEMENT

Note 1 GENERAL

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the Code of Practice. 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 2012/13 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 Dwellings
A*	13	5:9	7
A	5,966	6:9	3,978
B	11,233	7:9	8,737
C	23,615	8:9	20,991
D	10,246	9:9	10,246
E	4,068	11:9	4,972
F	1,930	13:9	2,788
G	740	15:9	1,234
H	25	18:9	50
	57,837		**53,003**
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.			(795)
Council Tax Base			**52,208**

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 2012/13 45.0p was the small business multiplier and 45.8p the large business multiplier (42.6p small business multiplier and 43.3p large business multiplier in 2011/12). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR Pool) administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The sum of £57.444m 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 £104.268m.

The total Non-Domestic rateable value at the 31 March 2013 was £258,319,457 (£255,997,881 at 31 March 2012).

GLOSSARY OF TERMS

Accounting Codes of Practice
These are designed to ensure consistent standards of financial accounting and reporting. There are two accounting codes applicable to local authority accounting:

- The ***Code of Practice 2012/13*** sets standards for the consistent treatment of transactions, accounting entries and financial reporting in published Statements of Accounts. The Code requires that the analysis of services in the Comprehensive Income and Expenditure Statement should follow that prescribed by the Best Value Accounting Code of Practice (BVACOP); and

- ***BVACOP*** provides for the consistent classification of income and expenditure and consistent service definitions in the accounts of all local authorities in the reporting of their Comprehensive Income and Expenditure Statements. In particular the BVACOP is designed to ensure consistency and comparability in the reporting of the total costs of individual services and activities.

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.

Budget
This comprises a statement of the spending plans of a local authority and how they will be financed for the coming year(s).

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 Expenditure
This comprises expenditure on the acquisition of fixed assets or expenditure, which adds to, and not merely maintains, the values of existing fixed assets.

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.

Collection Fund
This is a statutory agency account maintained by council tax billing authorities. It records council tax and non domestic rates income and expenditure, together with payments to any precepting authorities and transfers to the billing authority's own General Fund.

Community Assets
These are assets that the local authority intends to hold in perpetuity, and which have no determinable useful life. They often have restrictions on their use and disposal. Examples include parks and historic buildings.

Comprehensive Income and Expenditure Statement
This account shows all revenue cash and accounting transactions of a local authority in a financial year by service: receipts and payments are converted to income and expenditure by the inclusion of debtors and creditors, plus accounting entries for non cash costs, such as depreciation.

Contingent Assets and Liabilities

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

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

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

Council Tax
This is the source of local taxation for local authorities. It is levied on domestic properties within an authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the billing authority's own General Fund.

Creditors
These are persons or organisations to whom the Council owes money.

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.

Debtors
These are persons or organisations who owe money to the Council.

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.

Emoluments
These comprise all sums paid to or receivable by employees and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

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

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

Financial Year
The local authority financial year runs from the 1 April to the following 31 March.

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.

Gross Expenditure
This is the total expenditure of a fund, before account is taken of any income.

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 revalued.

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.

Investment Property
These are non current assets held solely for the purposes of earning rentals and/or for capital appreciation. They are not used for the provision of services.

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.

Leasing
This is a means of obtaining the use of property, vehicles, plant and equipment without actually spending capital monies or owning these assets, by paying rentals. There are two types of lease, finance and operating which are described in the note 1 - accounting policies.

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

Liabilities
These comprise an authority's obligations to transfer economic benefits as a result of past transactions or events.

Materiality
An item of information is material to financial information if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.

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.

Prior Period Adjustments
Prior period adjustments are material amendments to the accounts of previous years which arise from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to affect the validity of the financial

statements. Prior period adjustments do not include normal minor corrections or adjustments of accounting estimates made in prior years.

Property, Plant, Furniture 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

Revenue Expenditure
This is expenditure incurred on the day to day running costs of services and which does not result in establishment of Non-current assets reportable in the Balance Sheet.

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.

Stocks
These are the amount of unused or unconsumed supplies held in expectation of future use.

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.