

<b>18 July 2013</b>		<b>ITEM: 7</b>
<b>Standards &amp; Audit Committee</b>		
<b>Financial Statement and Annual Governance Statement</b>		
<b>Report of:</b> Sean Clark, Head of Corporate Finance		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Accountable Head of Service:</b> Sean Clark, Head of Corporate Finance		
<b>Accountable Director:</b> Graham Farrant, Chief Executive		
<b>This report is</b> Public		
<b>Purpose of Report:</b> To present to the Committee the Draft 2012/13 Financial Statement and Annual Governance Statement.		

## **EXECUTIVE SUMMARY**

This report is for noting: attached is the 2012/13 Financial Statement and the Annual Governance Statement that are being submitted to Ernst and Young for audit, the results of which will be reported back to this committee in September.

Members should note that there is no longer a requirement to bring these documents to the committee at this stage but officers have done so to provide Members with some assurance due to the problems encountered in recent years.

### **1. RECOMMENDATIONS:**

- a) That the Financial Statement and Annual Governance Statement be noted and that officers report back with a final version in September.**

### **2. INTRODUCTION AND BACKGROUND**

- 2.1. Members have received numerous reports over the last two years on the difficulties that the Council has experienced in completing the financial accounts and the issues identified in the subsequent audit.
- 2.2. More recently, Members of this committee have receiving reports giving assurance of improvements that have been made in these processes. This included a report at the June meeting on material changes within certain figures in the 2012/13 financial statement, including being able to report that the Council's external auditors, Ernst and Young, have already been able to review some aspects in advance.

- 2.3. This report previously on this agenda set out a brief update on progress to date. Members should note that the auditors have given the Council more time before reviewing the financial statement to allow officers more time to improve the supporting working papers and are thanked for this opportunity.

#### The Annual Governance Statement

- 2.4. Thurrock Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.5. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.6. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.7. This statement explains how Thurrock Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 in relation to the publication of a statement on internal control.

#### The Financial Statement

- 2.8. This sets out the Council Income and Expenditure for the 2012/13 financial year but in a way that is largely unrecognisable to Members and the public due to the accounting requirements to include technical adjustments for pension contributions and capital transactions. Members are directed to the explanatory forward that sets out information on expenditure in 2012/13 in a more understandable format.
- 2.9. The statement also sets out the Council's financial position as at 31 March 2013. That is to say, the value of the Council's assets, the level of various reserves, etc.
- 2.10. Finally, there is specific information about the Housing Revenue Account and Collection Fund (the statement that covers the collection and use of business rates and council tax), as well as a number of supporting notes that cover all of the main financial statements or generic notes to add context for the reader.

### **3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:**

- 3.1. There are no issues arising from this report. The Financial Statement and Annual Governance Statement will be submitted for Audit and the committee

will receive a report back in September, accompanied by a report by Ernst and Young.

#### **4. REASONS FOR RECOMMENDATION:**

4.1. For the committee to note the completion of the two statements.

#### **5. CONSULTATION (including Overview and Scrutiny, if applicable)**

5.1. All services and senior management have been consulted in the compilation of both of these documents.

#### **6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

6.1. The level of resources and how they are allocated will affect the amounts available towards the Council's overall aims and objectives.

#### **7. IMPLICATIONS**

##### **7.1. Financial**

Implications verified by: **Sean Clark**  
Telephone and email: **01375 652010**  
**sclark@thurrock.gov.uk**

The statement is largely governed by a report code of practice. Apart from reporting the Council's financial position as at 31 March 2013, there are no financial implications arising directly from this report.

##### **7.2. Legal**

Implications verified by: **David Lawson**  
Telephone and email: **01375 652087**  
**dlawson@thurrock.gov.uk**

There are no direct legal implications arising from this report.

##### **7.3. Diversity and Equality**

Implications verified by: **David Lawson**  
Telephone and email: **01375652087**  
**dlawson@thurrock.gov.uk**

There are no specific implications from this report.

##### **7.4. Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

There are no specific implications from this report.

**BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):**

- There are various working papers within accountancy.

**APPENDICES TO THIS REPORT:**

- Appendix 1 – The Annual Governance Statement
- Appendix 2 – The Financial Statement

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# THURROCK COUNCIL

## Annual Governance Statement 2012/13

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## 1.0 Scope of responsibility

Thurrock Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council approved and adopted a local code of corporate governance. This local code of governance is consistent with “Delivering Good Governance in Local Government” publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.

This statement explains how Thurrock Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 in relation to the publication of a statement on internal control.

The Council’s financial management arrangement conforms with the governance requirement of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the application note to *Delivering Good Governance in Local Government: Framework*.

Our website at:

[http://www.thurrock.gov.uk/democracy/pdf/governance\\_code\\_2010.pdf](http://www.thurrock.gov.uk/democracy/pdf/governance_code_2010.pdf) has a copy of the local code of corporate governance.

## 2.0 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has had the governance framework described below in place for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

### 3.0 The governance framework

The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

Council is responsible for directing and controlling the organisation in this manner. Council's responsibilities include agreeing the Constitution (except in so far as this function has been delegated to the Monitoring Officer) and key governance documents, the policy framework and key strategies including the Community Strategy (which sets out the community vision and priorities for the next ten years in Thurrock) and agreeing the budget.

Thurrock Council has executive and scrutiny arrangements in place consisting of a Strong Leader/Cabinet and various Overview and Scrutiny Committees, including a new Housing Overview and Scrutiny Committee to oversee the exciting but challenging opportunities afforded by the new housing finance system. A new Corporate Parenting Committee was created on 29<sup>th</sup> February 2012 and has operated throughout 2012/13.

Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies as set out in the Constitution. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

The Chief Executive advises councillors on policy and procedures to drive the aims and objectives of the authority. As head of the officer staff, the Chief Executive implements the resolutions made by the General Services Committee who, under their terms of reference, oversee the employment and conditions of staff that are not dealt with by Officers under delegated powers.

The Chief Executive leads a management team (Directors' Board) which includes the Directors, Monitoring Officer and Head of HR and Organisational development. The Board is supported by:

- various Council wide strategic Boards, all of which are sponsored by a Director;
- a Leadership Group which is a wider group of senior managers including Heads of Service across the Council responsible for providing leadership to the services and ensuring consistency in the cross cutting strategies and policies of the Council; and
- a group of senior managers that meet at the Managers' Conference which is held four times a year.

(Note: the Director of Finance and Corporate Governance is the Council's s151 Officer. This post has been made redundant in July 2013 and the Head of Corporate Finance takes over the s151 responsibilities from 1 July 2013, including a place on the Directors' Board).

The Chief Finance Officer, the Monitoring Officer and Heads of Service are responsible for advising the executive, Council and scrutiny committees on legislative, financial and other policy considerations to achieve Thurrock Borough Council's objectives and are responsible for implementing councillors' decisions.

The Council has supported the principle of sharing services with other local authorities. In terms of governance, the Council shares the Chief Executive and Monitoring Officer roles with the London Borough of Barking and Dagenham.

Last year's Annual Governance Statement was prepared in a very different environment compared to previous years. There were some significant national policy changes such as the Localism Act 2011, the abolition of Comprehensive Area Assessments, NHS reforms and the abolition of some Urban Development Corporations, one of which was the Thurrock Thames Gateway Development Corporation. These changes had a direct impact on governance arrangement and the Council continues to work through the practicalities of some of these actions.

Our Corporate Plan and Medium Term Financial Strategy sets out the Council's strategic objectives and corporate priorities, which are as follows:

- Create a great place for learning and opportunity;
- Encourage and promote job creation and economic prosperity;
- Build pride, responsibility and respect to create safer communities;
- Improve health and wellbeing; and
- Protect and promote our clean and green environment.

The Council adopted an Organisational Development Strategy in December 2010 which sets out the Council's aspirations as an employer and its values as follows:

- **Leadership** - we interpret our complex environment and inspire through clear direction, support and behaviour;
- **Passionate** - energetic and positive about what we do;
- **High Performing** - innovative and change orientated, we take personal responsibility for improvement;
- **Confident** - we are clear about our priorities and our ability to deliver;
- **Fair** - we are fair and unbiased as a service provider and employer, promoting dignity, equality and respect for all; and
- **Integrity** - we conduct our business openly and honestly, engaging people to generate trust and advocacy.

The OD Strategy is delivered through the HR/OD Annual Service Plan and Work-plan. Priorities are agreed by the Council's Corporate HR Equalities and Culture Change Board.

The Council has established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. This is underpinned in the Community Engagement Strategy 2011 – 2016 (adopted by Council on 30 March 2011), the objectives of which are:

- Develop and support communities and local people to get involved;
- Support Councillors to be leaders for their communities; and



- Establish a coordinated, efficient and value for money partnership approach to community engagement.

Thurrock Borough Council ensures that clear opportunities are provided to inform, consult and involve residents and community groups across the borough whether it is regarding a routine council function or is one of significant decision. The Communications Officer has fostered a good working relationship with the local press and works closely with them to communicate with the community.

### THE STRATEGIC PLANNING FRAMEWORK

To ensure we do the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, our strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.

The Community Strategy articulates the Council's overarching vision for Thurrock which is "**Thurrock: A place of opportunity, enterprise and excellence, where individuals, communities and businesses flourish.**" The Council has adopted five strategic priorities and objectives to deliver the vision. The Corporate Plan and Medium Term Financial Strategy 2013-16 cascades the Community Strategy into the Council's corporate strategic planning process.

The strategy was developed in partnership with public, voluntary, community and private sector organisations. The Council has adopted five strategic priorities and objectives to deliver the vision. The Council cascades the Community Strategy into its business planning framework through the Corporate Plan and Medium Term Financial Strategy which is kept under review and was updated and approved by Council in February 2012.

The Council's approach to managing its finance and the objectives and priorities set out have been used as the main drivers for determining the allocation of resources over the medium term. The financial plan has been developed to ensure that the key targets are met and adequate contingencies and balances maintained. The Medium Term Finance Strategy is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council.

The Council has a strong record of delivering services within budget and over the past 3 years the Council has increased its balances to £8m by improving efficiency and making cost savings and restructuring the debt portfolio whilst also identifying further reserves to deliver the Council's priorities and objectives.

The Council has also approved a new Policy Framework arrangement which will ensure that key strategies are reviewed and aligned to the Council's strategic priorities. The Strategy Board set up in July 2011 coordinates and enables the preparation of statutory and key strategies of the Council. The Board advises officers responsible for writing key strategies to ensure that all strategies are aligned to the Council's vision, values and strategic priorities, and integrated where necessary. The Strategy Board ensures consistency of key strategies by developing guidance templates and offering support.

Our planning framework which incorporates the Local Development Framework, a set of planning policy documents, (most notably the Core Strategy, which was adopted on 21<sup>st</sup> December 2011) and sets out how we will use land, has been the basis to achieve both our partners' and our wider objectives. We also carry out regular consultation with residents and service-users to identify their priorities for service improvement and how satisfied they are with our services.

The Council has in the financial year 2012/13 adopted other strategies including:

- **Health and Wellbeing Strategy**

The Health and Social Care Act 2012 transforms health and social care commissioning. It introduces new systems, organisations, and arrangements as well as new duties. At its heart, the Act forges a new role for Local Government in partnership with two new organisations: Clinical Commissioning Groups (CCG) and Healthwatch. CCGs are GP-led with responsibility for commissioning to meet local health needs, in partnership with the Local Authority and Healthwatch. The Local Authority assumes new responsibilities for public health and has system leadership responsibility for the health and well being of the whole population of Thurrock.

The Health and Well-Being Board (HWBB) brings partners together to lead the integration of health and well-being services across the NHS and local government, to assess the community's assets and needs and develop a Health and Well-Being Strategy (HWBS) to improve the health and well being of the community and to reduce inequalities.

The HWBS sets out the vision, aims, and priorities for achieving the best possible health and well-being for all Thurrock residents. It is linked to and/or delivers through a whole range of existing or new strategies and delivery plans to improve the health and well-being of the people of Thurrock.

The Thurrock HWB Strategy was developed through a series of workshops with key stakeholders and was endorsed by the HWB Board in February and Council in March.

- **Asset Management Plan**

The Council has in place a new Asset Management Delivery Plan (AMDP), focusing its high level strategy to a more detailed level. This includes the principle of a phased disposal programme of operational and commercial property. Disposals commenced in 2012/13, and further sales are in process which will support the Council's Medium Term Financial Strategy to the required level of £3m.

During 2012/13 Cabinet sought to make the governance of asset disposal more transparent by establishing a cross party Member Working Group; the role of which is to examine disposal proposals and make recommendations to Cabinet. The Working Group has so far met twice and has supported a range of disposals which are currently progressing.

Work has also begun on other key areas of the AMDP:

- Rationalising the commercial and operational property portfolio, reducing running costs and using the proceeds to finance property transformation and contribute to the savings requirements of the Medium Term Financial Strategy
- Concentrating administrative activities in a revitalised Civic Office building in Grays, supported by a small number of new, “community hubs” for local service delivery.
- Establishing a centralised asset management team to manage both the transformation and the revised portfolio – with all property thenceforth regarded as a corporate asset rather than departmental.

This strategy is being supported by improving the quality of the information kept on the Council’s land and property assets, with details of value, costs, income and operational importance. Significant progress to this end was achieved during 2012/13 with the 100% revaluation of the Council’s asset base, including those properties inherited from the former Thurrock Thames Gateway Development Corporation.

The vision being pursued is of a Council property portfolio which is smaller than currently, and takes full account of the council’s priorities and plans for regeneration, delivering operational requirements, supporting communities and maximising value.

- **ICT Strategy**

On 12 March 2013 Cabinet agreed a refreshed Information Systems / Information Technology Strategy which has, at its core, enabling infrastructure that permits the Council to move to more flexible ways of working.

At the heart of the strategy are drivers to promote connections and mobility amongst:

- Colleagues;
- the Council;
- Communities;
- Citizens; and
- Commerce.

The IS/IT strategy has an ambition that by April 2015 a new IS/IT platform will have been built to make these connections.

The strategy sets out the agenda and framework for the management and investment in ICT for the next 3 years, which will see applications and their management transferring to Serco, the Council’s strategic partner.

The strategy is monitored by CISD to ensure that milestones are on track and that learning from projects is captured. The strategy will be reviewed on an annual basis to ensure it is still relevant to Directorates and any significant changes will need to go through Directors Board.

The Strategy is deliberately intended to be more than a Strategy document. It seeks to communicate the context and history for ICT within the Council and, from this, build a sustainable ICT Platform for delivering the Council's current and future business requirements and needs.

## PERFORMANCE MANAGEMENT FRAMEWORK

The Council has a Performance Management Framework through which the achievement of objectives, quality of service and use of resources is measured. The Performance Management Framework, which works on the "Plan-Do-Review-Revise" cycle and covers all areas of performance management including the scorecard process, corporate planning cycle, risk and opportunity management, use of statistical evidence and data quality.

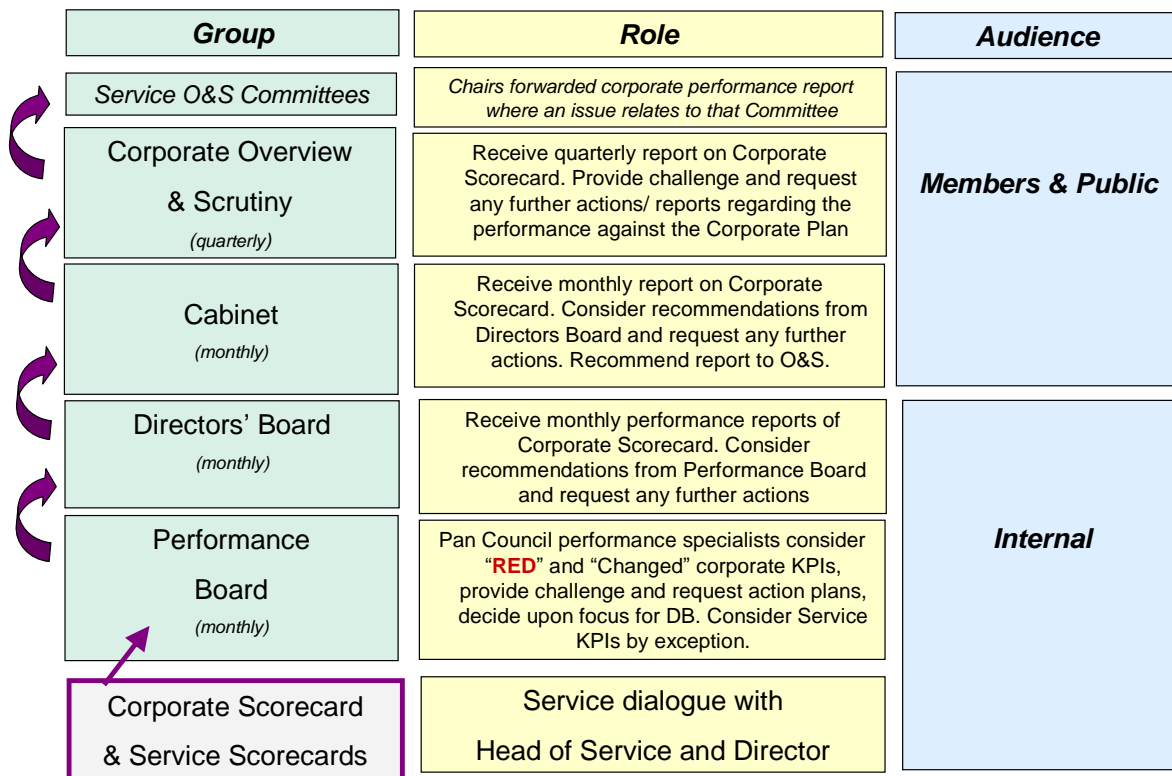
The Corporate scorecard monitors the key performance indicators relating to progress against key strategic objectives within the Corporate Plan/MTFS. This is monitored by the Performance Board on a monthly basis and is formally reported to the Corporate Overview and Scrutiny Committee (quarterly) and Cabinet (monthly) and also by way of an Annual Performance Report. The Performance Board is a cross council group of performance experts tasked with ensuring that the Council's Performance and Risk & Opportunity Management Frameworks are embedded and support the improvement of the Council's service. The Board provides assurance that the Council is delivering against its priorities. In the event of underperformance the Board makes recommendations to Directors' Board to commission recovering planning. Furthermore, the Performance Board acts on behalf of the Directors' Board in providing overview and scrutiny over service based performance on an exception basis.

The performance management framework flows through the authority, down to an individual employee level. Each employee has a one to one performance development review, part of this process being to identify development needs.

The key performance indicators are reported through the Council's centralised corporate performance management system, Inphase Performance Plus.

The Performance Management Framework was reviewed in November 2012.

## How the Corporate Scorecard is reported and monitored



The Council also works with its partners in delivering services and operates the following governance arrangement:

- The Council delivers a significant proportion of its services through its strategic service partnership contract with Serco (the contract was formally Vertex but was novated to Serco in 2012). The strategic direction of the partnership is governed through the Strategic Partnership Board and key risks are reviewed annually by Business Development Managers (client side) and representatives of SPSL. The Commercial governance and operational performance issues are managed through the Partnership Operations Board. Reports are also provided to meetings of the Corporate Overview and Scrutiny Committee;
- Serco sub-contract certain elements to Europa – at the Balance Sheet date officers are currently negotiating with Serco on the possibility of bringing back the Highways and Engineering and Property Services aspects of that contract; and
- The Council previously delivered its housing responsive repairs and voids services via a term contract with Morrison Facilities Services. After several months of negotiations around poor performance this contract was novated to Mears during 2012/13.

### LEGAL FRAMEWORK

Roles and responsibilities for Cabinet, Council, Overview and Scrutiny and all Committees of the Council, along with officer functions are defined and documented, with clear delegation arrangement and protocols for effective communication within the Council's Constitution. The Constitution is regularly reviewed and updated, with

amendments discussed with the Constitution Working Group (which consists of 7 members) and thereafter agreed periodically at Council meetings.

All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation, which forms part of the Constitution. The Monitoring Officer will report to Council or to Cabinet if it is considered that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

The Localism Act 2011 has had a significant impact on the Council. Because of the changes to the Standards regime we replaced the statutory Standards Committee with the Standards and Audit Committee. The role and functions of the committee include:

Standards functions determined by the Council:

- promoting and maintaining high standards of conduct by Members and Co-Opted Members of the authority;
- receiving periodic reports from the Monitoring Officer on dispensations granted / refused, complaints received against Members, complaints resolved informally, complaints resolved after an investigation and a Members Advisory Panel Hearing and assessing the operation and effectiveness of the Members' Code of Conduct;
- advising on training or arranging to train Members and Co-Opted Members on matters relating to the Members' Code of Conduct;
- assisting Councillors and co-opted Members to observe the Members' Code of Conduct;
- to receive referrals from the Monitoring Officer into allegations of misconduct in accordance with the authority's assessment criteria;
- advising the Council upon the contents of and requirements for codes/protocols/other procedures relating to standards of conduct throughout the Council;
- maintaining oversight of the Council's arrangements for dealing with complaints;
- informing Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints;
- appointment of Members' Advisory Panel (a Working Group of the Committee) to hear and make recommendations to the Monitoring Officer concerning complaints about Members and Co-Opted Members referred to it by the Monitoring Officer;
- on referral by the Monitoring Officer to grant dispensations after consultation with the Independent Person pursuant to S33(2) (b), (c) and (e) of the Localism Act 2011; and
- hear and determine appeals against refusal to grant dispensations by the Monitoring Officer pursuant to S33(2)(a) and (d) of the Localism Act 2011.

Audit functions determined by the Council:

- providing independent assurance that the Authority's financial and risk management is adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of its functions, including:
  - keeping under review the Authority's own audit standards and whether they are relevant and represent best practice; and
  - considering or reviewing the following and the action taken on them and advising the Council and/or the Cabinet, as appropriate:
    - (a) internal and external audit plans and progress against plans;
    - (b) summaries of external and internal audit reports and progress against recommendations made in audit reports;
    - (c) the annual report of the internal auditor and the Annual Governance Statement;
    - (d) approving the annual statement of accounts and whether appropriate accounting policies have been followed;
    - (e) reports from inspection agencies, including the external auditor's Annual Management letter and report to those charged with governance issues;
    - (f) keeping under review the Authority's control environment and anti fraud and anticorruption arrangements, including compliance with the Financial and Contracts Procedure Rules; and
    - (g) keeping under review the relationships between external and internal audit and other inspection agencies and reviewing the performance of the Council's appointed Internal Audit provider.

In the role of Monitoring Officer, the Head of Legal and Democratic Services contributes to the promotion and maintenance of high standards of conduct through support to the Standards and Audit Committee.

The Constitution includes our code of conduct for councillors which all Members sign up to upon election to the Council as well as voting Co-Opted Members. The Council adopted the revised local code pursuant to the changes made by the Localism Act 2011 and training is provided to Members periodically to ensure that they are fully aware of their responsibilities. Employees are also subjected to a Code of Conduct and a number of specific policies set out in the Human Resources Framework. All new members of staff receive one to one induction training with their line manager and attend an induction training session. The Monitoring Officer has also provided training on the governance framework to senior managers, a local conference which was attended by 15 other authorities.

The Localism Act came into force on 15<sup>th</sup> November 2011 which included five key measures that underpin the Government's approach to decentralisation:

- Community rights;
- Neighbourhood planning;
- Housing;

- General power of competence; and
- Empowering cities and other local areas.

The Council has taken action to meet the requirements under the Act and continues to monitor the impact of the Act.

## FINANCIAL FRAMEWORK

The section 151 officer is responsible for the overall management of the financial affairs of the Council. The section 151 officer determines all financial systems, procedures and supporting records of the Council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.

The Council is responsible for approving the following:

### **CORPORATE PLAN AND MEDIUM TERM FINANCIAL STRATEGY**

The medium term financial strategy sets a stable financial framework within which the Council operates, and it is reviewed annually. It guides the medium term financial plan that is reported to councillors during the budget setting process.

### **TREASURY MANAGEMENT STRATEGY**

The treasury management strategy governs the operation of the Council's treasury function, and is reviewed at least annually. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.

### **REVENUE AND CAPITAL BUDGET SETTING**

Both revenue and capital budgets are set by Council. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.

Cabinet has overall responsibility for the implementation of the Council's financial strategies and spending plans and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data within their service area.

The Chief Executive, directors and heads of service consult with the Head of Corporate Finance and the Head of Legal and Democratic Services on the financial and legal implications of any report that they are proposing to submit to the Council, a committee (or sub-committee) or Cabinet.

## RISK MANAGEMENT FRAMEWORK

Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are



effective. Our risk management approach has been in effect for a number of years and was built on in 2008 to incorporate opportunity management. The overall responsibility for effective risk and opportunity management in the Council lies with the Chief Executive supported by the Director of Finance and Corporate Governance and the Corporate Performance team. We use a standard risk and opportunity management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks and opportunities.

Councillors have a responsibility to understand the strategic risks and opportunities that the Council faces, and are made aware of how these issues are being managed through regular reports to the Standards and Audit Committee.

The Performance Board with some consultancy from the Corporate Performance Team work with services to regularly review and update the Strategic/Corporate Risk and Opportunity Register.

The Council have mainstreamed and integrated the refresh of service risk/opportunity registers with the annual service planning cycle, so that management response arrangements for risk and opportunities can be included in service plans.

Service risk and opportunity registers are in place for each service area and all heads of service are responsible for ensuring that risks and opportunities are identified, prioritised and entered onto the risk/opportunity register. Service risk and opportunity registers are reviewed and updated on a regular basis under the risk and opportunity framework.

All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks and opportunities. All officers are responsible for considering risk and opportunity as part of everyday activities and provide input to the risk and opportunity management process.

All services have a plan relating to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

The Standards and Audit Committee undertakes the core functions of an audit committee in accordance with the terms of reference set out in the Constitution.

### INFORMATION GOVERNANCE (Focus on Subject Access Requests)

The Data Protection Act gives individuals the right to be told what 'personal data' an organisation is processing about them and, unless an exemption applies, to receive a copy of that information. They do this by making a data Subject Access Request (SAR), which must be in writing. The request can be broad such as, "give me a copy of all the information the council hold on me", or it can be precise "give me a copy of my social care files".

A current risk for the Council is the ability to comply with SARs within the timeframes of the Data Protection Act; as if a high volume of requests are received (as in 2011/12) then our ability to respond to these within statutory timeframe becomes a concern. To process a SAR can be a resource

intensive piece of work for the Council, as many requests involve searching for and checking through a high volume of files for a single individual.

During 2012/13 the Council received 25 requests where the fee was paid and the full SAR process implemented. Of the 25 requests, 80% of requests were processed within the statutory timeframe (40 calendar days from the date that all necessary information and payment are received). Historically performance at Thurrock in responding to SARs has been strong, however performance dipped during 2011/12 due to a combination of the following factors:

- A number of “closed and open case” social care requests were received, which take significantly longer to process, due to complexity and high volume of records in scope. It should be noted that processing SAR’s is a meticulous time consuming process, as thorough checks need to be applied before releasing information. Errors made could result in privacy breaches;
- An increase of general work pressures within the Information Management Team; and
- The Information Governance Team have in the past suffered a cut/reduction in resources.

The risk and impact to the council due to the performance dip in processing SARs is summarised below:

- The Information Commissioners Office (ICO) have confirmed that failure to process someone’s SAR within timeframe is not a criminal offence, but can in theory result in a financial penalty notice. However this is unlikely if it’s the only principle of the Act that the council are in breach of;
- The process the ICO have to go through before they can issue a monetary fine is stringent and they have to show the organisation has acted recklessly in failing to meet the requirements; and that this has had serious consequences for the individual concerned;
- In practice, the ICO would only become involved in cases where they receive repeat complaints about the same Council failing to meet the deadline. They would then go through the following stages:
  - Informal Investigation, however this could turn into a formal investigation.
  - Signed Undertaking (e.g. promise to take steps to improve, signed by the CEO).
  - Enforcement Notice issued looking for an assurance that the Council improve performance up to a certain level, as stipulated by the ICO
  - Monetary Penalty Notice if all of the above has still failed; and
- Irrespective of any ICO intervention, individuals have a right to make a financial claim for damages/distress caused and these can and do get taken to court (privately) and result in compensation payments.

The ICO have also confirmed that in the future they are going to be implementing formal monitoring of Council’s response rates on data protection in terms of timeframes (at the moment this is only checked if complaints are made).

The Information Governance Team due to other work priorities have recently introduced a different approach to manage the processing of SARs. This has resulted in the team dedicating a fixed number of hours each week to manage and process SARs. The time spent per week has been reduced from a total average of 16 hours per week to 9 hours. This incorporates resources from one temporary full time member of staff (an Apprentice one year post). The reduction is fundamental to allow the team to deliver other competing work priorities. This change and the performance impact of this decision will be monitored to avoid ICO related penalties

#### 4.0 Review of effectiveness of the governance framework

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

##### REVIEW OF OBJECTIVES

To ensure that we are doing the right things in the right way and for the right people, in 2011/12 Thurrock Borough Council undertook a major review of the Corporate Plan and adopted the Corporate Plan and Medium Term Financial Strategy 2012/15. This is now updated annually and Council agreed the updated version at its meeting in February 2013 for the period 2013/16.

The Corporate Plan and MTFs sets out the strategic direction of the Council and how it contributes to the delivery of the Community Strategy. In addition, it also addresses how the Council will meet the financial challenges in delivering the priorities.

The Corporate Plan / MTFs cascades the Community Strategy into the Council's corporate strategic planning process and informs the key service plans and objectives. The plan sets out the Council's strategic objectives for 2016 and how it will achieve those objectives.

The Council will update and review the Plan annually to ensure that it remains current in the years leading up to the next redrafting of the plan.

The Strategy Board coordinates and enables the preparation of statutory and key strategies of the Council. The Board advises officers responsible for writing key strategies to ensure that all strategies are aligned to the Council's vision, values and strategic priorities, and integrated where necessary. The Strategy Board ensures consistency of key strategies by developing guidance templates and offering support.

Action:
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**Ensure that the strategies and plans subject to annual reviews are undertaken and reported to Cabinet and Full Council.**

## PERFORMANCE MANAGEMENT AND SERVICE PLANNING

In recent years, we have looked to improve the consistency of performance management throughout the Council. To do this, we have reviewed and published a performance management framework, and promoted its uptake via an interactive intranet site.

Performance Board receive quarterly summary reports on service performance across the Council.

The Service Planning guidance was also updated in December 2012 and embedded directly into the service planning templates, which is available on the intranet

The combination of the arrangements for the Performance Management Framework, Corporate and Service Scorecards, Service Plans, etc is that the Council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

Inspections undertaken during the 2012/13 financial year include the following:

### **Children's Services**

OFSTED undertook a two week long inspection of services for Safeguarding and Looked Children in June 2012 and graded the services as "good", making Thurrock one of small number of councils obtaining a good judgement in each area. The Fostering Service was inspected in March 2013 and was also awarded a "good" judgement. The Youth Offending Service, a multi-agency team in Thurrock, was inspected in May 2012 and was awarded a judgement of "credible" and showed the service to be performing above average in each of the areas inspected.

### **Adults' Services**

#### **Collins House**

1. A CQC inspection of the Council's Residential Care home - Collins House took place on 19<sup>th</sup> February 2013.
2. The following standards were inspected:
  - Respecting & involving people who use services;
  - Care & welfare of people who use services;
  - Safeguarding people who use services from abuse;
  - Cleanliness and infection control;
  - Supporting workers; and
  - Records.
3. All the above standards were met.

## **Hathaway Road**

1. A CQC inspection of the Hathaway Road Short Break Respite Service took place on 31<sup>st</sup> January 2013.
2. The following standards were inspected:
  - Consent to care and treatment;
  - Care & welfare of people who use services;
  - Management of medicines;
  - Supporting workers; and
  - Complaints.
3. All the above standards were met.

## **Homecare Reablement**

1. A CQC inspection of the Joint Homecare Reablement Service took place on 29<sup>th</sup> November 2013.
2. The following standards were inspected:
  - Respecting and involving people who use the service;
  - Care & welfare of people who use services;
  - Safeguarding people who use the service from abuse;
  - Supporting workers; and
  - Assessing and monitoring the quality of the service provision.
3. The report highlighted areas for further improvements on points 4 and 5 which are being undertaken in the course of 2013/14.

## **Winterbourne Report**

In response to the Winterbourne report, Fran Leddra as chair of the Adult Safeguarding Operational Board organised for unannounced visits to take place in care homes that work with people with learning and physical disabilities. These were carried out in the evening and they were focusing on the smell, atmosphere and the general feel of the home. They would also speak to a couple of service users or their relatives to see how they feel about the home.

The same was then carried out by the Adult Safeguarding Operational Board for Older People Care homes earlier this year

One care home did lead to further investigation work and all the issues have been addressed.

## **LEGAL FRAMEWORK**

The authority has approved changes to the Senior Management Structure, the aim of which was to ensure that the Council becomes and remains more focussed on service outcomes and on delivering quality services to all of the communities in Thurrock. The changes centred on the following:

- The creation of the new post of “Director of Public Health” (shared with Southend Borough Council) as part of the requirements of the Health and Social Care Act 2012;
- Creation of the new posts of “Director of Adults, Health and Commissioning and “Director of Children’s Services” out of the old post of Director of People Services; and
- More recently has agreed to delete the post of Director of Finance and Corporate Governance and to transfer the S151 responsibility to the Head of Corporate Finance.

The authority continues to share its Head of Legal and Monitoring Officer with the London Borough of Barking and Dagenham by way of a section 113 secondment under the Local Government Act 1972. The legal services of both authorities continue to work together under a Memorandum of Understanding ensuring effective collaboration that includes protocols for joint management, data sharing and conflict of interests protocols

The Constitution has been regularly reviewed during the year by the Constitution Working Group of Members to ensure it was up to date and that it appropriately addressed legislative changes such as the new Access to Information Regulations 2012 “Consequential amendments” have included changes to portfolios held by Cabinet Members; and minor formatting and typographical errors.

The monitoring officer did not need to use any statutory powers during the year.

The authority’s Legal Services team was awarded Lexcel in April 2009. This accreditation is a quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management. The Legal Services is now in the process of extending this Lexcel accreditation across its shared legal service with the London Borough of Barking and Dagenham and has established a single office manual and case work system.

The Health and Social Care Act 2012 placed new responsibilities onto local authorities and new commissioning arrangements within the NHS that have significant implications for local authorities in general and Thurrock in particular. Specifically:

- Primary Care Trusts were abolished from 1<sup>st</sup> April 2013;
- NHS Commissioning responsibilities passed to locally based Clinical Commissioning Groups (CCGs);
- Local authorities now have a statutory duty to establish Health and Well-being Boards as local partnership, system leaders;
- Certain Public Health functions passed over to the local authority from 1<sup>st</sup> April 2013;
- The local authority has a duty to commission Healthwatch which has replaced the Local Involvement Network (LiNK).

These changes offered significant risks but also significant opportunities for the local authority both in terms of developing joint services with health partners but also in the new responsibilities that have passed over to local government.

The authority has responded fully to these challenges including providing training and support for its new Health and Wellbeing Committee.

## FINANCIAL FRAMEWORK

### **FINANCIAL REPORTING**

Formal budget monitoring for both revenue and capital income and expenditure took place every month from June onwards during the financial year. There was some difficulty experienced in the first half of the year due to the implementation of the upgraded Oracle financial system and difficulties with reporting. Despite these difficulties, monitoring did take place monthly and were reported as set out below.

Every month, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

Corporate Finance collate the heads of services' returns into a budget monitoring report which is considered by Directors Board every month and Cabinet every quarter.

These reports highlight the key variances being reported by each service, allowing management and Cabinet to focus on them.

The Cabinet budget monitoring reports include details of any virements considered necessary within the quarterly budget monitoring reports. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services.

For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by ensuring that it is verified by a member of the Financial Team.

A motion was unanimously supported by Council in 2012 that also required a financial section to be added to Portfolio Holder reports.

Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course. Following on from the training provided by CIPFA in advance of the 2011/12 accounts, a bespoke course was commissioned from Ernst and Young, the Council's external auditors, that effectively put accounting requirements into a Thurrock context for 2012/13.

Each year's accounts and annual audit letter are available to the public and are published on the Council's web site. We can make them available in accessible

formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. We have included a glossary of terms within the accounts to aid understanding.

## **BUDGET MONITORING**

Accountants meet with all service heads and their staff monthly during the financial year to discuss performance against budget and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the very latest estimates of income and expenditure.

Every year the Council sets a comprehensive and balanced budget, which is proved to provide adequate resources by the absence of overspends against total budget in recent years.

The Council's budget planning cycle is well established. We complete the annual budget for consideration by Cabinet by February, before it is discussed and approved at Council later that month. Scrutiny Committee reviewed the budget during October to February.

When the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the Chief Finance Officer. Cabinet formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

## **TREASURY MANAGEMENT STRATEGY**

The Council's treasury management strategy, which Council agrees annually, sets out the Council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the Council's assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code.

We report performance against the strategy to Cabinet half yearly.

Cabinet take responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury management code, which were revised in December 2009.

All the arrangements detailed above demonstrate that the Cabinet and the Chief Financial Officer's team exercise collective responsibility for financial matters. The Chief Financial Officer takes responsibility for the stewardship of use of resources and financial accountability.



## **ORACLE**

The Council agreed to upgrade the Oracle financial system and implement organisational development management modules to go live in 2012/13. However, a number of issues were experienced during implementation and throughout the year:

- Some payment interfaces failed resulting in late payments to a number of creditors and including groups such as foster carers – this has now been resolved and more stringent reconciliations adopted;
- Reporting has been an issue throughout the year – improved reports were issued to officers from month 9 onwards but further work is required to improve the offer still further;
- The Chart of Accounts was amended to improve the accounts closure process – this has been largely achieved;
- Payroll went live successfully in January 2013;
- I-expenses went live in March 2013 but has created a problem with the interface into the Oracle General Ledger – this has resulted in, at the time of writing, no payroll information be interfaced for budget monitoring and bank reconciliation purposes – Serco are working with Oracle On Demand to resolve this issue; and
- HR&OD Learning and Performance Management modules have been developed and will be rolled out during 2013/14.

## **IMPROVEMENTS TO THE FINAL ACCOUNTS PROCESS FOR 2012/13**

The difficulties that the Council faced in completing the financial statement for 2010/11 resulted in a section 11 report from the Audit Commission and was widely reported through the democratic process and the media.

Improvements were made in 2011/12 but, again, the following difficulties were encountered:

- The late closure of the 2010/11 accounts overlapped with the need to start the closure of the 2011/12 accounts causing delays;
- The Oracle upgrade meant that the system was not available for a significant part of April 2011 and there were reporting issues encountered throughout 2011/12;
- The closure of the Development Corporation at the end of March 2012 led to technical accounting issues regarding the inclusion of DC assets as well as a further time delay whilst the exact assets, both financial and physical, were agreed;
- Delays in the receipt of asset valuation information;
- The need to include Heritage assets for the first time;
- A chart of accounts that was not fit for purpose created reconciliation issues between Oracle and the financial statements;
- A mixed level of understanding and expertise amongst finance officers; and
- A mixed standard of working papers.

The following was put in place in response to the above:

- A consultant was brought into the Oracle implementation team to drive forward reporting improvements. Since the project has finished, this consultant has been retained by the Council to support further improvements and the closure and audit process;
- All assets were revalued during the 2012/13 financial year, including the Development Corporation transferred assets. All asset changes, with the exception of the DC assets that were completed later, were submitted to Ernst and Young for early consideration;
- A new chart of accounts implemented that has assisted in the closure of the accounts and should provide benefit to the audit;
- A bespoke training session provided by Ernst and Young was commissioned followed by one to one meetings on specific accounting issues; and
- The recruitment of an ex-Audit Commission officer to provide an expert review and overseeing role on the compilation of working papers.

Action:

- **To resolve the interface issues to maintain the integrity of the General Ledger;**
- **To build on the Oracle system upgrade to further improve financial management and reporting.**
- **To roll out the Oracle Learning and Performance Management modules during 2013;**
- **To complete a restructure of the Corporate Finance section, to include a review of core competencies and skills gaps; and**
- **To strengthen monthly reconciliation processes.**

## **COMMENT ON THE ROLE OF THE CHIEF FINANCE OFFICER**

The section 151 officer, or chief financial officer, has a responsibility to ensure that an effective internal audit function is resourced and maintained. The Council's outsourced internal audit function is provided by RSM Tenon and led by a Director of RSM Tenon who acts as Head of Internal Audit. There is a permanent on-site team led by a Client Audit Manager.

The Council requires internal audit to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to annual review through an annual report by the Audit Committee that also considers key issues from specific audit reports.

## **COUNCILLORS' DEVELOPMENT**

Following the local election on 3 May 2012, newly elected Members were offered an induction programme. This began with a welcome and introduction to the organisation, facilitated by the Chief Executive and the Head of Legal & Democratic Services, and was followed by the provision of a steady stream of information and support from Members Services. In addition, an introductory session was delivered

by officers from Development Management to provide new Members with an opportunity to learn about the planning process and this was followed by a session delivered by officers from Democratic Services which introduced Members to committees and the decision making arrangements of the Council.

Specific training was provided to those members who sit on the Planning, Licensing, Overview and Scrutiny and Audit committees.

During the course of the year, a Member Development programme also saw sessions provided by officers that covered a range of subjects, including Charing Skills, Community Leadership and Local Government Finance and Procurement.

#### AUDIT (INTERNAL/EXTERNAL) AND THE HEAD OF INTERNAL AUDIT

Internal audit is an independent assurance function that primarily operates in accordance with best practice professional standards and guidelines. It reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources.

Internal audit reports are presented to the Standards and Audit Committee on a quarterly basis and at the July meeting through the Head of Internal Audit's annual assurance opinion on the overall internal control and governance environment. Any individual internal audit review judged "red" or "red/amber" is subject to timely action plan and follow up audit.

The Head of Internal Audit's overall opinion in the Annual Audit Report 2012/13, to be submitted to Standards and Audit Committee in July 2013 is that the overall control environment was amber, corporate governance arrangements were green and risk management was amber. These are all positive assurance opinions but the amber ratings indicate that there were some areas where weaknesses were identified and need to be addressed.

The External Auditor concluded that for 2011/12 and as in previous years, the standard of working papers, including reconciliations between the financial statements and the financial system, were poor. However, the External Auditor also commented that there had been some improvement in the process and recognised the difficulties that were set out earlier in this statement.

#### Action:

- **To further strengthen the financial services section; and**
- **To put in measures to ensure that areas of weakness highlighted in the individual Audit Reports are addressed as a high priority. This will improve the Council's overall control environment.**

## RISK MANAGEMENT

An annual review of Risk and Opportunity Management is undertaken using the ALARM/CIPFA Risk Management Benchmarking Model. This model is designed to test and compare the Council's performance against:

- The major risk management standards;
- The criteria that informs the risk management element of the Annual Governance Statement; and
- Other public services organisation arrangements.

The results of the review and the plans to remodel the Council's Risk and Opportunity Management arrangements were reported to the Audit Committee in July 2012. The report showed that the Council had attained level 3 (Working) out of 5 levels (where 5 is best).

The benchmarking exercise revealed that with some further work the Council's Risk and Opportunity Management arrangements could be enhanced to meet a higher standard. Action to address the key improvement opportunities identified by the review include:

Action:

- **Maintain annual benchmarking/review arrangements for ROM and production of annual plan and annual report for ROM to Audit Committee, via Directors Board and Performance Board;**
- **Invest in and develop management capacity by providing ROM training through the Leadership Framework;**
- **Provide ROM Awareness training to the Audit Committee and Members through the Member Development Programme;**
- **Through Performance Board work with client department/services to identify key partnerships, the current ROM practices applied and the areas for improvement;**
- **Through Performance Board improve the review arrangements of key risk/opportunity information at Service and Directorate level; and**
- **Through Performance Board further develop and improve project level ROM arrangements across the Council.**

## ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

The Council currently has an Anti Fraud and Corruption Strategy adopted in March 2007. This document is deemed to be out of date and in need of revision. Arrangements are currently being progressed to create a Corporate Fraud team tasked with promoting and bringing into effect a new strategic approach to the Council's objectives in dealing with fraud and corruption issues. Their role will also encompass the review of all money laundering policies.

The Council has a Whistleblowing Policy and Procedure which was effective from 29<sup>th</sup> January 2010 and has further raised the profile of the whistleblowing policies by

increasing their visibility through inclusion on the Council's website. On 1<sup>st</sup> April 2012, a whistleblowing Policy flowchart has also been published and made accessible on the Council's intranet.

At the request of the Chief Executive, RSM Tenon's Fraud Solutions and Internal Audit teams investigated a complaint from a group of parents who applied for places for their children at the three Chafford Hundred Primary Schools. They alleged that some of the other parents were committing fraud by falsely declaring their address to support their applications for school places for their children. A total of 319 applications were reviewed, including those of the 49 unsuccessful applicants within the catchment area of these schools. This resulted in 8 cases where further work was required. Further testing of these 8 cases was carried out and did not identify any evidence of fraud that would have warranted further investigation.

Actions:

- **Resolve the issue over the future delivery of both Internal Audit and the anti-Fraud functions within the Council; and**
- **Review all relevant policies and update accordingly.**

### BUSINESS CONTINUITY

The Council has in place a Business Continuity Plan corporately and for individual service areas. Plans are annually reviewed. The last exercise was 8<sup>th</sup> Dec 2011 "Exercise Phoenix" which made recommendations and which was cascaded through to the Service Heads of the relevant teams. A recent review of all business continuity plans by Directors and Heads of Service has been undertaken and a schedule of testing of plans has been arranged.

The Emergency Planning Team which also has responsibility for Business Continuity is made up of three people. Following the departure of two members of the team, the team have been staffed by officers from other areas to ensure continuity on the provision of the Emergency Planning and Business Continuity functions.

Action:

**Continued work is undertaken to fill the permanent posts in the Emergency Planning Team to ensure that emergency planning and business continuity function is maintained and delivered adequately.**

**Reviews of all plans have been completed and a process for testing the plans has been developed.**

**The recommendations of all plan reviews and exercises will be cascaded to the relevant Heads of Service and staff involved to ensure plans are effective and relevant.**

## INFORMATION GOVERNANCE

### **Freedom of Information**

During 2012/13 the Council processed 93% of FOI requests within the legal timeframe. There has been a significant reduction in the number of FOI requests logged during the reporting year. During 2012/13, 104 fewer requests (compared to 2011/12) have been logged.

Thurrock has implemented processes in order to reduce the volume of requests that are logged and processed as FOI requests. This has seen a significant reduction in requests (180) being diverted away from FOI during 2012/13. 120 requests were diverted away and processed as routine enquiries by services areas, and 60 requests for information were sign posted to our website where information requested is already publically available (either via a previous FOI request that is published on-line, or general information available on the web).

The Council now refuse requests where it is estimated that the time taken to process the request exceeds 18 hours. This was a policy change during 2012.

The Information Governance Team monitor complaints received about FOI responses. During 2012/13 there have been two complaints about FOI that were escalated to the Information Commissioner's Office. The outcome of one of these decisions is outstanding, and the council reviewed its decision to withhold data for the other complaint (and then released information to the requestor).

The Information Governance Team is continuing to ensure an increased amount of data is identified for routine publication online. This work forms part of the Transparency Agenda and aims to increase openness and accountability; whilst reducing unnecessary processing of FOI requests.

### **Data Protection**

During 2012/13 the Council received 25 Subject Access Requests under the data protection legislation. 80% of these requests were processed within timeframe. The Information Governance Team has reduced the time spent on processing Subject Access Requests. This is due to competing priorities within the unit. Performance in meeting these deadlines will be monitored.

During 2012/13 the Council received 1 complaint from the ICO regarding non-compliance with timeframes and alleged unfair withholding of personal data. The ICO found in our favour and agreed with our original decisions regarding the data we withheld and exemptions we applied.

### **Information Security**

Thurrock's GSi Compliance Authorisation expired on the 30 November 2012 and the Council were asked to provide a PSN Code of Compliance Application, which was submitted to the Cabinet Office on 22 November 2012.

Our application was rejected on the 7 June, as our Infrastructure and/or application has not met the PSN Standard based on the content of our submission.

The Cabinet Office have requested the Council submit a fresh PSN Code of Connection Application to demonstrate that we have made the necessary infrastructure / process improvements. The deadline for this is the 30 September and this is work in progress.

A laptop survey has been undertaken via MetaCompliance (our policy compliance software tool) to identify laptops that have not been encrypted. This has identified a number of laptops that require encryption. This project is on the Council's corporate risk register and actions are on-going to mitigate any risks.

The Council implemented its live Device Control Application from 1 February 2013. This:

- Prevents data (including pictures and video) from being transferred from the network to cameras, camcorders and mobile phones;
- Prevents the burning of information held on our network to CD/DVD;
- Prevent external hard drives from being used; and
- Controls the use of memory sticks, so information can only be copied from the network to approved encrypted council memory sticks.

The Information Governance Team have also carried out the following during 2012/13:

- Designed and implemented security and ICT policies;
- Provided specialist advice on a number of IT projects/system implementations e.g. government connect, remote and home working and EDRMS;
- Monitored policy compliance;
- Monitored email and internet misuse;
- Delivered corporate wide training on Information Security;
- Provided detailed policy advice in the investigation of security breaches;
- Improved corporate wide information security arrangements;
- Provided tailored, reliable and accurate written advice to services on a range of topics such as Protective Marking, Government Connect Assessments and ensuring new arrangements with suppliers are compliant;
- Processed 96 out of 99 fair processing/Data Protection advice requests within our 10 working day target (97%); and
- Processed 81 out of 96 sharing requests within our 10 working days target (84%).

## STANDARDS AND AUDIT COMMITTEE

Our Standards and Audit Committee undertakes the core functions of an audit committee by providing independent assurance that the Authority's financial and risk management is adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of its functions, including:

- keeping under review the Authority's own audit standards and whether they are relevant and represent best practice;
- considering or reviewing the following and the action taken on them and advising the Council and/or the Cabinet, as appropriate:
  - (a) internal and external audit plans and progress against plans
  - (b) summaries of external and internal audit reports and progress against recommendations made in audit reports
  - (c) the annual report of the internal auditor and the Annual Governance Statement
  - (d) approving the annual statement of accounts and whether appropriate accounting policies have been followed
  - (e) reports from inspection agencies, including the external auditor's Annual Management letter and report to those charged with governance issues
  - (f) keeping under review the Authority's control environment and anti fraud and anticorruption arrangements, including compliance with the Financial and Contracts Procedure Rules
  - (g) keeping under review the relationships between external and internal audit and other inspection agencies; and
- reviewing the performance of the Council's appointed Internal Audit provider.

Our Standards and Audit Committee also undertakes standards functions pursuant to the abolition of the old statutory Standards Committees by the Localism Act 2011.

The authority has also adopted a new local Code of Conduct for Members that reflects the Nolan principles, appointed two Independent Persons and established a complaint procedure for complaints against Members.

The Standards functions include:

- promoting and maintaining high standards of conduct by Members and Co-Opted Members of the authority;
- receiving periodic reports from the Monitoring Officer on dispensations granted / refused, complaints received against Members, complaints resolved informally, complaints resolved after an investigation and a Members Advisory Panel Hearing and assessing the operation and effectiveness of the Members' Code of Conduct;
- advising on training or arranging to train Members and Co-Opted Members on matters relating to the Members' Code of Conduct;
- assisting Councillors and co-opted Members to observe the Members' Code of Conduct;
- to receive referrals from the Monitoring Officer into allegations of misconduct in accordance with the authority's assessment criteria;



- advising the Council upon the contents of and requirements for codes/protocols/other procedures relating to standards of conduct throughout the Council;
- maintaining oversight of the Council's arrangements for dealing with complaints;
- informing Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints;
- appointment of Members' Advisory Panel (a Working Group of the Committee) to hear and make recommendations to the Monitoring Officer concerning complaints about Members and Co-Opted Members referred to it by the Monitoring Officer;
- on referral by the Monitoring Officer to grant dispensations after consultation with the Independent Person pursuant to S33(2) (b), (c) and (e) of the Localism Act 2011; and
- hear and determine appeals against refusal to grant dispensations by the Monitoring Officer pursuant to S33(2)(a) and (d) of the Localism Act 2011.

The Standards and Audit Committee submits an Annual Report to Council which addresses the work of its Standards functions over the last 12 months and looks forward to its Work Plan for the current year

During the municipal year 5 complaints have been received and initially investigated by the Monitoring Officer in consultation with the Independent Person(s) but none have been upheld or progressed to a full hearing of the Members Advisory Panel.

Action:

**Ensure that effective training is provided to the Standards and Audit Committee Members.**

## THE SCRUTINY COMMITTEES

The Council reviews at its meeting the Annual Report of the Scrutiny Committees which details the work of its committees and their main achievements for that municipal year. The aim of this is to improve the effectiveness of the scrutiny function. These committees continue to help develop Council policy, reviews performance in meeting Council objectives and satisfies themselves that there are robust governance arrangements in place.

The Council currently operates 6 scrutiny committees as follows:

- Corporate Overview and Scrutiny Committee;
- Children's Services (including Education) Overview and Scrutiny Committee;
- Health and Well being Overview and Scrutiny Committee;
- Cleaner, Greener and Safer Overview and Scrutiny Committee;
- Planning, Transport, Regeneration Overview and Scrutiny Committee; and
- Housing Overview and Scrutiny Committee.

The terms of reference for each of the six committees mentioned above are set out in the Constitution and are reviewed and agreed annually by Council.

## EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

The main assurance on the Council's governance framework comes from the External Auditor through the Annual Audit Letter and Certification of Claims report. This was reported to the Standards and Audit Committee in December 2012 and reported:

- That the Council was issued an unqualified Audit Opinion, whilst commenting on the need to improve working papers and processes and acknowledging the difficulties the Council had faced in the preparation of the accounts;
- An unqualified Value for Money assessment whilst recognising issues relating to the Housing Repairs Contract; and
- The need to provide improved working papers in support of grant claims.

## **LOCAL GOVERNMENT OMBUDSMAN**

The LGO set the Council a deadline of 28 days to respond to their first enquiries, however Thurrock have implemented a 21 day deadline in order to maintain an effective level of performance.

Below is Thurrock's average response time over the past 7 years, and the figures in brackets represent number of enquires that were received from the LGO investigation team. Please note our performance shown below for 2012/13 is provisional figures only. Final performance cannot be reported until the Council receives our annual report from the LGO. When this LGO report is received, a breakdown of LGO enquiries will also be provided (if this detail is still incorporated within the new style LGO report):

- 2006/07 - 26.8 days (19);
- 2007/08 - 31.2 days (31);
- 2008/09 - 35 days (24);
- 2009/10 - 23.6 days (28);
- 2010/11 - 20.5 days (20);
- 2011/12 – 15.4 days (33); and
- 2012/13 – 15 days (27)

The Council continues to improve in responding to LGO complaints/enquiries as during 2012/13 our average response time was 15 days. The management of corporate LGO complaints transferred to the Corporate Complaints Team in April 2011 and there is a dedicated officer in this team who ensures that timeframes are maintained.

## 5.0 Significant governance issues

We propose over the coming year to take steps to address the matters set out in the action boxes above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature

Date

Graham Farrant, Chief Executive

Signature

Date

Cllr John Kent, Leader of the Council