

Thurrock: A place of opportunity, enterprise and excellence, where
individuals, communities and businesses flourish

Standards and Audit Committee

The meeting will be held at **7.00 pm** on **16 September 2014**

Committee Room 1, Civic Offices, New Road, Grays, Essex, RM17 6SL.

Membership:

Councillors Simon Wootton (Chair), Yash Gupta (MBE), Terence Hipsey, Cathy Kent and Brian Little

Rhona Long, (Co-Opted Member)
Stephen Rosser, (Co-Opted Member)
Jason Oliver, (Co-Opted Member)

Substitutes:

Councillors Robert Gledhill and Tunde Ojetola

Agenda

Open to Public and Press

	Page
1 Apologies for Absence	
2 Minutes	5 - 10
To approve as a correct record the minutes of the Standards and Audit Committee meeting held on 10 July 2014.	
3 Items of Urgent Business	
To receive additional items that the Chair is of the opinion should be considered as a matter of urgency, in accordance with Section 100B (4) (b) of the Local Government Act 1972.	
4 Declaration of Interests	
5 Regulation of Investigatory Powers Act (RIPA) 2000 – Quarterly	11 - 14

Activity Report

6	Internal Audit Progress Report 2014-15	15 - 36
7	Audit Results Report for the Year Ended 31 March 2014	37 - 52
8	Financial Statements and Annual Governance Statement Update	53 - 194
9	Standards & Audit Committee Work Programme	195 - 198

Queries regarding this Agenda or notification of apologies:

Please contact Kenna-Victoria Martin, Senior Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

Agenda published on: **8 September 2014**

Information for members of the public and councillors

Access to Information and Meetings

Members of the public can attend all meetings of the council and its committees and have the right to see the agenda, which will be published no later than 5 working days before the meeting, and minutes once they are published.

Recording of meetings

This meeting may be recorded for transmission and publication on the Council's website. At the start of the meeting the Chair will confirm if all or part of the meeting is to be recorded.

Members of the public not wishing any speech or address to be recorded for publication to the Internet should contact Democratic Services to discuss any concerns.

If you have any queries regarding this, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk

Guidelines on filming, photography, recording and use of social media at council and committee meetings

The council welcomes the filming, photography, recording and use of social media at council and committee meetings as a means of reporting on its proceedings because it helps to make the council more transparent and accountable to its local communities.

If you wish to film or photograph the proceedings of a meeting and have any special requirements or are intending to bring in large equipment please contact the Communications Team at CommunicationsTeam@thurrock.gov.uk before the meeting. The Chair of the meeting will then be consulted and their agreement sought to any specific request made.

Where members of the public use a laptop, tablet device, smart phone or similar devices to use social media, make recordings or take photographs these devices must be set to 'silent' mode to avoid interrupting proceedings of the council or committee.

The use of flash photography or additional lighting may be allowed provided it has been discussed prior to the meeting and agreement reached to ensure that it will not disrupt proceedings.

The Chair of the meeting may terminate or suspend filming, photography, recording and use of social media if any of these activities, in their opinion, are disrupting proceedings at the meeting.

Thurrock Council Wi-Fi

Wi-Fi is available throughout the Civic Offices. You can access Wi-Fi on your device by simply turning on the Wi-Fi on your laptop, Smartphone or tablet.

- You should connect to TBC-CIVIC
- Enter the password **Thurrock** to connect to/join the Wi-Fi network.
- A Terms & Conditions page should appear and you have to accept these before you can begin using Wi-Fi. Some devices require you to access your browser to bring up the Terms & Conditions page, which you must accept.

The ICT department can offer support for council owned devices only.

Evacuation Procedures

In the case of an emergency, you should evacuate the building using the nearest available exit and congregate at the assembly point at Kings Walk.

How to view this agenda on a tablet device



You can view the agenda on your [iPad](#), [Android Device](#) or [Blackberry Playbook](#) with the free modern.gov app.

Members of the Council should ensure that their device is sufficiently charged, although a limited number of charging points will be available in Members Services.

To view any “exempt” information that may be included on the agenda for this meeting, Councillors should:

- Access the modern.gov app
- Enter your username and password

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

When should you declare an interest at a meeting?

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

What is a Non-Pecuniary interest? – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

Unless you have received dispensation upon previous application from the Monitoring Officer, you must:

- Not participate or participate further in any discussion of the matter at a meeting;
- Not participate in any vote or further vote taken at the meeting; and
- leave the room while the item is being considered/voted upon

If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps

Non- pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature



You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.

Thurrock: A place of opportunity, enterprise and excellence, where individuals, communities and businesses flourish

To achieve our vision, we have identified five strategic priorities:

1. Create a great place for learning and opportunity

- Ensure that every place of learning is rated “Good” or better
- Raise levels of aspirations and attainment so that local residents can take advantage of job opportunities in the local area
- Support families to give children the best possible start in life

2. Encourage and promote job creation and economic prosperity

- Provide the infrastructure to promote and sustain growth and prosperity
- Support local businesses and develop the skilled workforce they will require
- Work with communities to regenerate Thurrock’s physical environment

3. Build pride, responsibility and respect to create safer communities

- Create safer welcoming communities who value diversity and respect cultural heritage
- Involve communities in shaping where they live and their quality of life
- Reduce crime, anti-social behaviour and safeguard the vulnerable

4. Improve health and well-being

- Ensure people stay healthy longer, adding years to life and life to years
- Reduce inequalities in health and well-being
- Empower communities to take responsibility for their own health and wellbeing

5. Protect and promote our clean and green environment

- Enhance access to Thurrock’s river frontage, cultural assets and leisure opportunities
- Promote Thurrock’s natural environment and biodiversity
- Ensure Thurrock’s streets and parks and open spaces are clean and well maintained

Minutes of the meeting of the Standards and Audit Committee held on 10 July 2014 at 7.00pm

Present: Councillors Simon Wootton (Chair), Yash Gupta, Terry Hipsey, Cathy Kent and Brian Little

Rhona Long – Co-Opted Member

Apologies: Jason Oliver – Co-Opted Member

In attendance: Debbie Hanson – Ernst and Young
Christine Connolly – Ernst and Young
Sean Clark – Head of Corporate Finance
Chris Harris – Head of Internal Audit
Lee Henley – Information Manager
Andy Owen – Corporate Risk Officer
Kenna-Victoria Martin – Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting was being recorded, with the audio recording to be made available on the Council's website.

1. Minutes of the Previous Meeting

The Minutes of Standards and Audit Committee, held on 5 March 2014, were approved as a correct record subject to minor amendments from Members.

2. Items of Urgent Business

There were no items of urgent business.

3. Declaration of Interests

There were no declarations of interest

4. Appointment of Membership to Members Advisory Panel 2014-2015

The Senior Democratic Services Officer introduced the report to Members explaining that the report was brought to the Committee in September 2013, Members were informed that by sitting on the Members Advisory Panel Members would hear breaches of the Code of Conduct for Members, to hear reports from the investigating officer and to suggest recommendations to the Monitoring Officer.

Councillor Kent recommended that the current panel stay in place and nominated Councillor Gupta and the Chair of the Committee along with Ms Long and Mr Oliver the co-opted Members on the Committee. It was agreed

that the Panel would remain the same and the Democratic Services Officer would write to Mr Oliver to confirm that he was happy to sit on the panel.

RESOLVED:

That the Standards and Audit Committee appointed Councillors Wootton and Gupta along with Mr Oliver and Ms Long to the Members Advisory Panel to serve until the next local elections.

5. Refresh of the Strategic-Corporate Risk and Opportunity Register In Quarter 1 Report

The Corporate Risk Officer introduced the report and informed Members that one of the functions of the Committee under its Terms of Reference was to provide independent assurance that the Councils risk management arrangements were adequate and effective.

It was further explained that corporate risk officer had worked with Services, Department Management Teams, Performance Board and Directors Board between March and May 2014 to refresh the Strategic Corporate Risk and Opportunity Register.

Members enquired as to their role with regards to the report, Officers informed Members that it was the Committees role to provide independent assurance that risks were being managed correctly. The Committee were further informed that the report would be presented to the Committee on a bi annual basis.

The Committee queried appendix A of the report, enquiring what the previous risk ratings were. It was clarified to Members that this was the first report under the revised ROM framework agreed by Cabinet in February 2014. It was explained that as further reviews are undertaken the Committee would see the progress and movement of the risks and opportunities in the dashboard table.

RESOLVED:

- 1. That Standards and Audit Committee note the items and details contained in the Dashboard (Appendix A).**
- 2. That the Standards and Audit Committee note the 'In Focus' report (Appendix B), which includes the items identified by Corporate Risk Management, Performance Board and Directors Board that Standards and Audit Committee should focus on this quarter.**

6. 2013-14 Complaints, Compliments and Enquiries Report

The Information Manager introduced the report to Members of the Committee explaining that for the year 2013/2014 the Council logged 956 fewer

complaints compared to the previous year. This was primarily due to a change in the complaints process, as a concerns stage had been introduced.

Members were informed that during 2013/2014, 97% of complaints were responded to within the timeframe. The average response time for LGO enquiries had increased to 21 days compared to 15 days during 2012/2013. Member enquiries had improved during 2013/14, with 2023 enquiries received and 98% responded to within timeframe.

The Chair of the Committee suggested that the Committee look at the behaviours and trends of the complaints rather than relying on numbers within the report. He continued to congratulate the Information Team for their hard work with collecting the data presented and the service they provided.

RESOLVED:

That the Standards and Audit Committee note the statistics for 2013/14.

7. 2013-14 Access to Records Report

The report was introduced to the Committee by the Information Manager, who explained that Freedom of Information (FOI) requests had increased compared to 2012/13, despite a number of requests being diverted away from FOI. Members were informed that the Council refuse requests that are estimated to exceed 18 hours to process.

Members were notified that with regards to Data Protection requests (Subject Access Requests), these may appear low in numbers however can be time consuming to process.

RESOLVED:

That the Standards and Audit Committee note the performance and statistics for 2013/14 for both FOI and Data Protection.

8. Regulation of Investigatory Powers Act (RIPA) 2000 – Quarterly Activity Report

The Information Manager introduced the report to Members of the Committee explaining the reason for the report was following the Council's RIPA inspection last year, it was recommended that a quarterly activity report be brought to the Committee. Members were informed that for January – March 2014 there had been two approved RIPA authorisations in relation to fraud.

RESOLVED:

That the Standards and Audit Committee note the statistical information relating to the use of RIPA from January 2014 to March 2014.

9. Internal Audit Annual Report – Year ended 31 March 2014

The report was introduced to the Committee by the Head of Internal Audit, who explained to Members that the report was internal audits annual report giving their opinion of the last year, it also outline the works completed.

Members were informed that pages 98 and 99 of the report were key as they summarised the overall opinion given to the Council. It was highlighted that the framework was robust as within the different areas the opinion had remained at Green or had improved from Amber to a Green opinion.

The Committee were notified that a report on the Audit Plan for 2014/2015 would be brought to Members.

RESOLVED:

That the Standards & Audit Committee received and notes the Internal Audit Annual Report – Year ended 31st March 2014.

10. Financial Statements and Annual Governance Statement Update

The Head of Corporate Finance introduced the report to the Committee informing Members that it was no longer a legal requirement for Officers to bring a draft copy of the Financial Statement or Annual Governance Statement to the Committee. Members were notified that an electronic copy would be sent to Members, however if they required a hard copy this could be requested.

The Chair of the Committee enquired as to at present all was as it should be. It was confirmed by the Head of Corporate Finance who had as the Section 105 Officer signed the draft statement on 30 June 2014.

RESOLVED:

That Members note that the Draft Annual Governance Statement and Financial Statement have been completed and passed to Ernst and Young for auditing.

11. Work Programme

Members discussed the work programme for the municipal year and the following reports were agreed:

- Disaster Recovery Report – 10 December 2014

The meeting finished at 8.30pm.

Approved as a true and correct record

CHAIR

DATE

**Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk**

This page is intentionally left blank

16 September 2014	ITEM: 5
Standards and Audit Committee	
Regulation of Investigatory Powers Act (RIPA) 2000 – Quarterly Activity Report	
Wards and communities affected: N/A	Key Decision: N/A
Report of: Fiona Taylor, Head of Legal Services and Monitoring Officer	
Accountable Head of Service: Fiona Taylor, Head of Legal Services and Monitoring Officer	
Accountable Director: Graham Farrant, Chief Executive	
This report is public	

Executive Summary

This report provides an update on the usage and activity of RIPA requests during April 2014 to June 2014.

1. Recommendation(s)

1.1 To note the statistical information relating to the use of RIPA from April 2014 to June 2014.

2. Introduction and Background

2.1 The Regulation of Investigatory Powers Act 2000 (RIPA), and the Protection of Freedoms Act 2012, legislates for the use of local authorities of covert methods of surveillance and information gathering to assist in the detection and prevention of crime in relation to an authority's core functions.

2.2 The council's use of these powers is subject to regular inspection and audit by the Office of the Surveillance Commissioner (OSC) in respect of covert surveillance authorisations under RIPA, and the Interception of Communications Commissioner (IOCCO) in respect of communications data. During these inspections, authorisations and procedures are closely examined and Authorising Officers are interviewed by the inspectors.

2.3 The RIPA Co-ordinating Officer maintains a RIPA register of all RIPA requests and approvals across the council.

3. Issues, Options and Analysis of Options

- 3.1 The total number of RIPA authorisations from April 2014 to June 2014 is 0. Below is a breakdown showing the areas the authorisations relate to:

Trading Standards	0
Fraud	0
Regulatory	0
Covert Human Intelligence Source (CHIS authorisations)	0

Note -The total number of RIPA authorisations for 2013/14 is shown below:

Trading Standards	0
Fraud	3
Regulatory	0
Covert Human Intelligence Source (CHIS authorisations)	0

4. Reasons for Recommendation

- 4.1 This report provides an update on the usage and activity of RIPA requests for directed surveillance and/or CHIS during the respective quarter being April 2014 – June 2014.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The RIPA Co-ordinating Officer has been in contact with the relevant departments to obtain the data set out in this report.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 Monitoring compliance with the Regulation of Investigatory Powers Act 2000, and the Protection of Freedoms Act 2012, supports the council's approach to corporate governance. Ensuring the appropriate use of RIPA in taking action to tackle crime and disorder supports the corporate priority of ensuring a safe, clean and green environment.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Management Accountant

There are no financial implications directly related to this report.

7.2 Legal

Implications verified by: **Chris Pickering**
**Principal Solicitor – Employment and
Litigation**

Legal implications comments are contained within this report above.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

There are no such implications directly related to this report.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Compliance with the requirements of RIPA legislation will ensure the proper balance of maintaining order against protecting the rights of constituents within the borough. There are no implications other than contained in this report.

8. Background papers used in preparing the report (including their location on the council's website or identification whether any are exempt or protected by copyright):

- None.

9. Appendices to the report

- None.

Report Author:

Lee Henley
Information Manager
Chief Executive's Office

This page is intentionally left blank

16 September 2014	ITEM: 6
Standards & Audit Committee	
Internal Audit Progress Report 2014/15	
Wards and communities affected: All	Key Decision: Non-key
Report of: Chris Harris – Head of Internal Audit	
Accountable Head of Service: Sean Clark – Head of Corporate Finance	
Accountable Director: Graham Farrant – Chief Executive	
This report is public	

Executive Summary

The Internal Audit Plan 2014/15 was discussed and noted by the Standards & Audit Committee at their meeting of 5th March 2014. This report sets out progress against the Internal Audit Plan 2014/15 and is the first progress report presented to the Standards & Audit Committee.

1. Recommendation(s)

That the Standards & Audit Committee:

- 1.1 Consider reports issued by Internal Audit in relation to the 2014/15 audit plan.**
- 1.2 Note progress against the Internal Audit Plan for 2014/15.**

2. Introduction and Background

- 2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.
- 2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried

out by the Internal Audit Service is a key source of assurance to the Standards & Audit Committee about the operation of the internal control environment.

- 2.4 The audits contained in the Internal Audit Plan 2014/15 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

3. Issues, Options and Analysis of Options

- 3.1 Following widespread consultation with clients across all service sectors, the reports issued by Internal Audit now provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green assurance level and reports are now categorised as: Green; Amber/Green (positive assurance opinions); Amber/Red (some assurance but a number of weaknesses) and Red (negative assurance opinion).
- 3.2 We have summarised below all those reports that have been issued as final. The key findings of these reports are shown at Appendix 1. There were no Amber/Red or Red assurance opinions issued during the period being reported on.
- 3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:
- Econogas
 - Public Health
 - General Ledger
 - Accounts Payable
 - Bank Reconciliation
 - Payroll
 - Council Tax
- 3.4 The following reports received an **Amber/Green** assurance rating for the control frameworks in their area:
- Building Control
 - LiquidLogic Adults System (LAS)
 - Cash Receipting
 - Housing Benefits
- 3.5 At the request of the client, we also carried out an advisory review of Extra Care. Whilst we do not provide an assurance opinion on advisory reports, as there were 5 high and 3 medium recommendations which were reported to, and agreed by management, we have included a more detailed report at the end of the progress report (APPENDIX 1).
- 3.6 During the period being reported, there were 5 reviews where the fieldwork was completed and debrief meetings were being held with management.

There were 5 reviews which were work in progress. These will be reported to the Standards & Audit Committee at the meeting on the 9th December 2014.

- 3.7 During the period, we have also been involved in three internal investigations involving staff directly employed or contracted to the Council. We are also providing assistance to the Council by co-ordinating the setting up of contacts as part of the work for the National Fraud Initiative.

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying itself that progress against the Internal Audit Plan is sufficient as one of the means of assuring itself of the effective operation of internal controls.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.
- 5.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The Council's corporate priorities were used to inform the annual audit plan 2014-15. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Deputy Monitoring Officer

The contents of this report and appendixes form part of the Council's responsibility to comply with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 to at least annually undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practice. The Council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to the reporting progress.

7.3 Diversity and Equality

Implications verified by: **Teresa Evans**
Equality and Cohesion Officer

There are no direct diversity implications arising from this report as it is for information purposes only.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's risk and opportunity register.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Strategy for Internal Audit 2014/15 to 16/17 and Internal Audit Plan 2014/15
- Internal Audit Reports issued in 2014/15.

9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford

Internal Audit Manager

Baker Tilly – provider of Internal Audit Services to Thurrock Council

Thurrock Council

Internal Audit Progress Report

[Audit Committee meeting 16th September 2014]

Introduction

The internal audit plan for 2014/15 was presented to the Standards & Audit Committee on 5th March 2014. This report provides an update on progress against that plan.

Summary of Progress against the Internal Audit Plan

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Econogas	Final	Green	0	0	4
Public Health	Final	Green	0	0	1
Building Control	Final	Amber/Green	0	4	0
LiquidLogic Adults System (LAS)	Final	Amber/Green	0	3	3
Core Assurance					
Cash Receipting	Final	Amber/Green	0	3	1
General Ledger (Oracle)	Final	Green	0	0	1
Accounts Payable	Final	Green	0	1	3
Housing Benefits	Final	Amber/Green	0	0	6
Bank Reconciliation	Final	Green	0	0	1
Payroll	Final	Green	0	1	4
Council Tax	Final	Green	0	1	1
Advisory					
Extra Care	Final	Advisory	5	3	0

Other Matters

Planning and Liaison

Fieldwork is currently being undertaken on the following reviews:

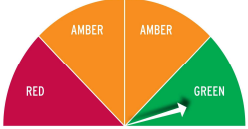
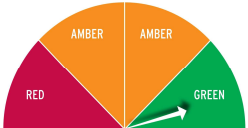
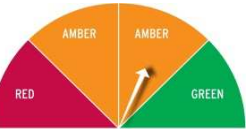
- § Performance management
- § Asset Management
- § Educational Visits
- § Thurrock Registrars Office
- § Disabled Facilities Grants

The following reports are being prepared and debrief meetings arranged with the client and will be reported as part of the next progress report:

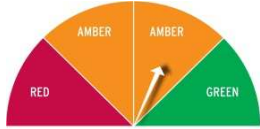
- § Members Allowances
- § Electrical Testing
- § Contract Procedures
- § Change Control Process (Serco)
- § Adoption


In addition, Internal Audit have carried out work to support management by undertaking three internal investigations around issues with staff either employed by, or contracted with the Council. One of these involves joint working with another local authority that provides services to Thurrock under a service level agreement. Therefore, the person being investigated is not a direct employee of the Council. The other two instances involve Thurrock employees and internal investigations are being undertaken by independent investigating officers. More details will be provided once investigations are completed.

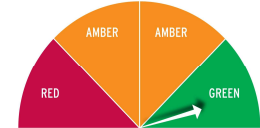
Key Findings from Internal Audit Work

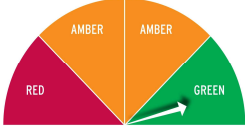

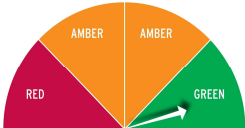
Assignment: Econogas	Opinion: Green	
Headline Findings: The overall management of the gas testing programme was well controlled. There were 4 low recommendations. The 4 recommendations from the previous review had all been implemented.		
Assignment: Public Health	Opinion: Green	
Headline Findings: The Council has in place a Health and Wellbeing Strategy for 2013-16 which states the vision, aims and strategic priorities for achieving the best possible health and wellbeing for all Thurrock residents. A delivery plan has been developed which states how the objectives will be achieved and has developed a reporting structure designed to monitor and manage delivery of the plan. There was only 1 low recommendation. There had been no previous audit in this area as it is a new service.		
Assignment: Building Control	Opinion: Amber/Green	
Headline Findings: Our review of Building Control identified that there were no areas of concern around the design of the control framework. However, there were 4 medium recommendations around the application of those controls. The 3 recommendations from the last review had been implemented.		
Action and Response	Responsible Officer	Date
Action - Care should be taken to ensure all documentation to support all applications and decisions is scanned. This ensures an adequate evidence trail is maintained. Response - Need to make sure Serco scan documents effectively. More an issue when staff on leave but equipment now available to do so.	Senior Building Control Surveyor	Immediate
Action - A process needs to be developed to ensure the system does not allow a completion certificate to be issued until the commencement date has been entered, the first inspection has been carried out and the invoice has been raised and paid. The ability to manually override should be removed. Fee invoices should be raised for the cases identified. This will reduce the likelihood of fees not being invoiced and collected. Response - Current version of Uniform does not allow you to force a commencement before issuing a completion. May be possible to do so on latest version but Council not due to upgrade until Aug/Sep. Other solutions – find out if able to run report on completed jobs with no commencement date...should be possible. Report can then be run weekly to ensure all jobs invoiced efficiently.	Senior Building Control Surveyor	Dec 2014
Action - The reason for the delay with an application should be detailed in the notes section of the Uniform System. It should also include the method used (i.e. phone), the time, the date and which member of the team obtained the agreement from the applicant. This will reduce the risk that extensions are used as a way of hiding inefficient or ineffective practices to meet statutory	Senior Building Control Surveyor	Immediate

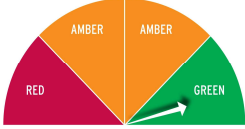
<p>deadlines. Response - Agreement for extension of time and method used can be recorded on case note section of Uniform.</p>		
<p>Action - Staff should be reminded that they must answer their phones when they are in the office. Whilst acknowledging that the Surveyors are often on site, the Technician does not go out on site so should answer the phones and ensure customers are called back. This will reduce the likelihood of enquiries escalating into complaints which can be time consuming to deal with. Response - New phone system now does not automatically put phones to busy which should help as Surveyors will automatically receive calls when in office. Answer phone system now in use for all Surveyors. Calls to general/technician number. High volume of calls to this number. 90% of missed calls since using new phone system are from call centre. Call centre staff to take messages rather than phone through when no one is available. To be informed of this as part of other ongoing training/meetings with them.</p>	<p>Senior Building Control Surveyor</p>	<p>Dec 2014 – the new phone system is already in place. The Building Control Technician is meeting with call centre staff in the coming weeks re: other changes and additional training, so this can be incorporated into this.</p>

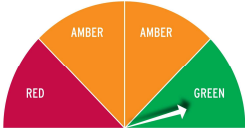
<p>Assignment: LiquidLogic Adults System (LAS)</p>	<p>Opinion: Amber/Green</p>	
<p>Headline Findings: Controls had been designed to ensure LAS data was afforded adequate protection from loss or misuse and its confidentiality was maintained. There were 3 medium and 3 low recommendations. There had been no previous audit in this area.</p>		
<p>Action and Response</p>	<p>Responsible Officer</p>	<p>Date</p>
<p>Action - The user list is not reviewed on a regular basis. According to the draft LAS (IAS) Policy document this should be performed monthly (medium). Response - Agree. Review frequency can be formalised in Access control section of the policy document and signed off.</p>	<p>Strategic Information Manager</p>	<p>7th July 2014 (Monthly)</p>
<p>Action - The LAS policy document should be completed, ratified by senior management and distributed to LAS users (medium). Response - Agree. Policy document to be completed by end of July 2014</p>	<p>Strategic Information Manager</p>	<p>31st July 2014</p>
<p>Action - The persons reviewing assessments should be monitored on a regular basis and managers questioned when assessments do not appear to be being performed by the appropriate person. Past reviews should be examined and any cases where the reviewer of an assessment appears inappropriate should be followed up with the assessors' manager (medium). Response - Agree. We will review existing audit and QA processes with the relevant operational leads to ensure clear assessment approval and authorisation controls are: In place; Subject to appropriate audit checks; and supporting guidance is included within the customer journey manual with appropriate training</p>	<p>Strategic Information Manager via Senior Performance Information Officer and Fieldwork and Team Managers</p>	<p>Requirements to be reviewed and actions put in place in conjunction with ongoing review of assessment process and customer journey</p>

<p>Assignment: Cash Receipting</p>	<p>Opinion: Amber/Green</p>	
<p>Headline Findings: Overall, the service is effective and the collection, recording, security and banking of cash are adequate. There were 3 medium and 1 low recommendations. The 2 recommendations from the last review had been implemented.</p>		
<p>Action and Response</p>	<p>Responsible Officer</p>	<p>Date</p>
<p>Action - An office manual to which any new staff could refer should be prepared. This should define in detail the correct procedures to be used and the roles and responsibilities of individuals. These documents should be subjected to regular review. This will reduce the risk that correct procedures are not followed (medium). Response - There are procedures for using PARIS but there are no general procedures for cashiers to follow. Up to date procedures for staff are currently being developed by the Customer Services Team Manager.</p>	<p>Customer Services Team Manager</p>	<p>May 2014</p>
<p>Action - Whilst it is acknowledged that other priorities may have resulted in some delays in clearing suspense, it is recommended that resources are allocated to clear the outstanding items as unallocated income could result in recovery action being taken when payment has already been received (medium). Response - At the time, there were a couple of staff off sick but these have now been cleared right down.</p>	<p>Customer Services Team Manager</p>	<p>Complete</p>
<p>Action - The Paris system maintenance team should be contacted and a request made to remove generic users such as 'Paris2.User' from the system. This will ensure all transactions disclose the identity of the user clearing the suspense items. The list of approved users for the Paris - Clear Suspense system should be periodically reviewed and staff who no longer require access should be removed (medium). Response - This is a system issue with Paris. I will speak with Northgate to see if there is a solution to the generic user.</p>	<p>Customer Services Team Manager</p>	<p>May 2014</p>

<p>Assignment: General Ledger (Oracle)</p>	<p>Opinion: Green</p>	
<p>Headline Findings: The Council's financial system was appropriately managed to ensure that all financial transactions were accurately recorded. There were no areas of concern around the design, application of or compliance with the control framework. There was only 1 low recommendation. The 5 recommendations from the last review had all been implemented.</p>		

<p>Assignment: Accounts Payable</p>	<p>Opinion: Green</p>	
<p>Headline Findings: There were Finance Procedure Rules, under Chapter 9 (Rules, Codes and Protocols) of the Constitution, which provided a framework for the management of the Accounts Payable function, and detail policies and responsibilities relevant to the function. The Council was using the Oracle finance system to carry out the processing and recording of transactions. In general, all goods/services were ordered using iProcurement and appropriately authorised by budget holders. There was 1 medium and 3 low recommendations. 2 of the 4 recommendations from the last review had been implemented. The 2 outstanding recommendations are highlighted below and were repeated in this review.</p>		
<p>Action and Response</p>	<p>Responsible Officer</p>	<p>Date</p>
<p>Action - Requisitioners and Budget Holders should be reminded that; § All purchase orders for goods/services should be raised in advance and in accordance with financial regulations; and § Purchase orders should be raised and receipted accurately with the correct values, as per the goods/services ordered and received. This will reduce the likelihood of goods being paid for without prior authorisation, sufficient budget or payment being made for goods that have not been received. Response – Agreed. Communication drafted and with Sean Clark for approval. Retrospective Orders are monitored and cascaded via the BVPI08 reporting process.</p>	<p>Head Of Corporate Finance</p>	<p>Immediate</p>
<p>Assignment: Housing Benefits</p>	<p>Opinion: Amber/Green</p>	
<p>Headline Findings: In general, Housing Benefits were administered and managed effectively and there were adequate records and documentation to support transactions. However, there were 6 low recommendations which were mainly around administrative tasks and the total number of recommendations resulted in an amber/green opinion. The 5 recommendations from the last review had all been implemented.</p>		
<p>Assignment: Bank Reconciliation</p>	<p>Opinion: Green</p>	
<p>Headline Findings: Bank Reconciliations were carried out regularly and any discrepancies were dealt with in a timely manner. Procedures were in place to ensure reconciliations were independently checked and verified. Information and data was protected from loss, damage and unauthorised disclosure through physical access controls and security. There were no areas of concern around the design, application of, or compliance with, the control framework. There was only 1 low recommendation. The 2 recommendations from the last review had all been implemented.</p>		

Assignment: Payroll	Opinion: Green	
<p>Headline Findings: The Council has an agreement in place with Serco for the provision of Payroll services. Serco process all establishment forms for the Council and run the Payroll using the Oracle system on a monthly basis. The Payroll service is led by Serco’s Head of HR Operations, who reports into the Council’s Head of HR, Organisational Development and Strategy. There was 1 medium and 4 low recommendations. There had been no previous audit in this area as it was a new system.</p>		
Action and Response	Responsible Officer	Date
<p>Action - An audit trail should be maintained in all instances to demonstrate the appropriate authorisation to recruit new starters. Response – Agreed. However, some of the posts that were recruited do not require authorisation as HR do not recruit them e.g. 1 post was a TUPE transfer and 1 was for the Adult Community College. In all but 1 of the other cases, documentation as now been found and is on the HR file. Significant improvements have been made to this process recently and there is now a requirement to place the Matching Panel minutes on the HR file to show the date the request for the post was approved.</p>	HR Section Manager	Actioned

Assignment: Council Tax	Opinion: Green	
<p>Headline Findings: There were no significant concerns around the design of the control framework with strong controls around billing, collection and reconciliation. There was 1 medium and 1 low recommendation. The 1 recommendation from the last review had been implemented.</p>		
Action and Response	Responsible Officer	Date
<p>Action - Alterations to properties must be referred to the Valuation Officer on a regular basis e.g. quarterly. This reduces the likelihood that a property is incorrectly banded and the wrong council tax is being collected. Response – Agreed. Now up to date and a monthly schedule has been put in place.</p>	Revenues Officer	Actioned

EXTRA CARE

1 Executive Summary

1.1 Introduction

A review was requested by the Head of Adult Services and the Service Manager – Provider Services following concerns raised after a visit to the Piggs Corner site to carry out a safe audit. The audit was undertaken by the Service Manager – Provider Services and Fieldwork Service Manager on 19th March 2014. As a result of their findings, the Internal Audit Manager was approached to carry out a review to determine the controls around income and expenditure.

These two sites provide Extra Care facilities for residents in Thurrock with the aim of “supporting people towards an inclusive, fulfilling future by providing independence, dignity and security”. The accommodation is rented to the user who must meet the following criteria to be eligible for the scheme: Thurrock Council tenant or eligible to join the housing waiting list; over 60 years of age with care needs or in receipt of higher rate personal independent payment; live in Thurrock or have a need to live in Thurrock e.g. to receive support from relatives; and receive or need at least 7 hours of care per week.

1.2 Conclusion

The audit tool selected is **Advisory** and as a result, an opinion has not been provided in relation to the control framework for the area under review and the risks material to the organisation’s objectives for this area.

Overall, there is a serious lack of financial control around the collection, recording and reconciliation of income and service user’s cash and belongings for both sites. A number of recommendations have been included in the action plan to address these weaknesses. Whilst no examples of financial irregularities were found, the lack of detailed record keeping and control does open staff up to accusations of impropriety which it would be difficult to prove were unfounded.

The following issues were also identified:

- There are no detailed site specific financial procedures at either site. Therefore, staff may not be clear on the correct processes to follow.
- The contract with Tillery Foods has not been reviewed to ensure value for money is being obtained.

It is recommended that Internal Audit revisit the sites to carry out a follow up review later in the financial year and include a cyclical programme of visits to Council run Adult Social Care establishments within the Internal Audit Strategy and Annual Plan.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation’s objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- The scope of the work was limited to the areas agreed with the Head of Adult Services and the Service Manager – Provider Services.
- The review did not consider the arrangements around agency staff as these were the subject of a review carried out as part of the 2013/14 audit plan.
- We did not determine the eligibility of service users.
- We did not review the arrangements for the collection of rent or debt recovery processes.
- We did not review the financial arrangements of service users other than those where the records were held in the safes.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error; loss or fraud does not exist.

- Our work does not provide an absolute assurance that material errors, loss or fraud do not exist.
The approach taken for this audit was a System-Based Audit.

The recommendations address the areas within the scope of the review as set out below:

Area	Priority		
	High	Medium	Low
Procedural Documentation	0	1	0
Expenditure	0	1	0
Income	1	1	0
Service User's Cash and Belongings	4	0	0
Total	5	3	0

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	It is recommended that site specific financial procedures are developed and are made available to the staff at each site. This will ensure staff are aware of the correct processes to follow.	Medium	Y	JT to draft processes and procedures regarding finance, taking into account this audit. Refer to service users finance policy	By end of July 14	Joy Tree/Angela Clarke
2.1	It is recommended that management review the arrangements with Tillery Valley Foods Ltd. Other establishments within the Council could be contacted to see who they purchase frozen meals from and a comparison made to the current supplier. This will ensure the service users are getting best value for money.	Medium	Y	Contracts team to be asked to undertake a review of best value purchasing arrangements	By end of August 14	Louise Brosnan
3.1	It is recommended that a simple system of recording stock sold and purchased is developed to enhance controls around the sweet trolley. A reconciliation should be completed and signed off each day the trolley is used by 2 members of staff. An example of a simple stock control and reconciliation sheet has been provided.	Medium	Partly	Volunteers are going to be encouraged to run the sweet trolley. Need to develop proportionate stock control To review against Collins House Policy	By end of July 14	Danielle Delahunty

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.2	Senior management should consider introducing cash tills into the cafés. These could be set up to record the number of dinners, deserts etc. and the cash collected could be reconciled to the till roll on a daily basis. The reconciliation should be undertaken and signed off by a member of staff from the café and then independently checked and signed off by the Admin Assistant, a Co-ordinator or the Manager.	High	Partly	Management will look into costings of tills but likely to be unaffordable currently. New recording system that meet requirements for this report to be developed	By end of August 14	Angela Clarke
4.1	Where a service user is incapable of managing their own finances, if they submit any personal belongings for safekeeping, the Financial Management Officer (FMO) in the Safeguarding Adults Team should be contacted and requested to put the items in their safe and issue a receipt as proof of transfer. This will enable the FMO to ensure the belongings are passed on to the correct person should anything happen to the service user.	High	Y	To be included in new financial procedures	By end of July 14	Joy Tree
4.2	It is recommended that service users who have been deemed to be financially competent should actively manage their own finances. Only in exceptional circumstances where a family member has power of attorney and is away for a short time (e.g. on holiday, ill etc.), should a small amount of the service user's cash be held in the office safe. In these cases, the family should sign a declaration and be issued with a receipt for the cash handed over. On their return, they should check transactions and a receipt should be issued for the money given back to	High	Y	To be included in new financial procedures All coordinators to be written to formally regarding the findings of this report All coordinators to be trained in new processes once written and observed for competence	By end of July 14 By end of July 14 By end of August 14	Joy Tree Tania Sitch Tania Sitch/Danielle Delahunty

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	them. Where it is believed a service user may not be financially competent e.g. their condition deteriorates, a request should be made to get that service user a Mental Capacity Act assessment. This places the responsibility on the service user, their family or the Court Protection Service to directly manage their finances.					
4.3	Receipts must always be obtained for all expenditure incurred on behalf of residents. The receipts should be sequentially numbered for each resident and this should be recorded on the Financial Transfer Form. There should always be 2 signatures to support incomings or outgoings from the resident's money.	High	Y	As 4.2 Management audits to be undertaken monthly	Starting August 14	Angela Clarke/Tania Sitch
4.4	Safe audits should be conducted monthly and signed off by two members of staff in line with current practice. This ensures any differences can be investigated, identified and corrected quickly.	High	Y	As 4.2		

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1	Procedural Documentation				
1.1	There are financial procedures which have been developed and provided to staff in the document "Practice Guidance For Safeguarding Service User Finances and Belongings" issued in May 2010. However, there are no site specific procedures around the processes for making payments for goods/services, collecting income, banking, transporting cash, reconciliation of records, receipting etc.	No	Whilst the Practice Guidance document provides generic procedures and principles relating to the safeguarding of service user finances and belongings, each site operates differently and has different operational processes. Therefore, it is important that each site maintain site specific procedures which detail their financial management arrangements. Failure to do so could result in new/temporary staff not following the correct processes in dealing with financial transactions.	It is recommended that site specific financial procedures are developed and are made available to the staff at each site. This will ensure staff are aware of the correct processes to follow.	Medium
2	Expenditure				
2.1	The majority of expenditure is related to payments for staffing, utilities, photocopying, telephones etc. which are submitted direct to the Council due to contractual arrangements in place. Other expenditure for purchases such as equipment, cleaning, clothing and uniform, stationery and provisions purchases are requisitioned using a purchase order and approved by the budget holder. Some of these orders are blanket orders against which individual invoices are drawn off until the order limit is reached.	Yes	We reviewed all of the invoices and payments for the food provisions. There are 2 main suppliers "Brakes Foodservice Solutions" and "Tillery Valley Foods Ltd". The Brakes contract is part of a frame work agreement with the Council and evidence was provided to show procurement were involved in this process. They mainly supply fresh food items. It was stated that Tillery Valley are a specialist supplier of frozen foods. On checking the Oracle system, it was identified that Kynoch Court are the primary user of this supplier.	It is recommended that management review the arrangements with Tillery Valley Foods Ltd. Other establishments within the Council could be contacted to see who they purchase frozen meals from and a comparison made to the current supplier. This will ensure the service users are getting best value for money.	Medium
3	Income				
	There are 2 main sources of income.		We reviewed the various different strands of income at		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Homecare Income (Internal) is paid by the service user to cover the rent for their property and they are invoiced directly by the Council. However, income from other activities such as the Kynoch Court Café, Fish and Chip dinners at Piggs Corner, Fundraising events, sweet trolley etc. is paid in cash by the residents and held in the safes at the establishments.		both sites and have broken these down below to provide assistance in improving the control environment around both sites.		
Sweet Trolley					
3.1	One member of staff is responsible for the sweet trolley. At the start of each week, a £10 float is provided for the sweet trolley. Goods are then sold to tenants and staff and at the end of the day, the cash is counted. After taking off the £10 float money, the difference is that day's takings. If the sweet trolley needs replenishing, additional stock is purchased using the income generated through sales. When the income in the tin builds up, it is transferred to the activities money.	No	Testing confirmed a record of the takings and expenditure is kept using a "Financial Transfer Form for Extra Care Activity's". This is signed by the member of staff each day. However, it is not checked or signed off by a second person and there is no reconciliation between the goods sold and the cash taken.	It is recommended that a simple system of recording stock sold and purchased is developed to enhance controls around the sweet trolley. A reconciliation should be completed and signed off each day the trolley is used by 2 members of staff. An example of a simple stock control and reconciliation sheet has been attached to this report.	Medium
Piggs Corner and Kynoch Court Cafés					
3.2	The Café is run on three days at Kynoch Court and 2 at Piggs Corner. Money for meals was either collected daily or weekly in advance. For those clients who are deemed to be not financially competent, their meals are generally paid for every 4 weeks. Any income collected is put into an envelope with a note of the number of meals taken, who had a meal and the total cash. This is	No	An examination of the records showed that whilst the resident is recorded as having a meal or not, it is not possible to determine whether that resident had only a dinner, only a desert or if they had both a dinner and desert as this is not recorded. Therefore, it was not possible to reconcile the meals purchased by residents to the cash taken on a daily basis. Only one signature is evident on the café records so there is no evidence that the income received is checked by a second person. Failure to keep appropriate records, carry out daily	Senior management should consider introducing cash tills into the cafés. These could be set up to record the number of dinners, deserts etc. and the cash collected could be reconciled to the till roll on a daily basis. The reconciliation should be undertaken and signed off	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>entered onto a spreadsheet by the Admin Assistant, entered into a book and the cash is put into the upstairs safe.</p> <p>Cash collected at Piggs Corner is held in the safe and transferred to Kynoch Court when it starts to accumulate. Income from the cafés is collected two weekly by the security driver.</p>		<p>reconciliations of the meals served to the cash collected and only have one person checking the cash collected could result in cash being misappropriated.</p> <p>The till could also be used to record activity money which could be rung in and then banked with the café takings, reducing the amount of cash held.</p>	<p>by a member of staff from the café and then independently checked and signed off by the Admin Assistant, a Co-ordinator or the Manager.</p>	
4	Service User's Cash and Belongings				
4.1	<p>There are 3 residents, 2 at Kynoch Court and 1 at Piggs Corner who have been assessed as not capable of managing their own finances and these are administered through the local authority. The envelopes containing the cash and financial transfer forms (FTF) for these service users are held in the main safes at each site.</p>		<p>A reconciliation between the financial transfer forms (FTF) and the cash held was carried out. Of these 3 service users, 2 totally agreed to the FTF whilst the 3rd showed a small difference with the cash being £0.39p less than the figure on the FTF. For 1 of these 3 service users at Piggs Corner, there was also a sealed envelope with 4 rings enclosed. Whilst the envelope was signed as audited by the Fieldwork Services Manager on 19th March 2014, there was no other signature or documentation to show when the rings were handed over and put in the safe.</p>	<p>Where a service user is incapable of managing their own finances, if they submit any personal belongings for safekeeping, the Financial Management Officer (FMO) in the Safeguarding Adults Team should be contacted and requested to put the items in their safe and issue a receipt as proof of transfer. This will enable the FMO to ensure the belongings are passed on to the correct person should anything happen to the service user.</p>	High
4.2	<p>At the time of the review, there were envelopes/plastic wallets containing cash for a further 8 service users at Piggs Corner and 4 at Kynoch Court. These users were deemed to be financially competent so their</p>		<p>A reconciliation between the cash held and the financial transfer forms (FTF) of the 12 service users whose cash was held in the safe was undertaken and the following was found:</p> <ul style="list-style-type: none"> In 1 case the service user had passed away and there was a small amount of cash in a sealed 	<p>It is recommended that service users who have been deemed to be financially competent should actively manage their own finances. Only in</p>	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	finances were not being managed by the Council.		<p>envelope waiting to be claimed.</p> <ul style="list-style-type: none"> • In 9 cases, the cash held agreed exactly with the FTF. • In 1 case there was a difference of £0.05p. • In 1 case there was a difference of £21.79 with the cash held being more than the amount stated on the FTF. <p>It was stated that in the majority of these cases, the family had requested the cash be held in the safe. However, there was no record in the safe to confirm this.</p> <p>It was further stated that family or staff will sometimes identify service users who have been deemed to be financially competent, but in reality may not be e.g. in one case it was stated that the service user would give away any cash they had so it had to be kept in the safe to prevent them from doing this.</p>	<p>exceptional circumstances where a family member has power of attorney and is away for a short time (e.g. on holiday, ill etc.), should a small amount of the service users cash be held in the office safe. In these cases, the family should sign a declaration and be issued with a receipt for the cash handed over. On their return, they should check transactions and a receipt should be issued for the money given back to them. Where it is believed a service user may not be financially competent e.g. their condition deteriorates, a request should be made to get that service user a Mental Capacity Act assessment. This places the responsibility on the service user, their family or the Court Protection Service to directly manage their finances.</p>	
4.3	Financial Transaction Forms (FTF) are used to show money added, cash paid out and any change returned. The cash paid out should be supported by receipts and		On checking all of the FTF's in the safes, it was found that receipts are not always available to support expenditure, particularly where it is for services provided on-site such as hair cutting, feet (chiropractic), activities etc. However, there were also multiple other	Receipts must always be obtained for all expenditure incurred on behalf of residents. The receipts should be sequentially	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	receipts should be given out for money added.		examples where receipts were not evident. Where there were receipts, these were not in any order which made it difficult to match against the records.	numbered for each resident and this should be recorded on the Financial Transfer Form. There should always be 2 signatures to support incomings or outgoings from the resident's money.	
4.4	Staff carry out safe audits once a month where they count up the amounts held for each service user and then sign to agree the cash held to the financial transfer form.		A check of all the financial transfer forms showed that whilst safe audits are carried out on approximately a monthly basis at Kynoch Court, they only appear to be carried out approximately every three months at Piggs Corner. It should be noted that both financial transfer forms in 4.2 above where there was a difference, were for service users of Piggs Corner. The safe audits were signed off by two members of staff.	Safe audits should be conducted monthly and signed off by two members of staff in line with current practice. This ensures any differences can be investigated, identified and corrected quickly.	High

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

© 2013 Baker Tilly Business Services Limited

The term "partner" is a title for senior employees, none of whom provide any services on their own behalf.

Baker Tilly Business Services Limited (04066924) is registered in England and Wales. Registered office 25 Farringdon Street, London, EC4A 4AB.

This page is intentionally left blank

16 September 2014	ITEM: 7
Standards & Audit Committee	
Audit Results Report for the Year Ended 31 March 2014	
Wards and communities affected: All	Key Decision: Non-Key
Report of: Sean Clark, Head of Corporate Finance	
Accountable Head of Service: Report of: Sean Clark, Head of Corporate Finance	
Accountable Director: Graham Farrant, Chief Executive	
This report is Public	

Executive Summary

This report details the findings of external auditors from their review of the 2013-14 financial statements.

I am pleased the report demonstrates further improvement in the quality of the financial statements and the working papers supporting them. Officers have worked effectively with all members of the external audit team to resolve queries in an efficient and timely manner.

1. Recommendation(s)

1.1 That the Standards and Audit Committee consider the comments of the external auditors as set out in the attached report and note their findings.

2. Introduction and Background

2.1 The Council has continued to work effectively with external audit to build on the positive improvements noted in the 2012-13 financial statements. The issues identified in the prior year have been addressed and the overall quality of the financial statements has been reviewed and improved in 2013-14.

2.2 This report sets out the External Auditor's findings and officers are pleased to note that the auditors:

a) Recognise a continued improvement in the quality of the accounts and the working papers;

b) Intend, subject to completing the audit, give an unqualified opinion on the

Financial Statement; and

c) Intend, subject to completing the audit, give an unqualified opinion on the Value for Money assessment.

2.3 The report refers to two events arising after the balance sheet date which, if material, would have required amendment in the financial statements. These were:

- (i) Pension asset valuation – The Essex Pension Fund were notified that some property assets included within the asset base of the overall Local Government Pension Fund were incorrectly valued. Hence the Council were notified of revised figures in respect of this. The total error identified was that property assets attributable to the Council were undervalued by a £1.2m. This would reduce the overall liability of the Council but has not been amended by the Council as it is not material to the financial statements and there is no impact on revenue reserves. It will be reflected in the 2014-15 valuation and is noted for information to members of the committee.
- (ii) Valuation of the former Development Corporation assets – the Council received a valuation report following the completion of the financial statements which identified an additional £3.2m on the valuation of assets transferred from the former Development Corporation. No amendment has been made to the 2013-14 financial statements as the amount is not material and there is no impact on the revenue reserves of the Council. However this will be reflected in 2014-15 financial statements. It is noted for information to members of the committee.

3. Issues, Options and Analysis of Options

3.1 There are no issues arising from this report but officers will consider the findings from this report.

4. Reasons for Recommendation

4.1 For the committee to note the findings of the external auditors and have mind to these findings when considering the Annual Governance Statement and Financial Statement later on the agenda.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 All services and senior management have been consulted in the compilation of both of this document.

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**
Head of Corporate Finance

The statements are largely governed by the Code. 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**
Deputy Head of Legal Services

There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

There are no specific implications from this report.

7.4 Other implications

There are no specific implications from this report.

8. Background papers used in preparing the report

- There are various working papers within Corporate Finance.

9. Appendices to the report

- None – both statements will be circulated to members following the meeting.

Report Author:

Sean Clark
Head of Corporate Finance
Corporate Finance

This page is intentionally left blank

Thurrock Unitary Council

Audit Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

16 September 2014

Page 41



Debbie Hanson, Director
dhanson@uk.ey.com

Christine Connolly, Senior Manager
cconnolly@uk.ey.com

Contents

- ▶ Executive summary
- ▶ Extent and progress of our work
- ▶ Addressing audit risk
- ▶ Financial statements audit – issues and findings
- ▶ Arrangements to secure economy, efficiency and effectiveness
- ▶ Independence and audit fees
- ▶ Appendices

Executive summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Standards and Audit Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As at 2 September 2014, subject to the completion of the outstanding work detailed on page 6, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate after we have completed our work on Whole of Government Accounts, which may be after we have issued the audit opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements
- Report on any exception on the governance statement or other information included in the foreword
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<p>Localisation of business rates</p> <p>There have been significant changes in the arrangements for business rate arrangements from April 2013. The detailed accounting arrangements for the new arrangement are not yet clear and this therefore presents a risk in terms of the financial statements.</p> <p>One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level of claims. Councils may also find it difficult to obtain sufficient information to establish a reliable estimate.</p>	<p>We reviewed</p> <ul style="list-style-type: none"> the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice. the Councils provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this we ensured the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts. 	<ul style="list-style-type: none"> Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice. Our work on the provision is still in progress, but on the basis of the work completed to date, we expect to conclude that the provision has been calculated on a reasonable basis in line with the requirements of IAS 37.
<p>Financial statement closedown procedures</p> <p>In previous years, material errors have arisen in the financial statements in a number of key areas:</p> <ul style="list-style-type: none"> ▶ grant revenue recognition; ▶ accounting for schools income and expenditure; and ▶ asset valuations. 	<p>We focussed on:</p> <ul style="list-style-type: none"> management's arrangements to address the issues identified in prior years detailed testing of relevant balances to ensure they are correctly stated 	<ul style="list-style-type: none"> The majority of work has been completed in these areas and no significant issues were identified. There has been an improvement on previous years on financial statement closedown procedures.
<p>Management override</p> <p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<ul style="list-style-type: none"> Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; Reviewed accounting estimates for evidence of management bias; Evaluated the business rationale for any significant unusual transactions; and We reviewed capital expenditure on property, plant and equipment to ensure it met the relevant accounting requirements to be capitalised. 	<ul style="list-style-type: none"> We did not identify any material instances of fraud or error.

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed as at 2 September. We will provide an update of progress at the Standards and Audit Committee meeting:
 - ▶ Investments and borrowings (outstanding bank confirmations)
 - ▶ NNDR appeals provision
 - ▶ Payroll and housing rents control account reconciliations
 - ▶ Analytical review queries for housing benefits and NNDR income
 - ▶ Sample testing of expenditure
 - ▶ Collection fund
 - ▶ Reserves
 - ▶ Amounts reported for resource allocation decisions note
 - ▶ Cashflow statement
 - ▶ Whole of government accounts
 - ▶ Receipt of a Letter of Representation
 - ▶ Director final review of audit work and financial statements
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- We have identified three misstatements within the draft financial statements, which management has chosen not to adjust. Appendix 1 to this report sets out the uncorrected misstatements.

- We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Standards and Audit Committee and provided within the Letter or Representation

Corrected misstatements

Our audit identified a limited number of errors which the audit team have highlighted to management for amendment. All of these have been corrected during the course of our work. The number and nature of errors identified is a significant improvement on previous years. We do not consider any of the errors identified to be significant and therefore have not provided further details of these corrected misstatements.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit (continued)

Internal Control, Written Representations & Whole of Government Accounts

Internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- Page 47
- ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

There were no additional specific representations required other than the standard representations

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently undertaking our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Thurrock Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

Page 48

- ▶ *“Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We are still completing our work in this area and will provide an update in advance of the Standards and Audit Committee meeting.

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *“Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria, although work is still ongoing.

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated February 2014.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.

If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards and Audit Committee on 16 September 2014.

- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan of February 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14
	£s	£s
Total audit fee - Code work	177,277	177,277
Certification of claims and returns*	21,010	26,600
Non-audit work	0	0

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ Our grants fee has reduced to reflect the removal of council tax Benefit from the housing benefit subsidy claim
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Uncorrected audit misstatements

The following misstatements, which are greater than £0.35 million have been identified during the course of our audit.

These items have not been corrected by management.

Balance Sheet and Statement of Comprehensive Income and Expenditure

Page 50

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	F, P, J	Debit/(Credit)	Debit/(Credit)
PPE Revaluation Reserve CIES - various service headings	Valuation information on Development Corporation assets received after production of the accounts showed an overall increase in value of £3.2 million .	J	£3.2 million (£0.9 million)	(£2.3 million)
Penions Reserve Pensions Liability CIES - net defined benefit liability MiRS	Adjustment to the carrying amount of the Pension Reserve and Pension Liability accounts as a consequence of a revision to the IAS 19 statement provided by the Pension Fund administrator after the accounts had been prepared.	J	£1.231 million (£1.231 million)	£1.231 million (£1.231 million)
Cumulative effect of uncorrected misstatement			£2.3 million	(£2.3 million)

Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



This page is intentionally left blank

16 September 2014	ITEM: 8
Standards & Audit Committee	
Financial Statements and Annual Governance Statement Update	
Wards and communities affected: All	Key Decision: Non-Key
Report of: Sean Clark, Head of Corporate Finance	
Accountable Head of Service: Report of: Sean Clark, Head of Corporate Finance	
Accountable Director: Graham Farrant, Chief Executive	
This report is Public	

Executive Summary

The draft Financial Statement has been subject to external audit and is included as an appendix to this report. At the time of writing, the audit is being finalised and Members have already considered the external auditor's interim opinion that both the Value for Money Opinion and Financial Statements will be unqualified. The Annual Governance statement is also included as an appendix to this report and has been reviewed by external audit.

1. Recommendation(s)

That the Standards and Audit Committee

- 1.1 **Having consideration to the comments within the Audit Results Report considered earlier on the agenda, approve the Financial Statement subject to any further changes presented to the committee**
- 1.2 **Note the issues contained within, and approve, the Annual Governance Statement; and**
- 1.3 **Approve the letter of representation on behalf of the Council to be signed by the Chair of the committee once the audit is near completion.**

2. Introduction and Background

2.1 Financial Statement

2.1.1 The Financial Statement sets out the financial performance for the 2013-14 financial year and the Council's financial position as at 31 March 2014.

2.2.1 There are a number of financial statements and supporting notes set out in the document and an explanatory forward that summarises the performance for the year and highlights challenges and opportunities going forward.

2.3.1 The headline from a Council perspective is that the Council once again came within budget and has maintained reserves at the optimum level set by the Council Responsible Financial Officer and endorsed by Council.

2.2 Annual Governance Statement:

2.2.1. 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, properly accounted for, and used economically, efficiently and effectively.

2.2.2. 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.

2.2.3. 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.

2.2.4. This statement explains how the 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.

3. Issues, Options and Analysis of Options

3.1 There are no specific issues, options or analysis of options to consider.

4. Reasons for Recommendation

4.1 To enable the Council to meet the requirements of the Accounts and Audit (England) Regulations 2011 in respect of the approval of the financial statements and the annual governance statement.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The accounts were open to the public for inspection.

6. Impact on corporate policies, priorities, performance and community impact

6.1 The closure of the accounts gives certainty to the financial position of the Council which is a key part of the budget setting process.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

We can confirm that the usable reserves within this restated financial statement are broadly as previously reported throughout the year to Cabinet and there has been no change to the usable reserves as a result of this audit.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal Services

There are no direct legal implications arising from this report.

7.3 Diversity and Equality

Implications verified by: **David Lawson**
Deputy Head of Legal Services

There are no diversity and equality implications resulting directly from this report.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

There are a number of working papers retained within the Corporate Finance Section.

9. Appendices to the report

- Appendix 1 – Annual Governance Statement
- Appendix 2 – Financial Statement
- Appendix 3 – Letter of Representation

Report Author:

Sean Clark

Head of Corporate Finance

Corporate Finance

THURROCK COUNCIL

Annual Governance Statement 2013/14

CONTENTS

1.0	Scope of responsibility	2
2.0	The purpose of the governance framework	2
3.0	The governance framework	3
	The strategic planning framework	5
	Performance management framework	8
	Legal framework	9
	Financial framework	11
	Risk management framework	12
	Information Governance	13
4.0	Review of effectiveness of the governance framework	15
	Review of objectives	15
	Performance management and service planning	16
	Legal framework	17
	Financial framework	18
	Councillors' development	21
	Audit (internal/external) and the head of internal audit	21
	Risk and opportunity management	21
	Anti-fraud and corruption, whistleblowing and money laundering	22
	Business continuity	23
	Standards and Audit Committee	24
	Scrutiny Committee	25
	External sources of assurance on the governance framework	26
5.0	Significant governance issues	27

1.0 Scope of responsibility

Thurrock Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and public money is safeguarded, 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 duty, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes 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 suggested requirements of the "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).

This statement explains how the Council has complied with the code and has met 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*.

2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, and culture and values, supporting the direction and control of activities of the Council. These enable it to engage with and be accountable to the community. It also supports the Council in monitoring the achievement of 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 this 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. It enables the evaluation of the likelihood of those risks being

realised, the impact should they be realised and provides the ability to manage them efficiently, effectively and economically.

The Council had the governance framework described below in place for the year ended 31 March 2014 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 enable the Council to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The Council is responsible for directing and controlling the organisation in this manner. The Council's responsibilities include agreeing the Constitution, key governance documents, the policy framework, key strategies and agreeing the budget.

The Council has executive and scrutiny arrangements in place consisting of a Leader/Cabinet model and Overview and Scrutiny Committees which consider specific areas of the Council's business. 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, Assistant Chief Executive, Monitoring Officer, Head of Corporate Finance (Section 151 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.

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 the 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 and Director of Public Health role with Southend Council.

The Corporate Plan 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.

This is supported by the Medium Term Financial Strategy which sets out the financial impact of the achievement of these priorities.

The Council has adopted an Organisational Development Strategy 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 Equality and Cultural 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 partnership approach to community engagement with a focus on value for money.

The Council ensures clear opportunities are provided to inform, consult and involve residents and community groups across the borough. This applies to all Council business from significant decisions to more routine Council business. 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

The Council has implemented a 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. The framework incorporates residents' and service-providers' views as well as national and local priorities.

The Community Strategy articulates the Council's overarching vision for the borough which is "**Thurrock: A place of opportunity, enterprise and excellence, where individuals, communities and businesses flourish.**" The Council adopted five strategic priorities and objectives to deliver the vision. The Corporate Plan and the Medium Term Financial Strategy 2013-16 cascade 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. The delivery plan for year 2 of the Corporate Plan was approved by Cabinet on 19th March 2014.

The Council's approach to managing its finance is based on the objectives and priorities set out for determining the allocation of resources over the medium term. The financial plan has been developed to ensure the key targets are met and adequate contingencies and balances maintained. The Medium Term Financial 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 has increased and retained its balances at £8m by improving efficiency, 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 ensures 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 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.

The planning framework incorporates the Local Development Framework and a set of planning policy documents. This 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 consultations with residents and service-users to identify their priorities for service improvement and how satisfied they are with our services.

The Council has adopted and/or implemented other strategies in the financial year 2013/14 including:

Private Sector Housing Strategy

The new private sector housing strategy is intended to improve the quality of existing homes and neighbourhoods and increase the supply of housing in the borough. Through this, the Council is looking to improve outcomes for residents with regards to health, well-being and lifestyle.

The intention is this is done using less overall resource using partnership working with teams with the same priority (the wellbeing of residents) as the Housing department and, for the first time, focusing on priority geographical areas.

Issues considered included:

- How can the wellbeing of priority residents be supported effectively to enable preventative measures to be taken to minimise reactive spending.
- How neighbourhoods can be improved in the context of an increasing number of private tenancies and demand for houses in multiple occupation HMO's.
- How the Council can support tenants and landlords to know their rights and responsibilities and operate within them.
- How housing supply can be increased.

Health and Wellbeing Strategy

The Health and Social Care Act 2012 transformed health and social care commissioning. It introduced new systems, organisations, and arrangements as well as new duties. The Council now works in partnership with two 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 Council has a responsibility 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.

Asset Management Plan

In 2012 the Cabinet put 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 to date have realised £2.71m in capital receipts, towards a Medium Term Financial Strategy target of £7m by the end of 2014/15.

A cross party Member Working Group; with a role to examine disposal proposals and make recommendations to Cabinet was established in 2012/13, seeking to make the governance of asset disposal more transparent.

Work is also continuing 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. A key current example is a project to establish a brand new and purpose built Pupil Referral Unit/Pupil Support Service Building in Tilbury. This, together with the ongoing modernisation of the Civic Offices, will free up the Culver Centre, a larger and expensive operational building, for closure and residential development.
- 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.

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

ICT Strategy

In 2013 the Cabinet agreed a refreshed Information Systems (IS) / Information Technology (IT) 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 which will see applications and their management transferring to Serco, the Council's strategic partner.

The strategy is monitored by Corporate Information and Systems Development (CISD) group to ensure milestones are on track and learning from projects is captured. The strategy is reviewed on an annual basis to ensure it is still relevant to Directorates and any significant changes have 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). In addition, every 6 months a wider ranging report covering the progress against the deliverables within the Corporate Plan as well as associated corporate scorecard indicators is presented to Cabinet and Corporate Overview and Scrutiny Committee.

The Performance Board is a cross council group of performance experts tasked with ensuring the Council's Performance and Risk & Opportunity Management Frameworks are embedded and support the improvement of the Council's service. The Board provides assurance 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.

How the Corporate Scorecard is reported and monitored

Group	Role	Audience
Service O&S Committees	Chairs forwarded corporate performance report where an issue relates to that Committee	Members & Public
Corporate Overview & Scrutiny (quarterly)	Receive quarterly report on Corporate Scorecard. Provide challenge and request any further actions/ reports regarding the performance against the Corporate Plan	
Cabinet (monthly)	Receive monthly report on Corporate Scorecard. Consider recommendations from Directors Board and request any further actions. Recommend report to O&S.	
Directors' Board (monthly)	Receive monthly performance reports of Corporate Scorecard. Consider recommendations from Performance Board and request any further actions	Internal
Performance Board (monthly)	Pan Council performance specialists consider "RED" and "Changed" corporate KPIs, provide challenge and request action plans, decide upon focus for DB. Consider Service KPIs by exception.	
Corporate Scorecard & Service Scorecards	Service dialogue with Head of Service and Director	

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 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-contracted the Highways & Engineering and Property Services elements to Europa. After several months of negotiations around performance, in August 2013 this contract was cancelled and the services were brought back into the Council.

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 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 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 the Authority's financial and risk management is adequate and effective and 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 Audit letter and report to those charged with governance issues;

(f) keeping under review the Council'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 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.

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 Joint Head of Legal and Democratic Services on the financial and legal implications of any report 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 the chosen responses are effective. The Risk and Opportunity Management Framework was reviewed 2013 and agreed by Cabinet in March 2014. The overall responsibility for effective risk and opportunity management in the Council lies with the Chief Executive supported by the Head of Corporate Finance and Corporate Risk and Insurance Team. We use a standard risk and opportunity management methodology which encompasses the identification, evaluation, management and review of risks and opportunities.

Councillors have a responsibility to understand the strategic/corporate risks and opportunities the Council faces, and are made aware of how these issues

are being managed through regular reports to the Standards & Audit Committee.

The Corporate Risk and Insurance Team and Performance Board 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 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 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 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

Data Protection:

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".

During 2013/14 the Council received 29 requests where the fee was paid and the full SAR process implemented. Of the 29 requests, 90% of requests were processed within the statutory timeframe (40 calendar days from the date all necessary information and payment are received).

During 2013/14 the council received 4 Data Protection complaints from the ICO, however only one related to a SAR. A summary of the 4 data protection complaints is shown below:

- In three cases, the council had disclosed personal information to a third party in error. In all three cases, sensitive information was not disclosed in error.
- One case, related to delays in processing an individual's subject access request

Due to the council's good record regarding data protection, no further action was taken by the ICO in all cases reported.

Freedom of Information

During 2013/14, the council processed 98% of Freedom of Information (FOI) requests within the legal timeframe.

The council refuse requests where it is estimated the time taken to process the request exceeds 18 hours. This was a policy change during 2012. During 2013/14, 39 requests were refused due to the 18 hour threshold.

The Information Management Team maintains responsibility for making decisions on the application of Exemptions (to withhold information) under the Act. These are recorded and evidenced to support the approach taken, and to demonstrate how the Public Interest Test has been applied for Qualified Exemptions. This part of the process is vital to prevent and respond to complaints about FOI responses where data has been withheld, either partially or in full.

The Information Management Team monitor and respond to complaints received regarding FOI responses. During 2013/2014 there were 2 FOI complaints that were escalated to the Information Commissioner's Office (ICO). A summary of these complaints is detailed below:

- The council originally withheld information in relation to a FOI request, however following a complaint to the ICO this information was released due to the passage of time. This request also contained police data.
- The council had refused to provide information in response to a FOI follow up enquiry. This information was then released to the requestor.

Information Security

The Council are a Public Sector Network (PSN) complaint organisation.

A laptop survey has been undertaken via Meta Compliance (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 Information Governance Team have also carried out the following during 2013/14:

- 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;
- 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 PSN compliant.

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 we are doing the right things in the right way and for the right people, in 2011/12 the Council undertook a major review of the Corporate Plan and adopted the Corporate Plan and Medium Term Financial Strategy (MTFS) 2012/15. An updated version for 2013/16 was agreed in February 2013. This is now updated annually and Cabinet reviewed the year 2 delivery plan at its meeting on 19th March 2014. The MTFS is updated annually as part of the budget setting process.

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 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 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.

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 and embedded this through the Performance Board.

Performance Board monitor corporate KPIs on a monthly basis, and service representatives have the opportunity to raise any performance issues from their service areas, particularly where the issue could have a more cross cutting impact.

The Service Planning guidance is reviewed annually and embedded directly into the service planning templates.

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

Inspections undertaken during 2013/14 included the following:

Adults' Services

Collins House

A CQC inspection of the Council's Residential Care home - Collins House took place on 11th September 2013. The following standards were inspected:

- Respecting & involving people who use services;
- Meeting nutritional needs;
- Management of medicines;
- Staffing; and
- Complaints.

All the above standards were met.

Hathaway Road

A CQC inspection of the Hathaway Road Short Break Respite Service took place on 12th September 2013. The following standards were inspected:

- Consent to care and treatment;
- Care & welfare of people who use services;
- Management of medicines;
- Supporting workers; and
- Complaints.

All the above standards were met.

Homecare Reablement Team

A CQC inspection of the Homecare Reablement Team took place on 16th September 2013. The following standards were inspected:

- Care & welfare of people who use services;
- Safeguarding people who use the service from abuse;
- Management of medicines;
- Safety and suitability of premises;
- Staffing
- Supporting workers;
- Assessing and monitoring the quality of the service provision; and
- Complaints

All the above standards were met.

LEGAL FRAMEWORK

The authority has approved changes to the Senior Management Structure which aims to ensure the Council becomes and remains more focussed on service outcomes and on delivering quality services to all of the communities in Thurrock.

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 interest 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 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.

In Autumn 2013, the authority’s Legal Services Team was awarded Lexcel accreditation across its shared legal service with the London Borough of Barking & Dagenham and has established a single office manual and case

work system. This accreditation is a quality mark which the Law Society has developed and 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 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 1st 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 1st 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 during the financial year.

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 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 detailing the actual, and potential, financial consequences of the decision being taken. We ensure this information is accurate and relevant by ensuring 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. This was followed up in preparation for the 2013/14 accounts with several officers attending the Ernst and Young training day and/or various CIPFA workshops.

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 has been shown 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 it has sufficient cash to meet its needs, and 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 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.

The financial system is now largely stable but there are still significant problems with the quality and extent of reporting. The system is currently being reviewed by Oracle Insight and officers are waiting on an action plan to resolve this.

COMMENT ON THE ROLE OF THE CHIEF FINANCE OFFICER

The section 151 officer, or chief financial officer, has a responsibility to ensure an effective internal audit function is resourced and maintained. The Council's outsourced internal audit function is provided by Baker Tilly and led by a Partner of Baker Tilly who acts as Head of Internal Audit. There is a permanent on-site team led by an 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 to the Standards & Audit Committee who also consider key issues from specific audit reports.

COUNCILLORS' DEVELOPMENT

The municipal year of 2013-14 did not see any elections for the Council, other than a by-election in Stifford Clays and therefore, there was no member training schedule produced. Mandatory training for Members moving onto quasi-judicial committees was provided at the beginning of the year. No optional training courses were offered.

A very small number of Members pursued external training courses relating to their specific remits within public protection, environment and public speaking and these courses were funded by the Council using appropriate funds. General equalities training was also provided to all Members in early 2014.

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 Internal Audit Annual Report which gives an assurance opinion on the overall internal control, risk management and governance environments. Any individual internal audit review judged "Red" or "Red/Amber" is subject to a timely action plan and follow up audit.

The Head of Internal Audit's overall opinion in the Internal Audit Annual Report for the year ended 31st March 2014 which was submitted to the Standards and Audit Committee in July 2014 was the overall control environment had improved from Amber to Green and corporate governance arrangements remained at Green. However, due to the changes in risk management, including the sharing of the Corporate Risk Officer post with the London Borough of Barking and Dagenham and a total refresh of the Risk & Opportunity Management Framework, Internal Audit were unable to provide an assurance opinion for risk management. This will be picked up as part of the Internal Audit Annual Plan 2014/15.

The External Auditor issued an unqualified audit opinion and unqualified value for money statement for 2012/13 and concluded there had been a significant improvement in the standard of accounts and working papers. However, the External Auditor also commented some areas needed to be improved.

RISK AND OPPORTUNITY MANAGEMENT

An annual review of Risk and Opportunity Management (ROM) 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 ROM arrangements were reported to the Audit Committee in November 2013. Out of the 5 levels (where 5 is best) the Council attained:

- Level 4 for the Enabler section, which covers what an organisation does.
- Level 3 (bordering on level 4) for the Results section, which covers what an organisation achieves.

The benchmarking exercise revealed that with some further work the Council's ROM arrangements could be enhanced to meet a higher standard.

A full review of the ROM Policy, Strategy and Framework was undertaken in 2013. The revised ROM Policy, Strategy and Framework were agreed by Cabinet in March 2014. As part of the review a revised approach for the review and reporting of the Strategic/Corporate Risk and Opportunity Register was developed.

Corporate Risk Management has worked with Services, Department Management Teams, Performance Board and Directors Board between March and May 2014 to raise awareness of the revised arrangements for ROM and to refresh the Strategic/Corporate Risk and Opportunity Register.

The refreshed Strategic/Corporate Risk and Opportunity Register is due to be reported to the Standards and Audit Committee in July 2014.

Further actions to address the key improvement opportunities identified by the reviews include:

Actions:

- **Review and improve Service level ROM.**
- **Review and develop Project and Partnership ROM arrangements.**
- **Build skill and capacity and continue to embed ROM 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 29th January 2010 and has further raised the profile of whistleblowing through inclusion on the Council's website. The Whistleblowing Policy is currently being reviewed by the Fraud and Legal Services due to changes brought about by the introduction of the Enterprise and Regulatory Act 2013.

Actions:

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

BUSINESS CONTINUITY

Since the Councils' Corporate Business Continuity Plan was noted by Cabinet on the 8th May 2013, the corporate plan and policy have been updated to reflect the latest guidance from the Business Continuity Institute to comply with the latest best practice from the Business Continuity Institute and legislation change from BS25999 to ISO 22301 for Business Continuity.

A review of all business continuity plans by Directors and Heads of Service was undertaken and a schedule of testing of plans has been arranged. During 2013/14, three table top business continuity exercises for the following service areas were undertaken:

- Street Cleansing and Highways – provision of burial and cemetery services.
- Thurrock Choice Homes - ensuring customers are able to bid including placing bids on behalf of any vulnerable persons on the Thurrock Choice Homes computer system.
- Provider Services – provision of Extra Care Housing.

As a result, actions were identified to improve business continuity in these areas.

Reductions in the risk to the business continuity of the Council have been achieved by joint working, for example the legal partnership between the Council and the London Borough of Barking and Dagenham which has improved capacity to deliver emergency legal work during disruption. This would be significant if, for example, disruption of access to Civic Offices led to a delay in the ability of either Council to apply for interim child protection orders, as this could be administered by the other Council during the recovery period.

Actions:

The Business Continuity Exercise for scheduled desktop testing of plans during 2013/14 and 2014/15 will be completed.
The recommendations of all plan reviews and exercises be cascaded to the relevant Heads of Service and staff involved to ensure plans are effective and relevant.

STANDARDS AND AUDIT COMMITTEE

Our Standards and Audit Committee undertakes the core functions of an audit committee by providing independent assurance the Authority's financial and risk management is adequate and effective and 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

The Monitoring Officer received one complaint during 2013-14 which passed the Council's agreed threshold criteria or was relevant to a Members' official role and duties. This was successfully resolved after constructive and mediated meetings between the parties, their external advisers and the Monitoring Officer.

To assist the Council in complying with the Localism Act 2011, which places a duty on Local Authorities to promote and maintain high standards of conduct amongst their members and co-opted members, the Monitoring Officer presented a report to the Standards & Audit Committee meeting of 19th September 2013. This requested that the Committee establish a Working Group by appointing members to the Members Advisory Panel to serve until the next local elections in May 2014. Two elected and two independent members were duly appointed.

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, review performance in meeting Council objectives and satisfy themselves 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. The Annual Audit Letter was reported to the Standards and Audit Committee in November 2013 and reported:

- That the Council was issued an unqualified Audit Opinion, whilst commenting on the significant improvement in the quality of the accounts and working papers. There were no errors identified that impacted on the Council's financial position or level of useable reserves.
- An unqualified Value for Money assessment with no specific issues identified; and
- There were no identified areas of concern with respect to the Annual Governance Statement.

The Certification of Claims report was reported to the Standards and Audit Committee in February 2014 and reported:

- The need to continue to improve the overall control environment to support the completion of claims and returns.
- Specific recommendations relating to the housing benefits claim and the national non-domestic rates return to improve the quality of the data.

LOCAL GOVERNMENT OMBUDSMAN

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

Below is the Council's average response time over the past 4 years, and the figures in brackets represent number of enquires that were received from the LGO investigation team.

- 2010/11 - 20.5 days (20)
- 2011/12 – 15.4 days (33)
- 2012/13 – 15 days (27)
- 2013/14 – 21 days (19)

Due to the increase in our average response time for 2013/14, the Complaints Team will bring forward its timeline to ensure our average response for 2014/15 shows an improvement.

All LGO complaints are managed by the Corporate Complaints Team. For those cases which were formally concluded by the LGO, the findings are as follows:

- Maladministration causing an injustice: The LGO determined 3 cases under this category; 1 for Housing Services, 1 for Children's Services and 1 for Adult Social Care. The case for Adult Social Care resulting in a public report being issued.
- Local settlement: The LGO determined 11 cases under this category; 6 for Housing Services, 2 for Children's Services, 2 for Serco and 1 for Adult Social Care.

As a direct result of these cases, the council issued financial compensation totalling £6,556.

Housing Ombudsman (HO)

On 1st April 2013 the new Housing Ombudsman Service was launched with an extended jurisdiction covering all housing associations and local housing authorities. During the reporting year there was 1 complaint received from the Housing Ombudsman. This was responded to within 15 days.

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 these steps will address the need for improvements 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

Thurrock Borough Council
Statement of Accounts
2013/14

INDEX

	Page
Explanatory Foreword	1
Statement of Responsibilities for the Statement of Accounts	8
Auditor's Report	9
Core Statements	
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Core Statements	17
Supplementary Statements	
Housing Revenue Account	89
Collection Fund Statement - Council Tax	94
Collection Fund Statement - Non-Domestic Rates	95
General Notes	
1 Accounting Policies	17
2 Accounting Standards that have been issued but have not yet been adopted	33
3 Critical Judgements in applying Accounting Policies	34
4 Assumptions made about the future and other major sources of estimation uncertainty	34
5 Material Items of Income and Expenditure	35
6 Restatement of 2012/13 Comparative Figures	36
7 Adjustments between Accounting Basis and Funding Basis Under Regulations	37
8 Exceptional Items	43
9 Deployment of Dedicated Schools Grant	43
10 Other Operating Expenditure	44
11 Financing and Investment Income and Expenditure	45
12 Taxation and Non-Specific Grant Income	45
13 Members' Allowances	45
14 Remuneration of Senior Staff	46
15 Related Party Transactions	48

INDEX

General Notes		Page
16	External Audit Cost	49
17	Transfers To/From Earmarked Reserves	50
18	Operating Leases	51
19	Provisions	51
20	Short-Term Debtors	53
21	Short-Term Creditors	53
22	Usable Reserves	53
23	Unusable Reserves	54
24	Analysis of Government Grants	58
25	Contingent Liabilities	59
26	Events after the Balance Sheet Date	59
27	Amounts Reported for Resource Allocation Decisions	60
28	Heritage Assets	66
Capital Notes		
29	Intangible Assets	66
30	Property, Plant and Equipment	67
31	Capital Expenditure and Financing	71
32	Capital Commitments	72
Financial Instruments Notes		
33	Financial Instruments	73
34	Nature and Extent of Risks Arising from Financial Instruments	76

INDEX

Page

Pension Notes

35	Pension Scheme Accounted for as a Defined Contribution Scheme	80
36	Defined Benefit Pension Schemes	80

Cash Flow Notes

37	Cash and Cash Equivalents	86
38	Operating Activities Cash Flow Statement	87
39	Investing Activities Cash Flow Statement	87
40	Financing Activities Cash Flow Statement	88
41	Non Cash Movement Cash Flow Statement	88

Notes to the Housing Revenue Account

1	Gross Rent Income	91
2	Depreciation	91
3	Pension Reserve Movement	91
4	Housing Stock	91
5	Major Repairs Reserve	92
6	Capital Expenditure	92
7	Capital Receipts	93
8	Debt Management Costs	93

Notes to the Collection Fund Statement

1	General	96
2	Council Tax	96
3	Income from Business Rate Payers	96

Glossary of Terms

97

EXPLANATORY FOREWORD

1. Statement of Accounts

The Statement of Accounts comprise the following statements:

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

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These accounts have been prepared in accordance with the Code of Practice 2013/14 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

EXPLANATORY FOREWORD

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 re-valued, any reduction in value may be a charge against the service and some increases may be reflected as a credit against the service;
- Pension Fund Adjustments – the amount that the Council pays Essex County Council is 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 2 July 2014 and is set out below:

General Fund Outturn by Service Areas:	Revised Budget £'000	Outturn £'000	Variance £'000
Adults, Health and Commissioning	37,219	37,116	(103)
Central Services	21,929	21,783	(146)
Children's Services	34,896	34,765	(131)
Environment	19,095	18,917	(178)
Housing	782	742	(40)
Planning and Transportation	7,913	7,615	(298)
Public Health	(210)	(210)	0
Public Protection	2,815	2,783	(32)
Serco / Corporate Savings	17,352	17,701	349
Operating Net Surplus	141,791	141,212	(579)

This table above confirms that the Council underspent against the agreed budget envelope by £0.579m.

This is despite significant pressures faced during the financial year namely relating to Children's Social Care and corporate savings targets.

EXPLANATORY FOREWORD

■ Housing Revenue Account

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The outturn position is shown below:

HRA Outturn by Service Areas:	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Area Office	1,148	1,126	(22)
Caretaking	1,494	1,512	18
Financing	18,940	18,928	(12)
Grounds Maintenance	1,330	1,251	(79)
Lettings and Allocations	739	651	(88)
Rental Income	(47,093)	(48,256)	(1,163)
Repairs and Maintenance	12,198	12,431	233
Sheltered Complexes	1,272	1,342	70
Central HRA	9,972	10,061	89
Grand Total	0	(954)	(954)

After a favourable level of income against the budget, the HRA generated a surplus in year of £0.95m. A major contributing factor to this was a comprehensive review of the level of housing rent arrears relating to current and former tenants which resulted in a favourable adjustment.

The only area of significant adverse variance was in relation to housing repairs and maintenance. The largest contributing factor was as a result of the number of void properties in exceeded the estimated level on which the budget was predicated. This resulted in an increase in expenditure to meet demand and ensure that the allocation policy was complied with.

The surplus generated in year has increased the level of the HRA general reserve from £1.7m to £2.65m. In addition, the HRA holds a balance in its Major Repairs Reserve of £2.3m towards the enhanced capital programme that has been agreed for the Council's housing stock and the level of reserves available for Capital, Regeneration and Development now stand at £5.5m

Capital Expenditure

The total capital expenditure for 2013/14 amounted to £34.635m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

EXPLANATORY FOREWORD

Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	7,607	4,882	2,725
Adult Social Care	144	82	62
Housing General Fund	1,992	1,052	940
Housing Revenue Account	18,425	16,451	1,974
Environment	1,210	1,158	52
Planning and Transportation	5,830	5,091	739
Transformation	5,689	5,059	630
Commercial Services	189	56	133
Chief Executives	11	9	2
Chief Executives Delivery Unit	1,434	795	639
Total	42,531	34,635	7,896

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	6,294	4,448	1,846
Supported Borrowing (SCER)	715	715	0
Usable Capital Receipts	2,933	2,826	107
Earmarked Usable Capital Receipts	253	228	25
Major Repairs Reserve	15,951	13,660	2,291
Grants	11,061	7,995	3,066
Developers Contributions	1,923	1,444	479
Trusts	183	162	21
Reserves	3,218	3,157	61
Total	42,531	34,635	7,896

The following are key headlines for capital investment:

- A new skills centre was completed at the Hathaway Academy, with a gross spend of £1.67m over the period 2011/12 to 2013/14.
- £1.24m spent on the customer services programme which is delivering the strategic objective to create a great customer experience and achieve the lowest transaction costs possible - enabling those who can to self-serve and providing a consistent response to those least able to meet their own needs.
- £15.49m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electric, boilers, windows and roofs. The transforming homes programme aims to refurbish every Council home in Thurrock and aims to maximise energy efficiency and to rid properties of damp and mould.
- £5.19m spent on improvements to the highways infrastructure, including works to Oliver Road, Arisdale Avenue, drainage works in Orsett and works on the A13 at the Manorway interchange.
- £0.36m spent on improving children's play areas throughout the borough, including play equipment at Hathaway Road, Parker Road, Hardie Road, Cruick Avenue and Thurrock Park.
- £0.91m spent on grants to the disabled which will fund adaptations to their homes and continued independent living.

EXPLANATORY FOREWORD

■ Pensions

Thurrock Council is a member of the Local Government Pension Scheme that is administered by Essex County Council. There are a number of entries included within the accounts that are further explained in Note 36 to the accounts but, 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 deficit has decreased by £18.16m to £139.81m between 31 March 2013 and 31 March 2014.

■ Material and Unusual charges/credits to the accounts

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

In 2013/14 the Council made the decision to end the Housing, Highways and Property Maintenance contract and bring the service in-house. This required a one-off payment of £1.4m which will be offset by future savings on this service.

It is noted that Council Tax benefit, which was previously reflected in the Collection Fund statement, is no longer paid to claimants by Central Government. The Council now receives a general grant enabling it to provide a local scheme with reductions of up to 75% of the cost for eligible claimants. This is reflected in the lower overall Council Tax income received by the Council.

■ Significant changes in accounting policies

The key changes in 2013/14 are set out below:

Accounting for Business Rates:

From April 2013, the accounting for business rates was amended to reflect the fact that Billing authorities act as agents, collecting rates on behalf of the major preceptors, central government and themselves. The transactions and balances are allocated between the billing authority, major preceptors and central government.

Under the legislative framework for the Collection Fund billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of business rates collected could be less or more than predicted. The effect of any bad debts written off or movement in the provision for bad debts is also shared proportionately. Similarly the provision for appeals against business rates levied is shared proportionately.

Pensions:

The accounting policy for pensions has been amended as a result of the Code's adoption of the 2011 amendments to IAS 19. This has resulted in some changes to the classes of components of the defined benefit cost to be recognised in the financial statements. This has been applied retrospectively and this has resulted in changes to the individual elements charged to the Comprehensive Income and Expenditure statement although there is no impact on the general fund balance or the total value of the balance sheet liability. The recalculated amounts are included in Notes 6 and 36 of the financial statements.

EXPLANATORY FOREWORD

■ Major changes in statutory functions.

On 1 April 2013 public health staff and services were transferred from South West Essex Primary Care Trust to Thurrock Council. To discharge these new public health responsibilities the Council was provided with a ring-fenced public health grant. The income and expenditure relating to the public health function is shown in the Comprehensive Income and Expenditure statement.

4. Future Financial Issues

■ Economic Outlook

The outlook for local authority funding remains challenging and there continue to be significant reductions in government funding. The main sources of income to fund general services are government grant, business rates income and Council Tax. The combination of these reductions in income combined with greater demands for services, especially in childrens and adults social care, means the shape of the organisation is changing in response to these unprecedented challenges.

The Council continues to face additional risks arising from changes in local government financing. While the Council collects business rates locally and retains approximately 27 per cent of the total it shares the risks arising from successful appeals against rateable value assessments and the risk of bad debts being written off. These are significant and will impact in future periods adding to the financial savings required.

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 now expected to increase over the course of the next year and the debt profile will be considered in the context of this going forwards. This is closely reviewed and the Medium Term Financial Strategy assumes a phased move to fixed rates from 2015.

■ General Fund

For the period 2015/16–2017/18, the Council continues to deal with a reduction in government related support that, together with service pressures mainly due to demographic growth, requires overall savings of £37.7m to be delivered.

The Council has currently set a budget that is balanced for the period 2014/15 although this has required the use of £2.4m of reserves to achieve this. The Council are considering the implications of the financial position to the delivery of services and the achievement of priorities going forward and these will be consulted on in the coming months.

The Medium Term Financial Strategy assumes further grant reductions in line with government fiscal announcements as well increases in business rate growth, annual council tax increases and the delivery of savings. The position continues to be monitored and refreshed as required.

■ Capital and Treasury Issues

Councils continue to be reliant on a number of capital grants from central government towards building schools and highways works. 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 taken advantage of the low interest rates offered by temporary borrowing. The Council continues to monitor the

EXPLANATORY FOREWORD

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

The following specific issues have been noted:

■ Public Health

The Council became responsible for the provision of Public Health from the 1 April 2014. This was previously provided by South West Essex PCT. The income and expenditure relating to this service is reported for the first time in 2013/14 and is included in the Comprehensive Income and Expenditure statement.

■ Business Rates

The accounting requirements for business rates changed from 1 April 2013. This aligned the accounting with the treatment of council tax by reflecting the fact the Council is effectively an agent for central government and major preceptors when collecting and distributing business rates. The arrangements have been set up to enable the Council to receive a similar level of funding as under the previous system but with the added ability to equally split with central government any additional revenue arising from business rates growth in the area.

However some of the inherent risk in the previous system is now also shared between the Council and the preceptors. The most significant in the first year of the system is the risk of a reduction in business rates as a result of appeals by business against their assessed rateable value. As the last full valuation of rateable values undertaken was in 2010 this means any successful appeals will impact on business rates charged for each year since 2010. The Council's share of the total of the provision made is £6.37m and the impact of this is that the Council will need to provide funding in future periods to fund the deficit created by this provision.

■ Pensions

Amendments to International Accounting Standard (IAS)19 have meant there have been changes to the items included in the calculation of the pensions costs charged to the CIES and to the components of the defined benefit liability. The required restatements have been made to the 2012/13 figures in accordance with the requirements of the Code.

■ 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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance 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 Code.

The Head of Corporate Finance has also:

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

The Head of Corporate Finance's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2014.

Head of Corporate Finance

Date: 30 June 2014

The Chairman of the Meeting Approving these Accounts

I confirm that these accounts were approved by the Standards and Audit Committee of the Council at its meeting on 16 September 2014.

Chair of the Standards and Audit Committee

Date: xx September 2014

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 41, the Housing Revenue Account and related notes 1 to 8, and the Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Thurrock Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Corporate Finance

As explained more fully in the Statement of the Head of Corporate Finance Responsibilities on page 10, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statements of accounts 2013/14 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
-

Opinion on other matters

In our opinion, the information given in the Thurrock Borough Council Statement of Accounts 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Thurrock Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until;

- we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Debbie Hanson

for and on behalf of Ernst & Young LLP, Appointed Auditor

400 Capability Green, Luton, Bedfordshire LU1 3LU

16 September 2014

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2014 issued on 16 September 2014 we reported that, in our opinion, the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2014 issued on 16 September 2014 we reported that, in our opinion, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

In our report dated 30 September 2014, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Thurrock Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Debbie Hanson

for and on behalf of Ernst & Young LLP, Appointed Auditor

Cambridge

xx September 2014

MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	(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	145,673	(63,165)	0	0	0	0	82,508	0	82,508
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(41,693)	(41,693)
Total Expenditure and Income	145,673	(63,165)	0	0	0	0	82,508	(41,693)	40,815
Adjustments between accounting basis & funding basis under regulations (Note 7)	(149,309)	61,553	0	(405)	(709)	(2,804)	(91,674)	89,086	(2,588)
Net Increase/Decrease before Transfers to/from Earmarked Reserves	(3,636)	(1,612)	0	(405)	(709)	(2,804)	(9,166)	47,393	38,227
Transfers to/from Other Reserves	(623)	0	0	80	0	543	0	0	0
Transfers to/from Earmarked Reserves (Note 17)	4,998	959	(3,768)	518	0	(1,236)	1,471	(1,471)	0
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)

MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	(8,000)	(1,700)	(27,748)	(1,394)	(3,103)	(12,170)	(54,115)	(362,289)	(416,404)
<u>Movement in Reserves in 2013/14</u>									
Surplus or (deficit) on provision of services	31,349	(1,229)	0	0	0	0	30,120	0	30,120
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(22,381)	(22,381)
Total Expenditure and Income	31,349	(1,229)	0	0	0	0	30,120	(22,381)	7,739
Adjustments between accounting basis & funding basis under regulations (Note 7)	(27,273)	275	0	(4,553)	810	(2,586)	(33,327)	33,327	0
Net Increase/Decrease before Transfers to/from Earmarked Reserves	4,076	(954)	0	(4,553)	810	(2,586)	(3,207)	10,946	7,739
Transfers to/from Other Reserves	(5)	0	0	26	0	(21)	0	0	0
Transfers to/from Earmarked Reserves (Note 17)	(4,082)	0	7,237	0	0	0	3,155	(3,155)	0
Increase/Decrease in Year	(11)	(954)	7,237	(4,527)	810	(2,607)	(52)	7,791	7,739
Balance at 31 March 2014	(8,011)	(2,654)	(20,511)	(5,921)	(2,293)	(14,777)	(54,167)	(354,498)	(408,665)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT Core Statement

2012/13				2013/14		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
Continuing Services:						
53,327	(12,671)	40,656	Adult Social Care	50,794	(13,248)	37,546
39,459	(14,280)	25,179	Central Services to the Public	5,613	(3,412)	2,201
212,622	(91,258)	121,364	Education and Children's Services	123,858	(74,899)	48,959
10,714	(917)	9,797	Cultural and Related Services	7,093	(1,060)	6,033
17,891	(2,556)	15,335	Environmental and Regulatory Services	22,269	(2,132)	20,137
22,349	(5,264)	17,085	Planning Services	6,656	(3,205)	3,451
14,375	(2,945)	11,430	Highways and Transport Services	11,442	(2,443)	8,999
(26,828)	(48,869)	(75,697)	Local Authority Housing (HRA)	32,590	(54,151)	(21,561)
66,503	(60,986)	5,517	Other Housing Services	69,412	(63,147)	6,265
Acquired Services:						
2	(42)	(40)	Public Health	5,700	(7,180)	(1,480)
410,414	(239,788)	170,626	Cost Of Services	335,427	(224,877)	110,550
52,898	(6,537)	46,361	Other Operating Expenditure (Note 10)	50,210	(8,856)	41,354
14,667	(1,814)	12,853	Financing and Investment Income and Expenditure (Note 11)	15,683	(1,568)	14,115
0	(147,332)	(147,332)	Taxation and Non-Specific Grant Income (Note 12)	0	(135,899)	(135,899)
477,979	(395,471)	82,508	(Surplus) or Deficit on Provision of Services	401,320	(371,200)	30,120
0	(52,032)	(52,032)	Surplus or Deficit on the Revaluation of non-current assets (Note 23/30/31)	0	(1,044)	(1,044)
7,751	0	7,751	Remeasurement of the net defined benefit liability (Note 36)	0	(21,337)	(21,337)
7,751	(52,032)	(44,281)	Other Comprehensive Income and Expenditure	0	(22,381)	(22,381)
485,730	(447,503)	38,227	Total Comprehensive Income and Expenditure	401,320	(393,581)	7,739

BALANCE SHEET Core Statement

31 March 2013		Notes	31 March 2014
£000			£000
801,678	Property, Plant & Equipment	30	777,977
3,745	Investment Property		2,407
3,864	Intangible Assets	29	3,254
21,288	Heritage Assets	28	21,288
876	Long Term Debtors		759
831,451	Long Term Assets		805,685
44,752	Short Term Investments	33	37,419
777	Assets Held for Sale		364
222	Inventories		301
18,095	Short Term Debtors	20	18,105
3,693	Cash and Cash Equivalents	37	7,998
67,539	Current Assets		64,187
(93,869)	Short Term Borrowing	33	(94,388)
(29,988)	Short Term Creditors	21	(21,869)
(670)	Leasing Liability		(706)
0	Short Term Provisions	19	(3,723)
(124,527)	Current Liabilities		(120,686)
(1,273)	Long Term Provisions	19	(3,201)
(189,116)	Long Term Borrowing	33	(189,125)
(104)	Deferred Discounts		0
(157,965)	Pension Liability	36	(139,807)
(1,719)	Leasing Liability		(1,013)
0	Long Term Creditors		(138)
(7,882)	Capital Grants Receipts in Advance	24	(7,237)
(358,059)	Long Term Liabilities		(340,521)
416,404	Net Assets		408,665
(54,115)	Usable reserves	22	(54,167)
(362,289)	Unusable Reserves	23	(354,498)
(416,404)	Total Reserves		(408,665)

CASH FLOW STATEMENT Core Statement

2012/13 £'000		Notes	2013/14 £'000
(79,920)	Net surplus or (deficit) on the provision of services		(30,120)
131,403	Adjustment to surplus or deficit on the provision of services for non cash movements	41	50,066 0
(24,168)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(21,889)
27,315	Net Cash flows from operating activities	41	(1,943)
(21,464)	Investing Activities	39	(378)
(6,831)	Financing Activities	40	6,626
(980)	Net increase or decrease in cash and cash equivalents		4,305
4,674	Cash and cash equivalents at the beginning of the reporting period		3,694
3,694	Cash and cash equivalents at the end of the reporting period	37	7,998

NOTES TO THE CORE STATEMENTS

General Notes

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Amounts included in the financial statements are rounded to the nearest £1,000.

1.2 Accounting Estimation Techniques

Estimation techniques are the methods adopted by a local authority to arrive at monetary amounts for assets, liabilities, and assessments of fair value. An accounting policy specifies the basis on which an item is measured and, where appropriate, the estimation technique is used to determine the actual monetary amount. The Council has employed the estimation techniques specified in the Code or has otherwise determined the estimation technique that most closely reflects the economic reality of the relevant transaction.

1.3 Accounting Concepts

The Council prepares the financial statements using the accruals basis of accounting as set out in section 1.4. The financial statements are prepared on a going concern basis – i.e. on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The information contained within the financial statements has the following fundamental qualitative characteristics:

- **Relevance** – the financial statements provide information about the Council's performance and position that assists users of the accounts in assessing its stewardship of public funds and its economic decisions;
- **Materiality** – the financial statements disclose all items of a size and nature such that together they provide a true and fair presentation of the financial position and transactions of the Council;
- **Faithful Representation** – the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, is free from deliberate or systematic bias and material error, and has been prepared on the basis of prudence where there is any uncertainty;

The information in the financial statements is further enhanced by these further qualitative characteristics:

- **Comparability** – the financial information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and with that of other local authorities subject to the introduction of improved accounting practices as disclosed each year.

NOTES TO THE CORE STATEMENTS

General Notes

- **Verifiability** – the financial information faithfully represents the substance of the transactions of the Council and can be verified by knowledgeable independent observers. The financial information is presented in accordance with the accounting policies included below.
- **Timeliness** – The information is made available to key stakeholders of the Council in accordance with statutory timescales.
- **Understandability** – the financial statements have been prepared clearly and concisely to ensure that they are as easy to understand as possible;

1.4 Accruals of Income and Expenditure (including revenue recognition)

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5 Cash and Cash Equivalents

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

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

NOTES TO THE CORE STATEMENTS

General Notes

1.6 Contingent Liabilities

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

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

Teachers' Pension Scheme

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

NOTES TO THE CORE STATEMENTS

General Notes

Local Government Pension Scheme

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

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (based on the indicative rate of return on the Merrill Lynch AA rated high quality corporate bond curve).
- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities – current bid price
 - property – market value.

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

- ***Service cost comprising:***
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- ***Re-measurements comprising:***
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE CORE STATEMENTS

General Notes

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

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

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

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

1.9 Financial Instruments

A financial instrument is defined as “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”¹. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) or trade payables (short term creditors) and the most complex ones such as embedded derivatives. This note outlines how the Council has accounted for financial instruments.

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

Financial Assets

Financial assets are classified into four categories:

¹ Source: Code of Practice 2013/14

NOTES TO THE CORE STATEMENTS

General Notes

- **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 Council's externally managed fund.

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

Annual credits to the Comprehensive Income and Expenditure statement for interest receivable are based on the carrying amount of the financial asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, 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 end of the year.

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

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

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

Financial Liabilities

Financial liabilities can be classified into:

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

Financial liabilities are initially measured at fair value, including any transaction costs if material, and are subsequently carried in the Balance Sheet at their amortised cost. Annual charges to the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of

NOTES TO THE CORE STATEMENTS

General Notes

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.

1.10 Grants and Contributions

Capital Grants

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

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

Revenue Grants

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

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

NOTES TO THE CORE STATEMENTS

General Notes

1.11 Intangible Assets

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

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

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

1.12 Investment Property

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

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

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

1.13 Leases

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

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

NOTES TO THE CORE STATEMENTS

General Notes

Finance Leases – the Council as Lessee

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

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

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

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

Finance Leases – the Council as Lessor

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

Operating Leases – the Council as Lessee

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

Operating Leases – the Council as Lessor

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

Recognition

De Minimis & Materiality Limits

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

NOTES TO THE CORE STATEMENTS

General Notes

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

1.14 Minimum Revenue Provision

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

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure statement.

1.16 Prior Period Adjustments

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of

NOTES TO THE CORE STATEMENTS

General Notes

transactions, other events and conditions on the Authority's financial position or financial performance.

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

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

1.17 Property, Plant and Equipment

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

NOTES TO THE CORE STATEMENTS

General Notes

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

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

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

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

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

For the financial year 2013/14, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2013/14 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers for all assets except those relating to the former Development Corporation – these have been subject to review by GVA Grimley Limited). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

Impairments and Revaluation Losses

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

- Where impairment losses are identified, they are accounted for as follows:
 - where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets on a straight-line allocation of the depreciable amounts over their useful lives. An exception is made for

NOTES TO THE CORE STATEMENTS

General Notes

assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has applied the following criteria to identify material components of an asset:

The value below which assets will not be split into components	£2,000,000
The minimum value of a component as a proportion of total asset value	10%

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

1.18 Provisions

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

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

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

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

NOTES TO THE CORE STATEMENTS

General Notes

1.19 Reserves

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

- **Unusable Reserves** - Unusable reserves are not available for revenue purposes. The Revaluation Reserve can only be used when the gains are realised through asset disposal. The adjustment accounts, such as the Pension Reserve and Capital Adjustment Account, deal with situations where statute requires expenditure and income to be recognised on a different basis from that required by accounting standards. The adjustments between accounting basis and funding basis are shown in the Movement in Reserves Statement.
- **Usable Reserves** - Usable Reserves can be used to finance expenditure or to undertake capital investment and include the General Fund Balance, Earmarked Reserves, the Housing Revenue Account Balance, the Capital Receipts Reserve and the Major Repairs Reserve. All transactions involving expenditure financed by revenue reserves are charged to the Cost of Services in the Comprehensive Income and Expenditure statement. The Capital Receipts Reserve and Major Repairs Reserve can only be used to finance capital expenditure. All appropriations to and from reserves, including any interest payable, are accounted for in the Movement in Reserves statement.

1.20 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

1.21 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.

NOTES TO THE CORE STATEMENTS

General Notes

1.22 Schools

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

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.

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

Assets Held for Sale

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

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

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

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

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

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

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

NOTES TO THE CORE STATEMENTS

General Notes

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view, any RTBs processed early in 2014/15 where the transaction was fully committed as at 31 March 2014 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.

1.24 Value Added Tax (VAT)

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

1.25 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.

1.26 Heritage Assets

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

Historic buildings – these were initially valued at cost as community assets and were then revalued on a restoration basis with any increases or decreases in value recognised in the revaluation reserve or Comprehensive Income and Expenditure statement as appropriate. The valuations are reviewed annually as at 31 March by the Council's building surveyor –

NOTES TO THE CORE STATEMENTS

General Notes

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.

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.

1.27 Collection of Local Taxes

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

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

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

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

The following standards have also been issued but not adopted:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).

The standards above apply to entities producing group accounts. Until 31 March 2014 the Council has not been required to produce consolidated financial statements. The Council may produce group accounts for the period ending 31 March 2015. This will depend on whether the financial impact of the wholly owned company which has been

NOTES TO THE CORE STATEMENTS

General Notes

recently set up by the Council becomes material. If so the standards above will apply as they have been adapted for the Code.

- IAS 32 Financial Instruments: Presentation – The Council does not currently offset financial assets and liabilities and hence the changes to the standard will not impact the Council.
- Annual Improvements to IFRS 2009–2011 Cycle. The council will reflect the changes to IAS 1 including the requirement to include local authority statutory reporting requirements in the complete list of 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 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; 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce.	If the useful life of an asset reduces, depreciation increases and the carrying value of the asset will reduce. For every year an asset life is reduced this will result in an annual increase depreciation charge of £1.035m.

NOTES TO THE CORE STATEMENTS

General Notes

Item	Uncertainty	Effect
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 £6.66m.
Arrears	The Council's debtors and the overall provision for impairment are disclosed in Note 20. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	The Council has a bad debt provision for general and housing purposes of £1.18m. If collection rates were to reduce by ten per cent then the impairment provision for doubtful debts would require a similar amount to be set aside.
Provisions	<p>The Council makes provision for liabilities of uncertain timing or amount. The provisions made by the Council are set out in Note 19 to these financial statements. Additionally a new provision has been made in the collection fund for appeals made by business rate payers against their assessed amount of non-domestic rates. This has been set at £13.5m following review by specialist valuers. The impact of this is shared between the Council, Central Government and Essex Fire Authority.</p> <p>These provisions are based on judgements by officers and by their nature may vary over time.</p>	There is potential for provisions to be under or over stated as the uncertainty over the timing and amount of liabilities are resolved. The Council continues to monitor the provisions made to ensure they remain reasonable.

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 Council's proportion is £51.2 million (£62.1 million across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £52.2 million (£106.6m across all preceptors). The Council's proportion is reduced by £23.0m in central government tariffs and levies.

Housing Benefits, whilst generally considered to be break-even to the Council, involves paying out sums in the region of £61 million and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £8.0 million. £5.6 million relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform. The debt of £160.9m was shown reflected in HRA expenditure in the prior year.

NOTES TO THE CORE STATEMENTS

General Notes

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £300.2m. These are shown in Note 24 to the accounts.

Note 6 RESTATEMENT OF 2012/13 COMPARATIVE FIGURES

Restatement of comprehensive income and expenditure balances in accordance with the Service Reporting Code of Practice (SeRCOP):

The allocation of costs to service headings in the CIES has been reviewed and amended to reflect the requirements of the latest SeRCOP issued in 2013/14. The changes identified in 2013/14 have also been applied to 2012/13 resulting in some recategorisation between service headings but no overall impact on the total gross income and expenditure of the Council. In addition a new service heading has been included to reflect the balances relating to the newly acquired public health responsibilities.

Restatement of balances relating to the Local Government Pension Scheme:

The 2012/13 comparative figures for amounts charged to the CIES for pensions costs relating to the local government pension scheme have been restated in respect of amendments to IAS 39. The net impact of these items is no change to the CIES or the general fund.

The changes are:

Gross expenditure now includes £0.05m of administration expenses which were not separately identified in the prior year.

The entries for pensions interest cost and the expected return on pension assets with a net cost of £4.01m are replaced with an amount representing the net interest on the net defined benefit liability of £6.54m (see note 11 to the accounts).

The actuarial gains and losses figure of £10.34m has been replaced with a figure representing the remeasurement of the defined benefit liability of £7.75m.

The changes have amended figures in the movement in reserves statement, note 7 to the accounts, and the detail of how these changes are reflected in the calculation of the defined benefit liability and can be seen in note 36.

Restatement of Collection Fund balances:

Accounting for non-domestic rates now requires the Council to raise and distribute business rates on behalf of itself and the major preceptors. Any surplus or deficit on the balance of the transactions is also to be shared between them which mirrors the approach to council tax.

Although all non-domestic rates transactions and council tax transactions have previously been shown in one collection fund there is no actual interaction between them. Consequently the collection funds for both council tax and non-domestic rates are now presented separately to enable the annual position on each fund to be identified clearly.

Restatement of HRA interest payable balances:

The Council showed HRA interest payable as part of debt management costs in 2012/13. This has been amended and shown as a separate item within the HRA in 2013/14 and for comparison purposes the 2012/13 figure has also been amended accordingly.

NOTES TO THE CORE STATEMENTS

General Notes

Note 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2013/14							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the CIES</u>								
Amortisation of intangible assets	(644)	0	0	0	0	0	(644)	644
Charges for depreciation and impairment of non-current assets	(8,334)	(6,512)	0	0	0	0	(14,846)	14,846
Revaluation losses on property, plant and equipment	(3,097)	(233)	0	0	0	0	(3,330)	3,330
Revaluation gains reversing previous losses	1,656	9,177	0	0	0	0	10,833	(10,833)
Movement in the fair value of investment property	2	(5)	0	0	0	0	(3)	3
Movement in the value of held for sale assets	0	(112)	0	0	0	0	(112)	112
Capital Grants and contributions applied	6,461	0	0	0	0	0	6,461	(6,461)
Revenue expenditure funded from capital under statute (REFCUS)	(3,787)	0	0	0	0	0	(3,787)	3,787
Grant Funding for REFCUS	1,801	0	0	0	0	0	1,801	(1,801)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(28,807)	(21,044)	0	0	0	0	(49,851)	49,851
<u>Insertion of items not debited or credited to the CIES</u>								
Statutory provision for the financing of capital investment	5,928	0	0	0	0	0	5,928	(5,928)

NOTES TO THE CORE STATEMENTS

General Notes

	2013/14							
	Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	1,338	1,338	(1,338)
Capital Grants and contributions unapplied credited to the CIES	3,924	0	0	0	0	(3,924)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	4,449	0	0	4,449	(4,449)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	3,092	6,861	0	(9,953)	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(108)	0	0	108	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(843)	0	0	843	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	12,850	0	0	(12,850)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	13,660	0	13,660	(13,660)
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	132	0	0	0	0	0	132	(132)

NOTES TO THE CORE STATEMENTS
General Notes

	2013/14								
	Usable Reserves							Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000		
Adjustments primarily involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the CIES	(12,457)	(1,215)	0	0	0	0	(13,672)	13,672	
Employer's pension contributions and direct payment to pensioners payable in year	9,984	509	0	0	0	0	10,493	(10,493)	
Adjustments involving the Collection Fund Adjustment Account (Council Tax)									
Amount by which council tax credited to the CIES is different from council tax income calculated for the	1,563	0	0	0	0	0	1,563	(1,563)	
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(4,052)	0	0	0	0	0	(4,052)	4,052	
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	313	(1)	0	0	0	0	312	(312)	
Total Adjustments	(27,273)	275	0	(4,553)	810	(2,586)	(33,327)	33,327	

NOTES TO THE CORE STATEMENTS
General Notes

	2012/13								
	Usable Reserves							Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000		
Adjustments primarily involving the Capital Adjustment Account:									
<u>Reversal of items debited or credited to CIES</u>									
Amortisation of intangible assets	(195)	0	0	0	0	0	(195)	195	
Depreciation of non-current assets	(9,195)	(6,470)	0	0	0	0	(15,665)	15,665	
Revaluation and Impairment losses on Property, Plant and Equipment	(136,343)	(11,291)	0	0	0	0	(147,634)	147,634	
Revaluation gains reversing previous losses	12,374	78,612	0	0	0	0	90,986	(90,986)	
Movement in Market Value of Investment Property	1,191	14	0	0	0	0	1,205	(1,205)	
Movement in value of held for sale assets	0	(65)	0	0	0	0	(65)	65	
Capital Grants and Contributions Unapplied credited to the CIES	6,171	0	0	0	0	(6,171)	0	0	
Capital Grants and Contributions Applied credited to the CIES	7,485	0	0	0	0	0	7,485	(7,485)	
Revenue expenditure funded from capital under statute (REFCUS)	(6,470)	0	0	0	0	0	(6,470)	6,470	
Grant Funding for REFCUS	2,769	0	0	0	0	0	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)	0	0	0	0	(51,562)	51,562	
<u>Insertion of items not debited or credited to the CIES</u>									
Statutory Provision for Repayment of Debt (MRP) Includes Finance Lease	6,287	0	0	0	0	0	6,287	(6,287)	

NOTES TO THE CORE STATEMENTS
General Notes

	2012/13								
	Usable Reserves							Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000		
Adjustments primarily involving the Capital Grants Unapplied Account:									
Application of grants to capital financing (to capital adjustment account)	0	0	0	0	0	3,368	3,368	(3,368)	
Adjustments primarily involving the Capital Receipts Reserve:									
Capital Receipts applied to fund Capital Expenditure	0	0	0	5,309	0	0	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	0	(6,537)	0	0	0	0	
Contribution from the Capital Receipts Reserve towards administration costs of non-current assets	(65)	0	0	65	0	0	0	0	
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(758)	0	0	758	0	0	0	0	
Adjustments primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	0	7,593	0	0	(7,593)	0	0	0	
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	0	6,884	0	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	0	0	0	0	0	189	(189)	
Adjustment involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the CIES	(6,511)	(368)	0	0	0	0	(6,879)	6,879	

NOTES TO THE CORE STATEMENTS

General Notes

	2012/13							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000	£000
Employer's pension contributions and direct	9,811	433	0	0	0	0	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	0	0	0	0	0	1,378	(1,378)
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	684	7	0	0	0	0	691	(691)
Total Adjustments	(149,309)	61,553	0	(405)	(709)	(2,804)	(91,674)	91,674

NOTES TO THE CORE STATEMENTS
General Notes

Note 8 EXCEPTIONAL ITEMS

There were no items of exceptional expenditure in 2013/14.

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 ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

Notes				
Schools Budget Funded By Dedicated Schools Grant (DSG)				
		Central Expenditure	Individual Schools Budget	Total
		£000	£000	£000
A	Final DSG for 2013/14 before Academy Recoupment	7,312	118,009	125,321
B	Academy figure recouped for 2013/14	0	64,032	64,032
C	Total DSG after Academy Recoupment for 2013/14	7,312	53,977	61,289
D	Brought Forward from 2012/13	2,714	0	2,714
E	Carry Forward agreed to 2014/15	0	0	0
F	Agreed budgeted distribution in 2013/14	10,026	53,977	64,003
G	In Year Budget Adjustments	(321)	321	0
H	Actual Central Expenditures	6,921	0	6,921
I	Actual ISB deployed to schools	0	54,298	54,298
J	Local authority contribution 2012/13	0	0	0
K	Carry Forward to 2014/15	2,784	0	2,784

Comparatives for 2013/14 were as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Income	44,122	357,096	401,218
Less Expenditure	(41,408)	(357,096)	(398,504)
Carrying Forward to 2013/14	2,714	0	2,714

NOTES TO THE CORE STATEMENTS
General Notes

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 2014. For Funding Maintained Schools and Specific Education services to Schools and Academies.
- D This figure brought forward from 2012/13, is unspent Central DSG Contingency.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2014/15 rather than distribute in 2013/14.
- 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 2013/14, 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 2013/14 which will have the effect of substituting for DSG in funding the Schools Budget.
- K Carry forward to 2014/15.

Note 10 OTHER OPERATING EXPENDITURE

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

2012/13	2013/14
£000	£000
578 Levies	577
758 Payments to the Government Housing Capital Receipts Pool	843
45,025 Gains/losses on the disposal of non current assets	39,933
46,361 Total	41,353

NOTES TO THE CORE STATEMENTS
General Notes

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2012/13		2013/14
£000		£000
8,123	Interest payable and similar charges	8,023
6,544	Net interest on the net defined benefit liability	6,576
(435)	Interest receivable and similar income	(299)
(1,379)	Income and expenditure in relation to investment properties and changes in their fair value	(185)
12,853	Total	14,115

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2012/13		2013/14
£000		£000
(58,927)	Council tax income (include surplus/deficit on collection fund)	(51,984)
(57,444)	Non domestic rates	(48,148)
(17,303)	Non-ringfenced grants (i.e. includes Revenue Support Grant)	(25,382)
(13,658)	Capital grants and contributions	(10,385)
(147,332)	Total	(135,899)

Note 13 MEMBERS' ALLOWANCES

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

2012/13	Members' Allowances	2013/14
£000		£000
612	Allowances	643
0	Expenses	1
612	Total	644

NOTES TO THE CORE STATEMENTS

General Notes

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2013/14 is set out in the table below:

Senior Staff Emoluments 2013/14	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Graham Farrant	1	185,000	0	236	0	21,350	206,586
Assistant Chief Executive		103,000	0	349	0	12,566	115,915
Director of Children's Services		123,308	0	0	0	15,044	138,352
Acting Director of Environment	2	58,262	0	0	0	7,108	65,370
Director of Finance and Corporate Governance	3	39,135	0	0	78,783	4,775	122,693
Director of Housing		117,000	0	400	0	14,274	131,674
Director of Planning & Transportation		117,000	0	1,199	0	14,274	132,473
Director of Adults Health and Commissioning		115,622	0	0	0	14,106	129,728
Head of Corporate Finance	3	91,250	0	526	0	11,133	102,909
Head of HR OD & Transformation	4	93,000	0	458	0	11,346	104,804

Notes

- 1) This is a shared post with the London Borough of Barking and Dagenham who paid a contribution of £114,863.64 in 2013/14.
- 2) This post ceased to exist on the 31 October 2013. The Director of Environment post was then shared with the London Borough of Barking and Dagenham and the Council contributed £24,400 to the annual salary of £160,085 in 2013/14. This arrangement ceased on 30 April 2014.
- 3) The Director of Finance and Corporate Governance left the post in July 2013. The s151 responsibilities passed to the Head of Corporate Finance from this date.
- 4) The Head of HR OD & Transformation reports directly to the Chief Executive and forms part of the Directors' Board.

Further Information:

The Director of Public Health is a shared services with the Southend-on-Sea Council, a contribution of £73,615 was made towards their annual remuneration of £147,210

The Head of Legal Services post is a shared services with the London Borough of Barking & Dagenham, a contribution of £59,610 was made towards their annual remuneration of £109,459

NOTES TO THE CORE STATEMENTS
General Notes

Senior officer remuneration for 2012/13 is set out in the table below:

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	184,999	0	0	0	21,350	206,349
Assistant Chief Executive	102,999	0	0	0	12,566	115,565
Director of Children's Services	132,000	0	280	0	16,104	148,384
Director of Environment	71,009	0	0	0	8,663	79,672
Acting Director of Environment	23,819	0	0	0	2,906	26,725
Director of Finance and Corporate Governance	125,502	0	0	0	15,311	140,813
Director of Housing	112,125	0	0	0	13,679	125,804
Director of Planning & Transportation	71,395	0	0	0	8,711	80,106
Director of Sustainable Communities	10,459	0	0	66,189	1,276	77,924
Director of Transformation	27,966	0	0	0	3,180	31,146
Head of Legal Services	63,128	0	0	0	5,826	68,954

The number of employees whose remuneration (excluding employer's pension contributions) were £50,000 or more, in bands of £5,000 are shown in the table below. This does not include the senior officers shown above.

Remuneration of Senior Staff	2012/13	2013/14
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	45	28
55,001 - 60,000	35	44
60,001 - 65,000	26	22
65,001 - 70,000	22	14
70,001 - 75,000	12	12
75,001 - 80,000	4	5
80,001 - 85,000	4	3
85,001 - 90,000	4	4
90,001 - 95,000	7	3
95,001 - 100,000	1	1
100,001 - 105,000	0	0
105,001 - 110,000	1	0
110,001 - 115,000	0	0
115,001 - 120,000	0	1

NOTES TO THE CORE STATEMENTS

General Notes

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		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
0 – 20,000	5	14	5	9	10	23	56,070	174,741
20,001- 40,000	1	11	2	2	3	13	94,985	347,249
40,001 – 60,000	3	5	1	0	4	5	198,355	227,753
60,001 – 80,000	1	4	0	0	1	4	60,364	271,812
80,001 – 100,000	0	1	1	0	1	1	88,535	86,043
100,001 – 250,000	0	2	4	0	4	2	603,671	224,426
Total	10	37	13	11	23	48	1,101,980	1,332,024

Note 15 RELATED PARTY TRANSACTIONS

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

Central Government

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

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 13.

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

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 transactions with the Council are noted in the table below. 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 transactions with the Council are noted in the table below. The officer did not take part in any discussion, decision or administration relating to the funding.

NOTES TO THE CORE STATEMENTS
General Notes

Entity	Income £	Expenditure £	Debtor £	Creditor £
Advantage Chemicals	41	27,940	0	0
High House Companies	180	47,697	0	15,684
Impulse Leisure	36,244	477,714	0	0
London Borough of Barking and Dagenham	269,295	318,945	31,341	36,100
Open Door	300	528,945	0	0
Thurrock Arts	0	2,343	0	0
Thurrock Asian Association	8,083	17,290	0	0
Thurrock CAB	315,890	185,300	0	156,000
Thurrock CVS	3,551	402,018	0	39,427
Transvol	#REF!	98,982	0	0
TRUST	90	93,130	0	0
Veolia North Thames Trust	19,680	2,660	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2013/14 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

External Audit Costs	2012/13 £000	2013/14 £000
Fees Payable to Ernst & Young:		
External Audit Services including Statutory Inspections	177	177
Certification of Grant Claims and Returns	29	21
Total	206	198

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 2012 £000	Net Transfers (In)/Out £000	Balance at 31 March 2013 £000		Balance at 1 April 2013 £000	Net Transfers (In)/Out £000	Balance at 31 March 2014 £000
(7,024)	577	(6,447)	Balances held by Schools under a Scheme of Delegation	(6,447)	1,628	(4,819)
(1,260)	0	(1,260)	Revenue Grants	(1,260)	605	(655)
(1,000)	(1,278)	(2,278)	Budget Management	(2,278)	1,099	(1,179)
(8,442)	6,790	(1,652)	Commuted Sums	(1,652)	127	(1,525)
0	(1,541)	(1,541)	DCLG DC Reserve	(1,541)	1,253	(288)
0	(2,262)	(2,262)	Grant Carried Forward	(2,262)	135	(2,127)
0	(1,000)	(1,000)	School Improvement Reserve	(1,000)	0	(1,000)
0	(2,714)	(2,714)	DSG	(2,714)	(67)	(2,781)
0	(2,791)	(2,791)	Development Reserve	(2,791)	2,791	0
0	0	0	Public Health Grant	0	(1,053)	(1,053)
(6,254)	451	(5,803)	Other Earmarked Reserves	(5,803)	719	(5,084)
(23,980)	(3,768)	(27,748)	Earmarked Reserves	(27,748)	7,237	(20,511)

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 **Revenue Grants Unapplied Reserve** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement). The reserve will be drawn down once the associated expenditure has been incurred;
- The **Budget Management Reserve** has been set up to provide a contingency to meet service demand over and above that budgeted for.
- The **DCLG DC Reserve** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.

NOTES TO THE CORE STATEMENTS

General Notes

- The **Grant Carried Forward Reserve** relates to grants where the conditions have been met, but the expenditure is yet to be incurred.
- The **School Improvement Reserve** was identified as a requirement during the budget setting process.
- The **Development Reserve** has been established to fund regeneration and new development works within the Housing Revenue Account.
- The **Public Health Grant Reserve** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.
- **Other Reserves** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2014.

Note 18 OPERATING LEASES

The Council as Lessor:

Operating Leases

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

- For the provision of community facilities such as sports facilities and community centres;
- For economic development purposes to provide suitable affordable accommodation to local businesses; and
- For the provision of services by other public bodies, charities and the third sector.

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

2012/13		2013/14
£000		£000
1,726	Not later than 1 year	1,670
2,893	Later than 1 year and not later than 5 years	2,591
334	Later than 5 years	624
4,953		4,885

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 £1.5m but officers have been advised a provision of £510,000 is appropriate.

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

NOTES TO THE CORE STATEMENTS
General Notes

Short Term Provisions	Insurance £'000	Business Rate Appeals £000	Total £000
Balance at 01 April 2013	0	0	0
Additional Provision made in 2013/14	(106)	(3,617)	(3,723)
Amounts Used in 2013/14	0	0	0
Balance at 31 March 2014	(106)	(3,617)	(3,723)
Balance at 01 April 2012	0	0	0
Additional Provision made in 2012/13	0	0	0
Amounts Used in 2012/13	0	0	0
Balance at 31 March 2013	0	0	0

Long Term Provisions	Insurance £'000	Redundancy £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2013	(975)	(297)	0	0	(1,272)
Additional Provision made in 2013/14	0	0	(2,752)	(45)	(2,797)
Amounts Used in 2013/14	571	297	0	0	868
Balance at 31 March 2014	(404)	0	(2,752)	(45)	(3,201)
Balance at 01 April 2012	(111)	0	0	0	(111)
Additional Provision made in 2012/13	(1,781)	(297)	0	0	(2,078)
Amounts Used in 2012/13	917	0	0	0	917
Balance at 31 March 2013	(975)	(297)	0	0	(1,272)

NOTES TO THE CORE STATEMENTS
General Notes

Note 20 SHORT-TERM DEBTORS

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

31 March 2013 £000		31 March 2014 £000
6,026	Central government bodies	5,485
639	Other local authorities	137
75	NHS bodies	664
0	Public corporations and trading funds	3
11,355	Other entities and individuals	11,816
18,095	Total	18,105

Note 21 SHORT-TERM CREDITORS

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

31 March 2013 £000		31 March 2014 £000
(665)	Central government bodies	(2,998)
(2,313)	Other local authorities	(814)
(848)	NHS bodies	0
(19)	Public corporations and trading funds	(80)
(26,144)	Other entities and individuals	(17,977)
(29,988)	Total	(21,869)

Note 22 USABLE RESERVES

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

31 March 2013 £000		Notes	31 March 2014 £000
(8,000)	General Fund Balance	(a)	(8,011)
(1,700)	Housing Revenue Account Balance	(b)	(2,654)
(27,748)	Earmarked Reserve	(c)	(20,511)
(1,394)	Capital Receipts Reserve	(d)	(5,921)
(3,103)	Major Repairs Reserve	(e)	(2,293)
(12,170)	Capital Grants Unapplied	(f)	(14,777)
(54,115)	Total Usable Reserves		(54,167)

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.

NOTES TO THE CORE STATEMENTS

General Notes

(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 end of each year.

Note 23 UNUSABLE RESERVES

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

31 March 2013 £000		Notes	31 March 2014 £000
(94,857)	Revaluation Reserve	(a)	(89,690)
(441,176)	Capital Adjustment Account	(b)	(422,440)
15,127	Financial Instruments Adjustment Account	(c)	14,995
157,965	Pensions Reserve	(d)	139,807
(441)	Collection Fund Adjustment Account - Council Tax		(2,004)
0	Collection Fund Adjustment Account - NNDR		4,052
1,093	Accumulated Absences Account		782
(362,289)	Total Unusable Reserves		(354,498)

(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.

NOTES TO THE CORE STATEMENTS

General Notes

2012/13		2013/14
£000		£000
(51,142)	Balance at 1 April	(94,857)
(65,964)	Upward revaluation of assets	(1,745)
13,932	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	701
(52,032)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,044)
1,261	Difference between fair value depreciation and historical cost depreciation	1,643
7,056	Accumulated gains on assets sold or scrapped	4,568
8,317	Amount written off to the Capital Adjustment Account	6,211
(94,857)	Balance at 31 March	(89,690)

(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.

NOTES TO THE CORE STATEMENTS
General Notes

2012/13		2013/14
£000		£000
(528,684)	Balance at 1 April	(441,176)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
15,664	Charges for depreciation of non current assets (PPE)	14,845
147,634	Revaluation and Impairment losses on Property, Plant and Equipment	3,331
(90,987)	Revaluation gains reversing previous losses (PPE)	(10,833)
195	Amortisation of intangible assets	644
6,470	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	3,787
178	Investment property written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,060
46,332	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	43,128
5,052	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	5,663
(7,056)	Accumulated gains on assets sold or scrapped	(4,568)
123,483		57,056
(1,261)	Adjusting amounts written out of the Revaluation Reserve	(1,643)
122,222	Net written out amount of the cost of non current assets consumed in the year	55,414
	Capital financing applied in the year:	
(5,309)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,449)
(6,884)	Use of the Major Repairs Reserve to finance new capital expenditure	(13,660)
(13,223)	Application of grants to capital financing from the Capital Grants Unapplied Account	(9,600)
(6,287)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(5,928)
(1,870)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(3,157)
0	Other Adjustments	0
(33,574)		(36,792)
	Assets Transferred from Development Corporation	0
(1,205)	Movements in the market value of Investment Properties debited or credited to the CIES	4
65	Movements in assets held for sale debited or credited to the CIES	112
(441,176)	Balance at 31 March	(422,440)

NOTES TO THE CORE STATEMENTS
General Notes

(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.

2012/13 £000		2013/14 £000
15,316	Balance at 1 April	15,127
(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	(132)
15,127	Balance at 31 March	14,995

(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.

2012/13 £000		2013/14 £000
153,579	Balance at 1 April	157,965
10,339	Actuarial gains or losses on pensions assets and liabilities	(21,337)
4,291	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	13,672
(10,244)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,493)
157,965	Balance at 31 March	139,807

NOTES TO THE CORE STATEMENTS
General Notes

Note 24 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure statement in financial years 2012/13 and 2013/14.

Credited to Services:		
Revenue		
(70,607)	Housing Benefit	(61,167)
	Public Health Grant	(8,370)
(79,168)	Dedicated Schools Grant	(61,289)
(1,800)	DCLG Development Corporation Implementation	0
(1,116)	ERDF Low Carbon	0
(2,611)	Re-ablement Grant	(2,534)
(1,402)	Contributions from Other Bodies	0
(1,535)	Health Authority Joint Funding	0
(2,176)	Pupil Premium Grant	0
(5,672)	Other	(7,093)
Capital		
(1,270)	DOE	(1,345)
(1,499)	Other	(456)
(168,856)	Total	(142,254)

2012/13		2013/14
£000		£000

Credited to Taxation and Non Specific Grant Income:		
Revenue		
(58,927)	Council Tax (include surplus/deficit on collection fund)	(51,984)
(57,444)	National Non Domestic Rates	(25,187)
(1,114)	Revenue Support Grant	(43,605)
(649)	New Homes Bonus	(1,314)
(1,439)	Council Tax Freeze Grant	0
(8,066)	Early Intervention Grant	0
(4,526)	Learning Disability and Health Reform	0
(1,142)	Housing Benefit Admin Grant	(1,048)
0	Education Support Grant	(1,475)
(367)	Other	(901)
Capital		
(3,688)	Department for Transport	(3,715)
(8,029)	Department for Education	(4,906)
(1,941)	Other	(1,764)
(147,332)	Total	(135,899)

NOTES TO THE CORE STATEMENTS

General Notes

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

31 March 2013		31 March 2014
£000		£000
	Capital Grants & Contributions - Receipts in Advance	
(4,702)	Section 106	(4,954)
(2,177)	Department for Education	(1,392)
(186)	Department of Communities and Local Government	(161)
(87)	Environmental Trusts	(4)
(730)	Port of London Authority	(726)
(7,882)	Total	(7,237)

Note 25 **CONTINGENT LIABILITIES**

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

Note 26 **EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue on 30 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE CORE STATEMENTS

General Notes

Note 27 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 Reporting 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	Adults, Health and Commissioning	Central Services	Childrens Service	Environment	Housing	Housing Revenue Account	Planning and Transportation	Public Health	Public Protection	SERCO	Total
2013/14 Figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8,411)	(5,348)	(7,093)	(731)	(906)	(2,978)	0	(392)	(1,188)	(55,167)	(82,214)
Government Grants	(6,588)	(62,804)	(14,315)	(1)	0	(967)	(6,056)	(1,422)	0	(100)	(92,253)
Employee expenses	10,828	12,286	19,375	7,991	726	3,651	551	2,262	0	7,467	65,137
Other service expenses	41,287	77,650	36,799	14,726	922	7,909	5,295	2,335	18,889	44,454	250,265
Support service recharges	0	0	0	(3,069)	0	0	0	0	0	2,391	(678)
Grand Total	37,116	21,784	34,765	18,917	742	7,615	(210)	2,783	17,701	(955)	140,258

NOTES TO THE CORE STATEMENTS

General Notes

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	2013/14
	£000
Net expenditure in the Directorate Analysis	140,258
Amounts not included in the analysis included in cost of services	(35,352)
Amounts included in the analysis not included in cost of services	14,990
Allocation of support service recharges	(9,345)
Cost of Services in Comprehensive Income and Expenditure Statement	110,550

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	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2013/14 figures	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(82,214)	0	(5,590)	0	0	(87,803)	(10,125)	(97,928)
Interest and investment income	0	0	0	0	0	0	(299)	(299)
Income from council tax	0	0	0	0	0	0	(51,984)	(51,984)
Income from non-domestic rates	0	0	0	0	0	0	(48,148)	(48,148)
Government grants and contributions	(92,253)	0	(44,821)	0	0	(137,074)	(35,767)	(172,841)
Total Income	(174,467)	0	(50,410)	0	0	(224,877)	(146,323)	(371,200)

NOTES TO THE CORE STATEMENTS
General Notes

	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2013/14 figures	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	65,137	0	64,691	0	0	129,828	0	129,828
Other service expenses	237,413	0	(50,494)	8,649	(9,345)	186,222	0	186,222
Support Service recharges	(678)	0	0	0	0	(678)	0	(678)
Depreciation, amortisation and impairment	12,852	0	861	6,341	0	20,054	0	20,054
Interest Payments	0	0	0	0	0	0	14,599	14,599
Precepts & Levies	0	0	0	0	0	0	577	577
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	843	843
Value of Fixed Assets written out of I&E	0	0	0	0	0	0	49,874	49,874
Total expenditure	314,724	0	15,058	14,990	(9,345)	335,427	65,893	401,320
Surplus or deficit on the provision of services	140,258	0	(35,352)	14,990	(9,345)	110,550	(80,430)	30,120

NOTES TO THE CORE STATEMENTS
General Notes

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	Adult Social Care	Chief Executive Delivery Unit	Chief Executive	Children Service	Environment	Finance and Corporate Governance	Housing General Fund	Housing Revenue Account	Planning & Transportion	Libraries and Cultural Service	Public Protection	Treasury	Transformation	Total
2012/13 Figures Comparative	£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)	0	(1,317)	0	(330)	(94,473)
Directorate Income and Expenditure	Adult Social Care	Chief Executive Delivery Unit	Chief Executive	Children Service	Environment	Finance and Corporate Governance	Housing General Fund	Housing Revenue Account	Planning & Transportion	Libraries and Cultural Service	Public Protection	Treasury	Transformation	Total
2012/13 Figures Comparative	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	9,587	1,698	1,119	19,752	7,362	4,797	742	5,253	2,944	1,050	1,854	0	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	0	1,206	(9)	(7,432)	6,200	0	0	(766)	0	0	0	0	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

NOTES TO THE CORE STATEMENTS

General Notes

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 included in the analysis included in cost of services	47,394
Amounts included in the analysis not included in cost of services	0
Allocation of support service recharges	(13,256)
Cost of Services in Comprehensive Income and Expenditure Statement	170,575

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.

NOTES TO THE CORE STATEMENTS

General Notes

	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
2012/13 figures comparative	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(75,283)	0	4,352	0	0	(70,931)	(6,537)	(77,468)
Interest and investment income	0	0	0	0	0	0	(13,544)	(13,544)
Income from council tax	0	0	0	0	0	0	(58,927)	(58,927)
Government grants and contributions	(94,473)	0	(74,383)	0	0	(168,856)	(88,406)	(257,262)
Total Income	(169,756)	0	(70,031)	0	0	(239,787)	(167,414)	(407,201)
Employee expenses	56,330	0	20,897	0	0	77,227	0	77,227
Other service expenses	239,338	0	32,143	0	0	271,481	0	271,481
Support Service recharges	2,307	0	0	0	(13,256)	(10,949)	0	(10,949)
Depreciation, amortisation and impairment	0	0	72,508	0	0	72,508	0	72,508
Interest Payments	8,218	0	(8,123)	0	0	95	23,860	23,955
Precepts & Levies	0	0	0	0	0	0	578	578
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	758	758
Value of Fixed Assets written out of I&E	0	0	0	0	0	0	51,562	51,562
Total expenditure	306,194	0	117,425	0	(13,256)	410,362	76,758	487,121
Surplus or deficit on the provision of services	136,438	0	47,394	0	(13,256)	170,575	(90,656)	79,920

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 28 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

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

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

There have been no additions or disposals of heritage assets between 2009/10 and 2013/14 with the only changes in asset values relating to revaluations.

	2010-11	2010-11	2011-12	2011-12	2012-13	2012-13	2013-14	2013-14
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
Opening Carrying Value	19,261	122	19,879	123	20,751	122	21,166	122
Revaluations	618	1	872	(1)	415	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	19,879	123	20,751	122	21,166	122	21,166	122

Note 29 INTANGIBLE ASSETS

2012/13		2013/14
£000		£000
	Balance at start of the year:	
1,368	Gross Carrying Amounts	4,059
0	Accumulated Amortisation	(195)
1,368	Net carrying amount as start of year:	3,864
	Additions:	
2,692	- Purchases	34
(195)	Amortisation for the period	(644)
	Balance at end of the year:	
4,059	Gross Carrying Amounts	4,093
(195)	Accumulated Amortisation	(839)
3,864	Net carrying amount at the end of the year:	3,254

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement in 2013/14	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 2013	502,978	177,432	19,701	16,980	80,069	0	46,770	843,930
Additions / Donations	16,457	3,633	4,751	456	5,011	31	472	30,811
Additions - Other	0	0	0	0	0	0	0	0
Reclassification of Former Development Corporation Assets	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(190)	(246)	0	0	0	0	(436)
Derecognition - Other	(16,183)	(27,381)	0	0	0	0	0	(43,564)
Revaluations Recognised in Revaluation Reserve	232	254	0	0	0	0	0	486
Revaluations Recognised in Surplus/Deficit on Provision of Services	8,854	(1,766)	0	0	0	0	(36)	7,052
Assets reclassified (to)/from Held for Sale	(4,972)	(400)	0	0	0	0	0	(5,372)
Assets reclassified (to)/from Investment Property	0	275	0	0	0	0	0	275
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2014	507,366	151,857	24,206	17,436	85,080	31	47,206	833,182

NOTES TO THE CORE STATEMENTS
Capital Notes

Movement in 2013/14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2013	(6,253)	(4,390)	(10,641)	(4,467)	(16,500)	0	0	(42,251)
Depreciation charge	(6,255)	(3,799)	(1,934)	(562)	(2,238)	0	(57)	(14,845)
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	0
Depreciation written back to the Revaluation Reserve	1	558	0	0	0	0	0	559
Depreciation written back to Surplus/Deficit on Provision of Services	94	355	0	0	0	0	0	449
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	123	0	0	0	0	123
Derecognition - Other	0	751	0	0	0	0	0	751
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	9	0	0	0	0	0	9
At 31 March 2014	(12,413)	(6,516)	(12,452)	(5,029)	(18,738)	0	(57)	(55,205)
NBV At 31 March 2013	496,725	173,042	9,060	12,513	63,569	0	46,770	801,679
NBV At 31 March 2014	494,953	145,341	11,754	12,407	66,342	31	47,149	777,977

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 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	0	4,639	24,015
Additions - Other	0	0	0	0	0	0	0	0
Reclassification of Former Development Corporation Assets	0	(49,259)	0	0	1,000	0	45,124	(3,135)
Derecognition - Disposals	0	(2)	(32)	0	0	0	0	(34)
Derecognition - Other	(7,843)	(38,846)	0	(100)	0	(121)	0	(46,910)
Revaluations Recognised in Revaluation Reserve	4,227	41,667	0	0	0	0	453	46,347
Revaluations Recognised in Surplus/Deficit on Provision of Services	54,602	(118,581)	0	0	0	0	(14,510)	(78,489)
Assets reclassified (to)/from Held for Sale	(2,641)	0	0	0	0	0	1,255	(1,386)
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	954	368	0	0	0	(893)	(404)	25
At 31 March 2013	502,978	177,432	19,701	16,980	80,069	0	46,770	843,930

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 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
Accumulated Depreciation and Impairment								
At 1 April 2012	(18,256)	(8,644)	(8,825)	(3,984)	(14,343)	0	(139)	(54,192)
Depreciation charge	(6,276)	(4,841)	(1,848)	(503)	(2,157)	0	(39)	(15,664)
Depreciation charge on previous impairment loss reversals	0	215	0	0	0	0	0	215
Depreciation written back to the Revaluation Reserve	332	4,223	0	0	0	0	54	4,608
Depreciation written back to Surplus/Deficit on Provision of Services	17,948	4,098	0	0	0	0	125	22,171
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	32	0	0	0	0	32
Derecognition - Other	0	558	0	20	0	0	0	578
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	(1)	1	0	0	0	0	0	0
At 31 March 2013	(6,253)	(4,390)	(10,641)	(4,467)	(16,500)	0	0	(42,252)
NBV At 31 March 2012	427,580	327,056	10,213	11,878	61,490	1,014	10,074	849,304
NBV At 31 March 2013	496,725	173,042	9,060	12,513	63,569	0	46,770	801,678

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2014 by the Council's own valuers and GVA Grimley Limited (for former Development Corporation Assets). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1st April 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 2013/14.

A full valuation of council dwellings was undertaken at 1 April 2012 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at 31 March 2014. Six indices (Halifax, Nationwide, 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 Right Move provided the most comprehensive information geographically and given most weight; therefore an increase in Council dwellings of 1.85% was applied. The next full valuation of council dwellings is scheduled to take place in 2017.

A desktop review of other land and building assets was undertaken as at 31 March 2014. Four categories were reviewed (Retail, Offices, Development Land and Industrial) and each indicated a 0% change.

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

Note 31 CAPITAL EXPENDITURE AND FINANCING

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

2012/13		2013/14
£000		£000
295,718	Opening Capital Financing Requirement	295,319
	Capital investment	
24,015	Property, Plant and Equipment	30,813
0	Investment Property	0
2,692	Intangible Assets	35
0	Held for Sale Assets	0
0	Heritage Assets	0
6,470	Revenue Expenditure Funded from Capital under Statute	3,787
0	Development Corporation Assets Transferred	0
0	HRA Financing Reform	0

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

2012/13 £000		2013/14 £000
	Sources of finance	
(5,309)	Capital receipts	(4,450)
(21,980)	Government grants and other contributions (includes REFCUS & MRA)	(26,416)
	Sums set aside from revenue:	
0	• Direct revenue contributions	0
0	• Deferred Purchase	0
(6,287)	• MRP (including finance leases liabilities)	(5,928)
	• Statutory repayment of debt (finance leases liabilities)	
0	Development Corporation Assets Transferred Value	0
0	Other Adjustments	0
295,319	Closing Capital Financing Requirement	293,160
	Explanation of movements in year	
(3,114)	Decrease in underlying need to borrowing (supported by government financial assistance)	(2,875)
2,715	Increase in underlying need to borrowing (unsupported by government financial assistance)	716
0	HRA Financing Reform	0
0	Assets acquired / adjusted under finance leases	0
(399)	Increase/(Decrease) in Capital Financing Requirement	(2,159)

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

2012/13 £000	Balance Sheet Item	2013/14 £000
801,678	Property Plant & Equipment	777,977
3,745	Investment Property	2,407
777	Assets Held for Sale	364
3,864	Intangible Assets	3,254
21,288	Heritage Assets	21,288
(94,857)	Revaluation Reserve	(89,690)
(441,176)	Capital Adjustment Account	(422,440)
295,319	Total Capital Financing Requirement	293,160

Note 32 CAPITAL COMMITMENTS

As at 31 March 2014, the Council had authorised expenditure in future years of £7.42m. In addition a further £43.20m had been previously authorised for use in 2014/15 and 2015/16, giving a total future years' commitment of £50.62m. These commitments included contractual commitments of £23.07m.

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2013			31 March 2014	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
(93,626)	(93,626)	Temporary Market Debt	(94,120)	(94,120)
(243)	(243)	Long Term Loans maturing in less than 1 year	(268)	(268)
(93,869)	(93,869)	Short Term Borrowing	(94,388)	(94,388)
(160,889)	(175,698)	PWLB Debt	(160,889)	(165,387)
(28,224)	(53,037)	Long Term Market Debt	(28,233)	(46,497)
(3)	(3)	Bonds/Annuities	(3)	(3)
(189,116)	(228,738)	Long Term Borrowing	(189,125)	(211,887)
(15,401)	(15,401)	Other Creditors at Contract Amounts	(11,412)	(11,412)
(2,389)	(2,389)	Total Leasing Liability	(1,719)	(1,719)
(300,775)	(340,397)	Total Financial Liabilities	(296,644)	(319,406)
24,604	24,604	Temporary Investments	17,412	17,412
20,148	20,148	Fund Managers Investments	20,007	20,007
44,752	44,752	Short Term Investments	37,419	37,419
147	147	Cash held by the Council	176	176
(653)	(653)	Bank Current Accounts	5,073	5,073
4,199	4,199	Short term deposits with Financial	3,649	3,649
3,693	3,693	Cash and Cash Equivalents	8,898	8,898
8,603	8,603	Other Debtors at Contract Amounts	10,207	10,207
57,049	57,049	Total Financial Assets	56,524	56,524

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

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:

2013/14				
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	2,309	0	0	2,309
Total expense in Surplus or Deficit on the Provision of Services	2,309	0	0	2,309
Interest income	0	(179)	(86)	(265)
Total income in Surplus or Deficit on the Provision of Services	0	(179)	(86)	(265)
Net gain/(loss) for the year	2,309	(179)	(86)	2,044
2012/13				
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	2,504	0	0	2,504
Total expense in Surplus or Deficit on the Provision of Services	2,504	0	0	2,504
Interest income	0	(242)	(193)	(435)
Total income in Surplus or Deficit on the Provision of Services	0	(242)	(193)	(435)
Net gain/(loss) for the year	2,504	(242)	(193)	2,069

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

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

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

31 March 2013 £000	Maturity Profile of Financial Liabilities	31 March 2014 £000
(106,022)	Less than 1 year	(105,412)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 35 and 40 years	(10,000)
(61,000)	Between 40 and 45 years	(76,000)
(110,889)	Over 45 years	(85,889)
(295,911)	Total Financial Liabilities	(295,301)

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

31 March 2013 £000	Maturity Profile of Financial Assets	31 March 2014 £000
58,717	Less than 1 year	51,229
58,717	Total Financial Assets	51,229

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2014.
- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2014;
- 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 end of year 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 value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loan.

Note 34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

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

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:
 1. The Council's overall borrowing. For 2013/14 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 2013/14 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 2013/14 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 2013/14 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.

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

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

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.

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2013	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure
	£000	£000	%	%	£000
Investec Target return Fund	10,018	9,878	0	0	0
Banks Rates AAA Long Term	770	0	0	0	0
Banks Rates AA Long Term	9,098	10,140	0	0	0
Banks Rates A Long Term	11,200	6,450	0	0	0
Co-Op Bank	5,000	0	0	0	0
Un-rated Building Societies	2,200	13,550	0	0	0
Local Authorities	10,600	1,000	0	0	0
Cash	15	4	0	0	0
	48,901	41,022	0	0	0

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2014 and therefore not comparable to the balance sheet.

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

The Council does not generally allow credit for its trade debtors, and effectively £4.64m of the total balance was past its due date for payment at 31st March 2014. Therefore provision for bad debts of £1.129m has been calculated with reference to estimated default rates.

Liquidity Risk

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

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

NOTES TO THE CORE STATEMENTS

Financial Instrument Notes

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

The maturity analysis of financial liabilities and financial assets is set out on page 76.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2014 and therefore not comparable to the balance sheet.

Market Risk

Interest Rate Risk

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Comprehensive Income and Expenditure statement. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure statement and affect the General Fund Balance, subject to any account that might be taken of such changes in the setting of Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price are reflected in the Comprehensive Income and Expenditure statement.

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

If all interest rates had been 1% higher with all other variables held constant then the financial effect at 31 March 2014 would have been:

NOTES TO THE CORE STATEMENTS
Financial Instrument Notes

2012/13	Sensitivity Analysis	2013/14
£000		£000
35,540	Decrease in fair value of fixed rate borrowings liabilities	32,346

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

Price Risk

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

Foreign Exchange Risk

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

NOTES TO THE CORE STATEMENTS

Pension Notes

Note 35 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

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

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

In 2013/14 the Council paid a total of £3.833m, including £1.474m actual teachers' contributions, (£1.848m in 2012/13) in respect of teachers' retirement benefits. The employer's 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 36.

Note 36 DEFINED BENEFIT PENSION SCHEMES

Change in Accounting Policy

There are new classes of components of the defined benefit cost of the scheme required to be recognised in the financial statements in 2013/14. These include:

- Net interest on the net defined benefit liability
- Re-measurements of the net defined benefit liability

There are also new recognition criteria for service costs...

The change in accounting policy applies from 1 April 2013.

The impact of the new definitions on the 2012/13 Comprehensive Income and Expenditure statement shown in Note 6 to the accounts.

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.

NOTES TO THE CORE STATEMENTS

Pension Notes

- The Essex Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Essex County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the director of finance and resources of Essex and Barnabus Investment Fund managers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post Employment Benefits

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

NOTES TO THE CORE STATEMENTS
Pension Notes

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	284	7,059	0	0
• administration costs	51	37		
Financing and Investment Income and Expenditure:				
• Net interest cost	6,544	6,576	449	438
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,879	13,672	449	438
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	(15,867)	(8,864)	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	0	(22,233)	0	(379)
• actuarial (gains) and losses arising on changes in financial assumptions	23,498	11,036	401	349
• other	120	(1,276)	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	14,630	(7,665)	850	0
	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,879)	(13,672)	(449)	(438)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	10,244	10,493		
• Retirement benefits payable to pensioners			660	656

NOTES TO THE CORE STATEMENTS

Pension Notes

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2014 is a £26.536m loss.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Unfunded Benefits 2012/13 £000	Unfunded Benefits 2013/14 £000
Present value of defined benefit obligation	374,085	382,237	10,269	10,021
Fair Value of plan assets	(226,389)	(252,451)	0	0
Sub-total	147,696	129,786	10,269	10,021
Net liability arising from defined benefit obligation	147,696	129,786	10,269	10,021

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

	Local Government Pension Scheme 2012/13 £000	Local Government Pension Scheme 2013/14 £000	Discretionary Benefits Arrangements 2012/13 £000	Discretionary Benefits Arrangements 2013/14 £000
Opening fair value of scheme assets	204,370	226,389	0	0
Interest income	9,191	10,105	0	0
Remeasurement gain/(loss)	0	1,443	0	0
- The return on plan assets, excluding the amount included in the net interest expense	15,867	8,864	0	0
- Other	(51)	(37)	0	0
Contributions from employer	10,244	10,493	0	0
Contributions from employees into the sche	2,704	2,876	0	0
Benefits paid	(11,649)	(11,669)	0	0
Other (if applicable)	(4,287)	3,987	0	0
Closing fair value of scheme assets	226,389	252,451	0	0

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields 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 £18.969m (£25.058m in 2012/13)

NOTES TO THE CORE STATEMENTS
Pension Notes

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Opening balance at 1 April	357,949	384,354	(10,079)	(10,269)
Current service cost	9,005	10,708	0	0
Interest cost	15,737	16,681	(449)	(438)
Contributions by scheme participants	2,704	2,876	0	0
Liabilities extinguished on settlements	(13,466)	(391)	0	0
Remeasurement (gains) and losses:				
- Actuarial (gains) and losses arising from changes in demographic assumptions	118	(22,066)	0	
- Actuarial (gains) and losses arising from in financial assumptions	23,498	11,036	(401)	30
Benefits/Transfers paid	(10,989)	(11,013)	0	0
Curtailments & Settlements	458	729	0	0
Unfunded Pension Payments	(660)	(656)	660	656
Closing balance at 31 March	384,354	392,258	(10,269)	(10,021)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2012/13	Fair Value of Scheme Assets 2013/14
	%	%
Cash and Cash Equivalents	4	2
Equity instruments:	64	67
Sub-total Equity	64	67
Bonds		
- Corporate	8	8
- Government	7	8
Sub-total Bonds	15	16
Property	12	11
Private Equity	12	11
Alternative Assets	5	4
Total assets	100	100

NOTES TO THE CORE STATEMENTS

Pension Notes

	Fair Value of Scheme Assets 2012/13 %	Fair Value of Scheme Assets 2013/14 %
Equity instruments:	64	67

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme is administered by Essex County Council and fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for Thurrock Council are based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31-Mar-13	Local Government Pension Scheme 31-Mar-14
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.10%	6.70%
Government Bonds	3.00%	3.60%
Other Bonds	4.10%	4.20%
Property	5.10%	5.70%
Cash/Liquidity	0.50%	3.40%
Alternative Assets	6.10%	4.20%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.7 yrs	22.7 yrs
* Women	25.3 yrs	25.1 yrs
Longevity at 65 for future pensioners:		
* Men	24.2 yrs	24.9 yrs
* Women	26.9 yrs	27.4 yrs
Rate of inflation	2.60%	2.80%
Rate of increase in salaries	4.40%	4.60%
Rate of increase in pensions	2.60%	2.80%
Rate for discounting scheme liabilities	4.40%	4.40%
Take-up of option to convert annual pension into retirement lump sum	50.00%	60.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

NOTES TO THE CORE STATEMENTS

Pension Notes

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	378,511	406,129
Rate of inflation (increase or decrease by 1%)	0	0
Rate of increase in salaries (increase or decrease by 0.1%)	392,933	391,586
Rate of increase in pensions (increase or decrease by 0.1%)	398,467	386,158
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	385,595	399,042
	1,555,506	1,582,915

Note 37 CASH AND CASH EQUIVALENTS

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

31 March 2013 £000		31 March 2014 £000
(161)	Cash held by the Council and in transit	176
(345)	Bank current accounts	4,173
4,199	Short-term deposits in UK banks & investments in money market funds	3,649
3,693	Total Cash and Cash Equivalents	7,998

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2012/13 £'000		2013/14 £'000
373	Interest Received	275
65	Interest Received Opening Debtor	3
(3)	Interest Received Closing Debtor	(12)
(2,366)	Interest paid	(2,337)
0	Adjustments for differences between EIR and actual interest payable	0
(505)	Interest Paid Opening Creditor	(457)
367	Interest Paid Closing Creditor	485
(2,069)	Total Operating Activities	(2,043)

NOTES TO THE CORE STATEMENTS

Cash Flow Notes

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

Note 39 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2012/13		2013/14
£'000		£'000
(26,707)	Purchase of property, plant and equipment, investment property and intangible assets	(30,846)
0	New Finance Leases	0
0	Capital grant repaid	0
(4,304)	Opening Capital Creditors	(1,969)
1,969	Closing Capital Creditors	3,093
(17,600)	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
6,229	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,074
0	Proceeds from short-term and long-term investments	7,200
18,949	Other receipts from investing activities (including capital grants)	13,070
(21,464)	Net cash flows from investing activities	(378)

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2012/13		2013/14
£'000		£'000
206,650	Cash receipts of short and long-term borrowing	197,000
(5,286)	Billing Authorities - Council Tax and NNDR adjustments	6,946
90	Other receipts from financing activities	(114)
(635)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(706)
(207,650)	Repayments of short- and long-term borrowing	(196,500)
0	Other payments for financing activities	0
(6,831)	Net cash flows from financing activities	6,626

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2012/13 £'000		2013/14 £'000
(79,920)	Net Surplus or (Deficit) on the Provision of Services	(30,120)
	Adjust net surplus or deficit on the provision of services for non cash movements:	
72,377	Depreciation	7,456
195	Amortisation	644
117	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	117
0	Financial Guarantee Adjustments	0
(138)	Increase/Decrease in Interest Creditors	28
(7,287)	Increase/Decrease in Creditors	(12,083)
62	Increase/Decrease in Interest and Dividend Debtors	(9)
20,214	Increase/Decrease in Debtors	(4,474)
296	Increase/Decrease in Inventories	(79)
(5,953)	Movement in Pension Liability	2,961
1,162	Contributions to/(from) Provisions	5,651
51,561	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,851
(1,204)	Movement in Investment Property Values	3
131,403		50,066
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(17,815)	Capital Grants credited to surplus or deficit on the provision of services	(12,186)
119	Net adjustment from the sale of short and long term investments	142
(6,472)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(9,845)
(24,168)		(21,889)
27,314	Net Cash Flows for Operating Activities	(1,943)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2012/13		2013/14
£'000	Note	£'000
EXPENDITURE		
13,944	Repairs and Maintenance	12,494
19,221	Supervision and Management	21,682
50	Rents, rates, Taxes and Other Charges	288
(60,852)	Depreciation and Impairment of Non Current Assets	2
60	Debt Management Costs	8
300	Movement in the Allowance for Bad Debts	347
(27,277)	Total Expenditure	32,589
INCOME		
(40,386)	Gross Rent from Dwellings	1
1,156	Less Voids	(45,271)
(39,230)	Net Rent from Dwellings (sub total)	(44,218)
Non Dwelling Rents:		
(740)	Shop Rents	(731)
(596)	Garage Rents	(787)
(134)	Premises Income	(129)
(1,470)	Non Dwelling Rents (sub-total)	(1,646)
Charges for Services and Facilities:		
(5,156)	Water Charges	(5,437)
(37)	Central Heating Charges	(43)
(5,193)	Charges for Services and Facilities (sub total)	(5,480)
Contributions Towards Expenditure:		
(546)	Leaseholder Charges	(561)
(1,978)	Tenants Service Charges	(2,245)
(2,524)	Contributions Towards Expenditure (sub total)	(2,806)
(48,418)	Total Income	(54,151)
(75,695)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(21,562)
(75,695)	Net Expenditure for HRA Services Services	(21,562)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
6,911	(Gain) or loss on sale of HRA non-current assets	14,183
5,619	Interest payable and similar charges (Deferred Purchase Interest)	5,714
0	Income and expenditure in relation to investment properties and changes in their fair value	(116)
0	Interest and Investment Income	(33)
0	Pensions interest cost and expected return on Pension Assets	3
(63,165)	(Surplus)/ Deficit for the Year on HRA Services	(1,229)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2012/13		2013/14
£'000		£'000
(1,047)	Balance on HRA at 1 April	(1,700)
(63,165)	(Surplus)/Deficit for the Year on HRA Services	(1,229)
61,553	Adjustments Between Accounting Basis and Funding Basis under Statute:	275
(2,659)	Total	(2,654)
959	Transfer to/(from) Reserves:	0
(1,700)	Balance on HRA at 31 March	(2,654)

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13		2013/14
£'000		£'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(6,470)	Depreciation of non-current assets	(6,512)
(11,291)	Revaluation and Impairment losses on Property, Plant and Equipment	(233)
78,612	Revaluation gains reversing previous losses	9,177
14	Movement in Market Value on Investment Property	(5)
(65)	Movement in value of Held for Sale Assets	(112)
0	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	(21,044)
(10,231)	Amounts of Property, Plant and Equipment written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	6,861
50,569		(11,868)
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
0	HRA Self Financing Capital Expenditure	0
0	Capital grants and contributions applied credited to the HRA	0
3,319	Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	0
7,593	Reversal of Major Repairs Allowance credited to the HRA	12,850
(368)	Reversal of items relating to requirement benefits debited or credited to the CIES	(1,215)
433	Employer's pension contributions and direct payment to pensioners payable in year	509
7	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	(1)
10,984		12,143
61,553	Total	275

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2012/13 £'000	Rent Arrears	2013/14 £'000
1,119	Gross Current Arrears at 31 March	1,024
2.77%	As a Proportion of Gross Rent Income Collectable in the Year	2.26%
435	Former Tenant Arrears at 31 March	0

Amounts written-off during the year amounted to £670,442. There is a provision in the sum of £108,996 for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £6.51m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £0.3m offset by reversals of impairments of £9.1m.

2012/13 £'000	Analysis of Depreciation and Impairment Charges	2013/14 £'000
	Depreciation:	
6,276	Dwellings	6,256
82	Other Land and Buildings	131
32	Plant and Equipment	45
80	Non-Operational Property, Plant and Equipment	80
(67,322)	Impairment of Property, Plant and Equipment	(8,832)
(60,852)	Total for Year	(2,320)

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 HOUSING STOCK

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

31 March 2013	Number and Types of Properties at 31 March	31 March 2014
5,523	Number of Houses and Bungalows	5,450
3,525	Number of Flats and Maisonettes	3,511
1,222	Number of Aged Person Dwellings	1,222
10,270	Total	10,183

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2012/13	Change in Stock of Properties	2013/14
10,299	Stock at 1 April	10,270
(46)	Less Sales	(87)
17	Additions	0
10,270	Total	10,183

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

2012/13	Balance Sheet Value of HRA Properties	2013/14
£'000		£'000
	Operational Non-Current Assets:	
508,205	Dwellings and other land and buildings	506,185
13,682	Non-Operational Non-Current Assets	13,679
521,887	Total	519,864

The vacant possession value of dwellings within the HRA as at 1st April 2013 was £1.269bn. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

Note 5 MAJOR REPAIRS RESERVE

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

2012/13	Major Repair Reserve	2013/14
£'000		£'000
(2,394)	Balance as at 1 April	(3,103)
(6,470)	Depreciation	0
(1,124)	Transfer to HRA	(12,850)
6,884	Financing of Capital Expenditure	13,660
(3,103)	Total	(2,293)

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2013/14 was financed as follows:

2012/13	Financing of Capital Expenditure	2013/14
£'000		£'000
6,884	Major Repairs Reserve	13,660
0	Development Reserve	2,791
6,884	Total	16,451

Note 7 CAPITAL RECEIPTS

NOTES TO THE HOUSING REVENUE ACCOUNT

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:

2012/13	Capital Receipts	2013/14
£'000		£'000
(3,319)	Sales of Dwellings	(6,861)
(3,319)	Total	(6,861)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2012/13	Debt Management Cost	2013/14
£'000		£'000
60	Debt Management Costs	101

THE COLLECTION FUND STATEMENT COUNCIL TAX

Notes	2012/13	2013/14	
	£'000	£'000	£'000
INCOME			
2	Council Tax	(58,052)	(62,107)
	Transfers from General Fund:		
	Council Tax Benefits	(11,001)	0
		(69,053)	(62,107)
EXPENDITURE			
	Precepts and Demands:		
	Essex Police Authority	7,137	6,443
	Essex Fire Authority	3,468	3,025
	Thurrock Borough Council	57,573	51,219
	Precepts and Demands (sub-total)	68,178	60,687
	Provision for Bad Debts:		
	Change in Provision	(1,088)	41
	Write offs	532	470
	Provision for Bad Debts (sub-total)	(556)	511
CONTRIBUTIONS			
	Essex Police Authority	(3)	(48)
	Essex Fire Authority	(1)	(24)
	Thurrock Borough Council	(24)	(400)
	Contributions (sub-total)	(28)	(472)
	Total Expenditure	67,594	60,726
	(Surplus)/ Deficit for Year	(1,459)	(1,381)
	Fund Balance Brought Forward	936	(523)
	Fund Balance Carried Forward	(523)	(1,904)
 Share of Collection Fund (Council Tax) Balance:			
	Thurrock Council	(441)	(1,603)
	Essex Police Authority	(56)	(206)
	Essex Fire Authority	(26)	(95)
	Total	(523)	(1,904)

THE COLLECTION FUND STATEMENT NON-DOMESTIC RATES

Notes	2012/13	2013/14	
	£'000	£'000	£'000
	INCOME		
3	Income Collectable from Non-Domestic Ratepayers	(94,673)	(109,117)
	Transitional Protection Payments		(1,171)
	Total Income	(94,673)	(110,288)
	EXPENDITURE		
	Share of Business Rates:		
	Essex Fire Authority	-	1,065
	Thurrock Borough Council	-	52,200
	Share of Non-Domestic Rates (sub-total)	-	53,265
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	-	53,265
	Business Rates:		
	Payment to National Pool	93,702	0
	Business Rate (sub-total)	93,702	
	Provision for Bad Debts:		
	Change in Provision	(862)	263
	Write Offs	1,610	(1,456)
	Provision for Bad Debts (sub-total)	-	(1,193)
	Provision for Appeals:		
	Change in Provision	-	12,997
	Costs of Collection	223	223
	CONTRIBUTIONS		
	Essex Fire Authority	-	0
	Thurrock Borough Council	-	0
	Contributions (sub-total)	-	0
	Total Expenditure	94,673	118,557
	(Surplus)/ Deficit for Year	0	8,269
	Fund Balance Brought Forward	-	0
	Fund Balance Carried Forward	-	8,269
	Share of Collection Fund (NDR) Balance:		
	Thurrock Council	-	4,052
	Essex Fire Authority	-	83
	Central Government	-	4,134
	Total	-	8,269

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. 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 2013/14 the Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated Number of Taxable Properties after Effect of Discounts	Ratio	Band D Equivalent Dwelling
A*	10	5:9	6
A	3,831	6:9	2,554
B	8,818	7:9	6,858
C	20,460	8:9	18,187
D	9,928	9:9	9,928
E	3,932	11:9	4,805
F	1,897	13:9	2,740
G	714	15:9	1,191
H	26	18:9	52
	49,616		46,321
			(782)
			45,539
Council Tax Base			45,539

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 2013/14 46.2p was the small business multiplier and 47.1p the large business multiplier (45.0p small business multiplier and 45.8p large business multiplier in 2012/13). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £52.2m 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 £105.1m.

The total Non-Domestic rateable value at the 31 March 2014 was £264,250,466 (£258,319,457 at 31 March 2013).

GLOSSARY OF TERMS

Accruals

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

Actuarial Gains and Losses

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

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

Assets Held for Sale

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

Balances

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

Capital Adjustment Account (CAA)

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Contingent Assets and Liabilities

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

Corporate and Democratic Core

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

GLOSSARY OF TERMS

Corporate Governance

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

Current Service Cost (Pensions)

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

Curtailment Costs (Pensions)

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

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

Defined Benefit Scheme (Pensions)

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

Depreciation

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

Discretionary Benefits

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

Fair Value

The fair value is the value of an asset or liability in an 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 Instrument

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

General Fund

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

Government Grants

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

GLOSSARY OF TERMS

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Investments (Pensions)

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

Investments (Non - Pension)

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

Levies

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

Minimum Revenue Provision (MRP)

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

Net Worth

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

Non Current Assets

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

GLOSSARY OF TERMS

Non-Distributed Costs

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

Non-Domestic Rate (NNDR)

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

Past Service Costs (Pensions)

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

Post Balance Sheet Events

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

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Reserves

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

Revaluation Reserve

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

Scheme Liabilities (Pensions)

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

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:

GLOSSARY OF TERMS

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

Support Services

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

Supported Capital Expenditure

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

Unsupported Borrowing

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

Useful Life

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

This page is intentionally left blank

Letter of representation

16 September 2014

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Sir/Madam

This representation letter is provided in connection with your audit of the financial statements of Thurrock Council ("the Council") for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Thurrock Council as of 31 March 2014 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting

in the United Kingdom 2013/14 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. These differences were identified from new information received after the year-end and we have not corrected them.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

We have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council, Cabinet and Overview and Scrutiny committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and we have made no guarantees that we have given to third parties.

F. Subsequent Events

There are two events subsequent to period end which do not require adjustment of or disclosure in the financial statements or notes there to as the amounts involved are not considered material.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. Accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Use of the Work of an Expert

We agree with the findings of the experts engaged to revalue long term assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.

We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

Sean Clark - Responsible Financial Officer

I confirm that this letter has been discussed and agreed at the Standards and Audit Committee on 16 September 2014

Robert Gledhill - Chairman of Standards and Audit Committee

Standards and Audit Committee Work Programme

Item 9

Committee: Standards and Audit

Year: 2014/2015

Item	Date Added	Request By (Members/Officers)	Lead Officer	Progress / Update required
10 July 2014				
1 st Quarter Review of the Strategic/Corporate Risk and Opportunity Register	February 2014	Officers	Andy Owen	Members noted the report.
Update: Financial Statement	May 2014	Officers	Sean Clark	No update required – report going to September meeting
Draft AGS	May 2014	Officers	Sean Clark	No update required – report going to September meeting
Annual Complaints Report	May 2014	Officers	Lee Henley	Members noted the report.
Annual Access to Records Report	May 2014	Officers	Lee Henley	Members noted the report.
Head of Internal Audit Report	May 2014	Officers	Chris Harris/ Gary Clifford	Members noted the report.
Internal Audit: Red Reports (as required)	May 2014	Members/Officers	Relevant Director	No report was sent to Committee
Update: Regulation of Investigatory Powers Act 2000 RIPA	May 2014	Members/Officers	Lee Henley	Members noted the report.
Work Programme	Continuous	Members/Officers	Democratic Services Officer	No update required
16 September 2014				
Financial Statement	May 2014	Officers	Sean Clark	
Audit Results Report	May 2014	Officers	Ernst & Young	
AGS	May 2014	Officers	Sean Clark	
Progress Report: Internal Audit	May 2014	Officers	Gary Clifford	

Standards and Audit Committee Work Programme

Item 9

Item	Date Added	Request By (Members/Officers)	Lead Officer	Progress / Update required
Internal Audit: Red Reports (as required)	May 2014	Members/Officers	Relevant Director	
Update: Regulation of Investigatory Powers Act 2000 RIPA	May 2014	Members/Officers	Lee Henley	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	
9 December 2014				
Annual Audit Letter	May 2014	Officers	Ernst & Young	
3 rd Quarter Review of the Strategic/Corporate Risk and Opportunity Register	February 2014	Officers	Andy Owen	
Update: Complaints Report	May 2014	Officers	Lee Henley	
Fraud Report	May 2014	Officers	Sean Clark	
Progress Report: Internal Audit	May 2014	Officers	Gary Clifford	
Internal Audit: Red Reports (as required)	May 2014	Members/Officers	Relevant Director	
Update: Regulation of Investigatory Powers Act 2000 RIPA	May 2014	Members/Officers	Lee Henley	
Disaster Recovery Report	July 2014	Members	Lucy Magill	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	
4 February 2014				
Review of ROM Policy, Strategy & Framework	February 2014	Officers	Andy Owen	
Progress Report: Internal Audit	May 2014	Officers	Gary Clifford	
Report on the Audit of Grant Claims	May 2014	Officers	Ernst & Young	

Standards and Audit Committee Work Programme

Item 9

Item	Date Added	Request By (Members/Officers)	Lead Officer	Progress / Update required
Internal Audit: Red Reports (as required)	May 2014	Members/Officers	Relevant Director	
Update: Regulation of Investigatory Powers Act 2000 RIPA	May 2014	Members/Officers	Lee Henley	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	
3 March 2014				
Draft Internal Audit Plan	May 2014	Officers	Gary Clifford	
Ernst and Young – Audit Plan 2014/2015	May 2014	Officers	Ernst & Young	
Internal Audit: Red Reports (as required)	May 2014	Members/Officers	Relevant Director	
Update: Regulation of Investigatory Powers Act 2000 RIPA	May 2014	Members/Officers	Lee Henley	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	

To Be Allocated				
Item	Date Added	Request By (Members/Officers)	Lead Officer	Committee Date

Full details of Member's decisions can be viewed in the Minutes on the Council's Committee Management Information System - <http://democracy.thurrock.gov.uk/thurrock/>

FOR CONSIDERATION

There are currently no items for consideration.