

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 **21 September 2017**

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

### Membership:

Councillors Graham Hamilton (Chair), Tony Fish (Vice-Chair), Gary Collins, Jack Duffin, Oliver Gerrish and Ben Maney

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

### Substitutes:

Councillors Clifford Holloway, Tunde Ojetola, Terry Piccolo and Luke Spillman

### Agenda

Open to Public and Press

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<b>2 Minutes</b>	<b>5 - 12</b>
To approve as a correct record the minutes of the Standards and Audit Committee meeting held on 6 July 2017.	
<b>3 Items of Urgent Business</b>	
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.	
<b>4 Declaration of Interests</b>	
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**Queries regarding this Agenda or notification of apologies:**

Please contact Charlotte Raper, Senior Democratic Services Officer by sending an email to [Direct.Democracy@thurrock.gov.uk](mailto:Direct.Democracy@thurrock.gov.uk)

Agenda published on: **13 September 2017**

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# 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.

**Vision: 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 aspiration and attainment so that residents can take advantage of local job opportunities
- Support families to give children the best possible start in life

**2. Encourage** and promote job creation and economic prosperity

- Promote Thurrock and encourage inward investment to enable and sustain growth
- Support business and develop the local skilled workforce they require
- Work with partners to secure improved infrastructure and built environment

**3. Build** pride, responsibility and respect

- Create welcoming, safe, and resilient communities which value fairness
- Work in partnership with communities to help them take responsibility for shaping their quality of life
- Empower residents through choice and independence to improve their health and well-being

**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 and safeguard the most vulnerable people with timely intervention and care accessed closer to home
- Enhance quality of life through improved housing, employment and opportunity

**5. Promote** and protect our clean and green environment

- Enhance access to Thurrock's river frontage, cultural assets and leisure opportunities
- Promote Thurrock's natural environment and biodiversity
- Inspire high quality design and standards in our buildings and public space

## Minutes of the Meeting of the Standards and Audit Committee held on 6 July 2017 at 7.00 pm

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**Present:** Councillors Graham Hamilton (Chair), Tony Fish (Vice-Chair), Gary Collins, Jack Duffin, Oliver Gerrish and Ben Maney

Jason Oliver, Co-Opted Member

**In attendance:** Sean Clark, Director of Finance & IT  
Gary Clifford, Client Manager for Audit Services  
Andy Owen, Corporate Risk Officer  
Charlotte Raper, Senior Democratic Services Officer

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

### 1. Minutes

The Chief Internal Auditor advised that the minutes for Item 40: Internal Audit Progress Report 2016/17 showed the recommendation for the Item 41: Draft Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2017/18, for which there were no minutes. The draft version had been correct however it seemed there had been an issue with the publication software. The draft version was salvageable.

Councillor Collins commented upon Item 43: External Audit Plan 2016/2017, in that he had also stated the figure of £333,000 for materiality was unacceptable.

The minutes of the Standards and Audit Committee meeting held on 28 February 2017 were approved as a correct record, subject to these amendments.

### 2. Items of Urgent Business

There were no items of urgent business.

### 3. Declaration of Interests

There were no declarations of interest.

### 4. Regulation of Investigatory Powers Act (RIPA) 2000 - 2016/17 Activity Report

The Director of Finance and IT introduced the report which had been brought to the Committee in the interests of transparency. Members were advised

that the report did not go into specific details regarding individual cases as many were ongoing and it could jeopardise surveillance strategies. The Director of Finance and IT also assured Members that while Senior Officers could sign off requests, the final approval was subject to Magistrates' Court. There had been a RIPA inspection and Thurrock Council had received a positive assessment with only minor amendments which had now been completed; many of these actions had already been in place but were now outlined clearly within the Council's policy. Training had also been undertaken so that additional Senior Officers were approved as Authorising Officers.

The Chair sought clarity as to the process for the Assessment. Thurrock Council had been given a "clean bill of health" as to their policy and procedure around RIPA cases. The Magistrate had also reviewed active cases. There was information within the report which had been redacted as it referenced ongoing cases.

Councillor Collins congratulated the team on their performance and the assessment outcome. The Chair echoed these comments, adding that the outcome reflected well on the Council as a whole.

The Vice-Chair questioned how subjective approvals for surveillance could be. The Director of Finance and IT clarified that Authorising Officers would meet the lead representatives from teams involved, such as fraud and trading standards. A case had to be presented explaining the proportionality of the offence; surveillance would only be viable for cases where the sentence would be either custodial or a substantive fine. Departments also had to justify what other methods had been exhausted to gather evidence before surveillance would be approved. Surveillance could either relate to an individual or a property.

Councillor Maney asked for information regarding the process and timescale for disposal of evidence for those cases which did not result in prosecution. The Director of Finance and IT advised that the Council had strict policies around the retention of records and the disposal of data but the specific information would be circulated to Members after the meeting.

The Chair asked whether RIPA surveillance was used as a 'last resort'. The Director of Finance and IT reiterated that departments had to justify their requests for surveillance by outlining that all other avenues had been explored.

**RESOLVED:**

**That the Standards and Audit Committee:**

- 1) Noted the statistical information relating to the use of RIPA for 2016/17**
- 2) Noted training activity undertaken during 2016/17**



**3) Noted the findings of the positive RIPA inspection**

**4) Noted the changes made to the RIPA policy**

**5. Refresh of the Strategic/Corporate Risk and Opportunity Register**

The Interim Insurance & Risk Manager presented the report which was brought before the Committee bi-annually providing details of how key risks and opportunities faced by the Council were identified and managed.

Councillor Gerrish referred to Risk 14 – Sickness Absence. This was ranked as substantial / very likely and Councillor Gerrish asked whether it created a major hole within the Council's budget. The Director of Finance and IT assured Members that there were only fairly modest savings to be made. Within his directorate there had been a considerable reduction in the number of frequent, short-term absences but there had been a number of longer-term absences following surgeries. While these were different concerns it was deemed to be the less harmful option.

Councillor Gerrish asked what plans were in place to get back on track for the issue in a broader sense. The Interim Insurance & Risk Manager referred to P91-92 of the agenda which outlined the management action in place.

Mr Oliver noted that only one risk was expected to reduce and asked whether the Executive Team was placing enough emphasis on managing risk. The Director of Finance & IT outlined that in certain areas, such as the number of cases within Adults or Children's Social Care, there was very little the Council could do. These risk factors were recognised, and the Authority would do what it could however it was very possible that the situation would not improve. Therefore the Executive Team had opted to focus more on those high-risk areas in which it had more control, to facilitate a positive change.

The Chair highlighted that there was no risk category within the report around Industrial Action and asked whether this could be looked at. The Committee heard that there were a whole range of business risks and while Industrial Action was a potential risk it was not flagged as a corporate and strategic priority. There were prompts to highlight potential issues facing the Council and if any of these became apparent they would be considered under the regular review process. For example, the register had been completed prior to the tragic events at Grenfell Tower. Fire risk within Council tower blocks had been on the risk-radar but following events would be reviewed and prioritised in response.

The Vice-Chair queried how such a risk would be categorised within the report. The Committee was advised that would fall into the category of Fire and Fire Safety – high-rise. Judgements would be made around types of cladding, building regulations and building controls, if necessary. The Vice-Chair raised the matter of the ongoing humanitarian issues alongside fire safety and was advised that these issues would factor in the management

response arrangements for the risks and would be picked up through business continuity and emergency planning and response arrangements, which were regularly reviewed.

Councillor Duffin queried P74 around strategic opportunities. He noted that Gloriana had consistently been rated at 9, however the forecast rating was 12 and asked officers to explain the leap. The Committee heard that, with regards to opportunity, the Council hopes to push ratings upward and there was work within the Action Plan around the St Chad's site and Belmont Road. There had been issues with the very first site, from which the department had learnt. The Director of Finance & IT added that the site had been difficult to dispose of but now there were 128 design award-winning dwellings on site providing revenue returns and an expected capital receipt. Members were assured that the Strategic / Corporate Risk & Opportunity Register was a living document; at the next assessment it would be possible to note Members' concerns and adjust the forecast if necessary.

With regard to the ICT Disaster Recovery risk Councillor Collins asked when the provision for 100 concurrent users to be facilitated at Southend would be available. Members were assured that the provision was already in place and the actual figure was closer to 200. User spaces would be allocated to essential users such as staff within Children's and Adults' Social Care at first.

Councillor Collins referred to Risk 19 regarding incidents of civil disorder, which had a rating of 12, and asked whether there were any incidents recorded. The Director of Finance & IT advised that there were none to his knowledge.

Councillor Collins also queried the risk of Child Sexual Exploitation. There was a demand for service increase regarding intervention, so he asked if there were any statistics to inform Members as to how the number of cases was progressing. The Committee heard that the Children's Services area would need to provide any information.

Mr Oliver requested a report be brought to the Committee to provide an update regarding progress for General Data Protection Regulations (GDPR). Local Authorities had huge expectations of increased standards and the punitive results could be costly. He wanted a sense of assurance that Thurrock Council was on the right track. Officers agreed that an update report would be presented to the Committee.

The Chair queried whether there were risk assessments for the Council's investment in the solar farm project and for the risk of flooding. The Director of Finance & IT assured the Committee that, as with any investment, thorough checks were undertaken and related risks were understood. The conclusion had been reached that there were considerable assurances and the matter had been through legal services and external parties as part of the due diligence process. The Interim Insurance & Risk Manager outlined that anything related to flooding and the relevant precautions would form part of the Council's Emergency Planning & Response arrangements.

*Councillor Gerrish left the meeting at 7:40pm.*

**RESOLVED:**

**(1) That Standards and Audit Committee note the items and details contained in the Dashboard (Appendix 1).**

**(2) That Standards and Audit Committee note the 'In Focus' report (Appendix 2), 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. External Audit Fee Letter 2017/2018**

The Representative from Ernst and Young presented the report which was an indicative fee letter. He assured Members that the fee was not set by Thurrock Council or Ernst and Young.

The Chair asked whether there was any agreed tolerance, given that the fee was indicative, and what impact the materiality figure had upon the fee. There was no acknowledged tolerance, the fee was set and the impact of any unexpected changes would be agreed between the Director of Finance & IT and Ernst and Young.

Councillor Collins queried the materiality figure. The representative from Ernst and Young outlined that materiality was based upon the turnover of the Authority and was unrelated to the fee. Councillor Collins asked why there was so high a tolerance when other businesses would be expected to balance their books down to the penny. The Committee was advised that without a materiality tolerance the external auditors would have to test every single item within the Council's accounts which would hugely increase the annual fee. The Director of Finance & IT confirmed that the Council's accounts were balanced "to the penny", but the external auditors assessed whether transactions were properly allocated in disclosures, for example if a transaction had a Housing cost code rather than a Regeneration cost code.

**RESOLVED:**

**The Committee noted the report.**

**7. Chief Internal Auditor's Annual Report - Year ended 31st March 2017**

The Chief Internal Auditor Introduced the report which provided members with assurance around the council's overall governance, risk management and internal control frameworks. The report formed one of the sources of assurance that would assist the council in preparing an informed annual governance statement.

Councillor Collins asked why the two indicators in red were so. The Committee was advised that the reports had previously been presented to the Committee and could be circulated to Members outside of the meeting.

Mr Oliver asked that the 2 high and 3 medium recommendations be brought back before the Committee, and it was agreed that they would form part of the follow up report.

**RESOLVED:**

**That the Standards & Audit Committee considers and comments on the Chief Internal Auditor's Annual Report – Year ended 31<sup>st</sup> March 2017.**

**8. Internal Audit Progress Report 2017/18**

The Chief Internal Auditor introduced the report which included draft reports and those considered “work in progress”. As discussions were ongoing these reports would be presented at a future meeting of the Committee.

Councillor Collins queried the resourcing issue within the Community Safety team. The Committee heard that the team was very small and there had not been enough people at the time.

Mr Oliver highlighted that it had been more than a year since Thurrock Council had exited its contract with Serco for IT services. He suggested a potential review of ICT. The internal audit team lacked the required expertise and so IT audit work was contracted to Croydon Council. An audit needs assessment would be undertaken within the next year.

The Chair queried the extent of stationary purchases outside of the agreed contract. The Committee was assured that it was a relatively small figure of £12,000 over 4-5 months. The need was there it had simply been ordered from a different supplier.

**RESOLVED:**

**That the Standards & Audit Committee consider reports issued and the work being carried out by Internal Audit in relation to the 2017/18 audit plan.**

**9. Work Programme**

Members were asked if they wished to amend the work programme in any way. Aside from the suggestions made during the debate there were no amendments.

The Director of Finance & IT did highlight that the September Agenda was presently incredibly long. Officers would liaise outside of the meeting to see what amendments could be made.

**The meeting finished at 8.25 pm**

Approved as a true and correct record

**CHAIR**

**DATE**

**Any queries regarding these Minutes, please contact  
Democratic Services at [Direct.Democracy@thurrock.gov.uk](mailto:Direct.Democracy@thurrock.gov.uk)**

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<b>21 September 2017</b>		<b>ITEM: 5</b>
<b>Standards and Audit Committee</b>		
<b>Counter Fraud &amp; Investigation Annual Report</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> David Kleinberg, Counter Fraud & Investigation		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is</b> Public		

## Executive Summary

The Counter Fraud & Investigation Department (CFID) was formed in 2014 as both an inward and outward (traded service) facing entity with the sole responsibility for Thurrock and others to prevent, detect and deter all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

CFID has developed working arrangements with other agencies to further the Council's counter-fraud culture providing support to those bodies where necessary.

CFID success has grown and has been recognised both nationally and internationally as the leading public authority fraud service as a model approach to tackling fraud and corruption.

This report outlines the performance of the CFID over the last year as a whole as well as the work CFID have delivered nationally for other public bodies.

### 1. Recommendation(s)

**1.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over the last year.**

### 2. Introduction & Background

2.1 To present the Counter Fraud & Investigation Department's Annual Report for 2016/17 to the Committee for consideration.

2.2 This report outlines the work undertaken by the CFID throughout the year in Thurrock as well as the pre-funded work we do for other public bodies around the UK.

### **3. Performance**

3.1 The Counter Fraud & Investigation Department (CFID) has made good progress in delivering the 2016/17 counter fraud work plan over the last year.

- 264 reports of suspected fraud had been received
- 180 of those cases have been closed as 'no fraud'
- 117 investigations are still being conducted
- 60 sanctions have been delivered in cases of proven fraud.

3.2 **Appendix 1** contains the CFID performance data for Thurrock and its other partners it supports.

### **4. Reasons for Recommendation**

4.1 This report provides a detailed update to the Committee on the improved counter-fraud measures for the Council and how it is reducing fraud under the council's anti-fraud strategy.

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

5.1 All Directors and Heads of Service were consulted with the new strategy to be taken by the Council in its anti-fraud approach.

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

6.1 Work undertaken by to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities supporting corporate governance.

### **7. Implications**

#### **7.1 Financial**

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

There are no financial implications contained in this report.

#### **7.2 Legal**

Implications verified by: **David Lawson**



## **Monitoring Officer, Deputy Head of Legal Services**

The Accounts and Audit (England) Regulations 2015 section 4 (2) require that:

*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.*

This proactive and investigative work undertaken by the Directorate as well as the regular monitoring of compliance with the requirements of Fighting Fraud Locally discharges this duty.

### **7.3 Diversity and Equality**

Implications verified by: **Rebecca Price**  
**Community Development Officer**

There are no implications related to 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):

None.

### **9. Appendices to the report**

- Appendix 1 – CFID Annual Report

### **Report Author:**

Daniel Helps,  
Senior Manager Counter Fraud & Investigation

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## Counter Fraud & Investigation Department



## 2016/17 ANNUAL REPORT

## EXECUTIVE SUMMARY

The Counter Fraud & Investigation Department has developed significantly since its inception 3 years ago. The purpose of the function was to increase the resilience in Thurrock and in other public authorities from fraud and other economic crime.

CFID has now supported central government bodies, local authorities and policing in protecting the public. We began a journey of what some thought would be difficult in changing the perceptions of many around what fraud is and how it affects public bodies. The perceived challenges came from the fact that each organisation is different, with different systems, processes, controls and service priorities. We were however greeted with professional staff willing to develop our counter-fraud culture embracing the changes that would protect their organisation from fraud.

Our service was created with the full support and backing of Thurrock and Southend-on-Sea Borough Councils who fully understood the significant risk local authorities face from economic crime. This common understanding is held between all our partners who have unfortunately seen how criminals have taken advantage of the frontline services provided, including in social care and social housing for their own gain.

We are live to the fact that the threat from fraud changes regularly and we continue to develop new tools in prevention and detection of crime to reduce the impact on Thurrock and our partners. The increase in our national partnerships bring a better intelligence picture as well as coordinated response to crime, which are now being built into our strategies and response plans.

I would like to thank our brilliant staff for their continued support with our culture of change and innovation they have embraced, which ultimately reduces the impact of crime on the frontline services for our residents.

**David Kleinberg**  
Head of CFID

## SERVICE STRUCUTRE

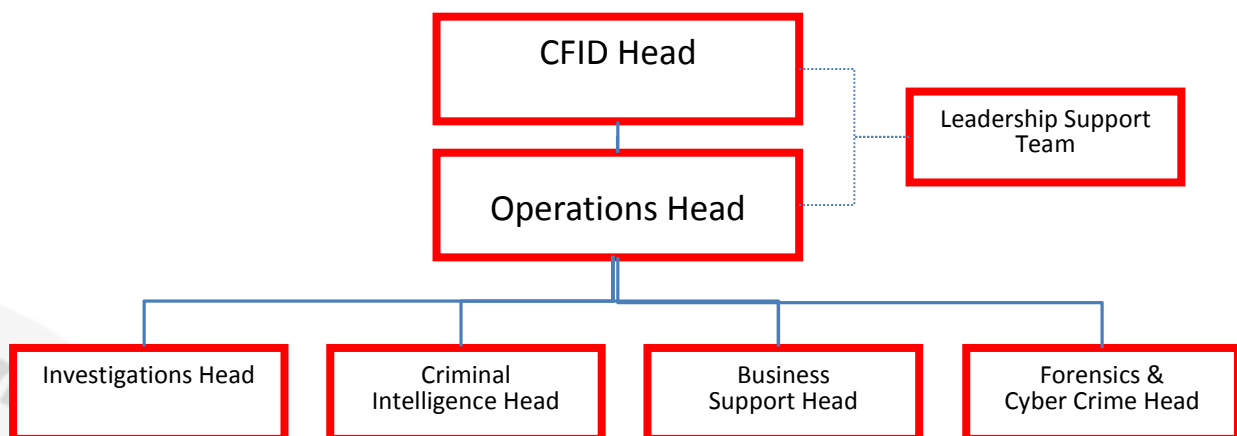
Over the last year we consulted with our partners and staff to ensure that the service we provide is fit for purpose in meeting the needs of our business to reduce fraud and economic crime.

We have strengthened our operational resilience, invested in technology and sought to improve how we allocate resources across all our counter fraud and investigation operations for all our partners.

### Management & Leadership Team

A restructure in November 2016 sought to improve the segregation of the different disciplines that form CFID. This approach met national best practice and delivers improved response to economic crime incidents.

We are now developing ways to work better with other council services to improve the response to incidents that affect, Procurement, Legal and HR services.



### Tactical Tasking & Coordination Process

We conducted a review of our tasking and coordination processes to ensure that our decision making for crimes affecting our partners can have the appropriate response.

This group meets weekly where the unit heads will discuss:

1. Progress for agreed action for reported fraud incidents
2. Progress for proactive work plans agreed by the control strategy
3. Agree the response to new incidents

## PARTNERSHIPS

CFID continue to support these partners facing economic crime:



Operational collaboration agreements were made with these partners:



## GOVERNANCE & ACCOUNTABILITY

The inaugural Shared Services Board took place in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The new board is an opportunity to work effectively together to enable good quality, professional services to be provided that meet each individual organisation's needs.

### Inspections

CFID was inspected by a number of bodies last year with good reports received on the work delivered by the service.

#### **Her Majesty's Inspector of Constabulary**

Thurrock Council (who hosts CFID) was the only local authority inspected by HMIC as we have a policing purpose which works closely with police forces, and other public bodies including the Ministry of Justice (the only council in the country that has this status).

The ten-page report ends by saying: *"Taking into account the purposes for which Thurrock Council needs PNC access, we conclude that the level of access specified in the Supply Agreement is appropriate for the Council's needs.*

*"The satisfactory training records, the physical security arrangements, the signed undertakings by all PNC staff and the high level of internal audit lead us to conclude that the Council has been complying with the requirements of its Security Operating Procedures."*

<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/council-backed-by-police-inspectorate>

#### **Office of Surveillance Commissioner**

His Honour Brian Barker CBE QC inspected CFID's surveillance activity authorised under the Regulation of Investigatory Powers Act 2000, which includes covert directed surveillance and use of Covert Human Intelligence Sources.

Between April 2016 and March 2017 a total of 4 RIPA applications were authorised

Covert directed surveillance authorisation	3
Covert Human Intelligence Source (CHIS) authorisations	1
<b>Total</b>	<b>4</b>

His Honour Brian Barker commented on the *"successful and impressive innovation in both law enforcing and financial terms in the Counter Fraud & Investigation team"*

## FINANCE

CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council. Other partners contribute to the service financially or with the placement of staff within the function.

In some cases CFID will have an 'on-site' budget to maintain the counter fraud & investigation operations for that partner.

### Overall CFID Budget 2016/17

	Contribution	Contributor
	£877,468	Thurrock Council
	£288,960	Southend Council
	£293,715	Other Partners
<b>Total Budget</b>	<b>£1,460,143</b>	

### Detected Fraud 2016/17

	£4,562,032	Thurrock Council
	£375,302	Southend Council
	£621,474	Other Partners
<b>Total Fraud</b>	<b>£5,558,808</b>	

### Money Recovered 2016/17

	£3,235,050	Thurrock Council
	£128,725	Southend Council
<b>Total Recovery</b>	<b>£3,363,775</b>	

*These statistics show that for every £1.00 that CFID costs it detects £3.81 in fraud and other economic crime.*





## OPERATIONAL ACTIVITY

CFID works to protect the public purse from economic crime with its main focus on protecting Thurrock Council and the wider public sector. This work ensures that the frontline services delivered by public bodies can be sustained to ensure the most vulnerable members of our society receive the housing, social care and other essential support they need.

### Social Housing Fraud

The annual cost of social housing fraud in the UK stands at £1.8bn every year. Our collaborative approach ensures that those who seek to criminally deceive social landlords are sanctioned appropriately, recovering the affected properties for use by other deserved families taking redress against offenders where necessary.

Between April 2016 and May 2017, a total of 47 social housing properties have been recovered by CFID.

This figure represents a loss to the public purse by **£846,000**.<sup>1</sup>

In one particular case in the Southend-on-Sea area a social housing tenant moved from her property in Southend to Cornwall, subletting her property. The property was recovered and put back into use for a family in need.

Another case detected by CFID in Poplar, East London, involved a male tenant subletting his property just after he moved in for a 7 year period. The male pleaded guilty at Basildon Crown Court where he received 12 months imprisonment, suspended for 24 months, for illegally sub-letting the home he rented from Poplar HARCA. He also has to carry 120 hours unpaid work; and rehabilitation to understand the impact his offending has had on the community. CFID are now finalising a confiscation investigation to recover the losses. <http://www.24housing.co.uk/news/habusts-seven-year-sub-let-scam/>

### Right to Buy Fraud

The Right to Buy Scheme provides social housing tenants the opportunity to buy their social housing property. After a qualifying period properties can be sold to the tenants at a maximum discount between £78,600 and £104,900.

CFID have detected 8 cases of Right to Buy fraud which ensured that the sales did not complete, saving the public purse **£623,200** and ensuring that properties remain available to those who are in need.

### Blue Badge Fraud

The Blue Badge scheme is a national initiative to help disabled people to park close to their destination, either as a passenger or driver. While the badge is intended for on-street parking only, some off-street car parks, such as those provided by local authorities, hospitals or supermarkets, also offer benefits to Blue Badge Holders.

It is a criminal offence to misuse the badge, and doing so can lead to a £1,000 fine. If the badge holder is using the parking concessions as a passenger (as opposed to driving the car themselves), it is their responsibility to make sure that the driver is aware of the rules governing the scheme.

A total of 69 cases of blue badge fraud was detected by CFID valued at **£53,475**<sup>2</sup> of loss on the public purse.

In these cases 15 of the badges were recovered that belonged to the deceased

<sup>1</sup> Using national fraud authority figure of £18,000 per property recovered.

<sup>2</sup> Using the national fraud authority figure of £775 per badge.

or had been fraudulently altered.

One CFID prosecution for blue badge fraud in Thurrock Council involved a female using her deceased mothers' blue badge to park near the train station for her daily commute. She was sentenced to 120 hours unpaid work and was ordered to pay the council's costs of £2,181 and a £60 victim surcharge.

### **Council Tax Fraud**

Council tax fraud is when a person deliberately gives incorrect or misleading information in order to pay less or no council tax.

CFID detected 21 cases of Council Tax Fraud, working closely with the affected revenues departments to recover the losses and ensure an accurate liability is recorded for the properties.

One prosecution by CFID in Southend-on-Sea was where a female falsely claimed to be a student living alone to receive a 100% discount on her council tax. This fraud cost the council £5,438.81 over that period.

The female was sentenced to a 12 month community order, 150 unpaid work with full prosecution costs being awarded back to the council. The full £5k loss has also been repaid.

### **Staff Fraud & Corruption**

The sad reality for any organisation is the small minority of individuals who seek to take advantage of the trust their employer places in them. It is of some comfort that these cases are extremely rare but where fraud or corruption does occur CFID has the expertise and experience to resolve any allegations swiftly and professionally reducing the potential impact on frontline service delivery. CFID works closely with business areas in each partner agency as well as its executive and Human Resources teams in collaboration.

In **Thurrock Council** Kathryn Adedeji its former Head of Housing was convicted of Fraud at the Old Bailey following a CFID investigation. Adedeji, along with her sister Blessing defrauded two social housing providers by subletting their social housing properties, one of which was an Islington house worth over £1m.

The Leader of Thurrock Council, Cllr Rob Gledhill spoke following the verdict. He said: *"I'm extremely proud of our fraud and legal teams who professionally led a large investigation which has ultimately resulted in successful criminal prosecutions.*

*"It is disappointing that actions such as these can deprive deserving families of a social home.*

*"Although this case was complex, it is clear that we do not hide from difficult cases but will prosecute to the full extent of the law. It should also send the positive message out that we do listen and act when people blow the whistle."*  
<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/thurrocks-fraud-and-legal-team-successful-prosecution>

At **Southend-on-Sea Borough Council** a former Parking Services Team Member was investigated by CFID who fraudulently issued parking permits to herself and others as well as corruptly cancelling penalty charge notices.

On the second day of the Trial at Southend Crown Court, the female changed her plea to guilty. Sentencing is due to take place in June 2017.

[http://www.echo-news.co.uk/news/local\\_news/15248407](http://www.echo-news.co.uk/news/local_news/15248407)

## Social Care Fraud

Social care fraud occurs where a person fraudulently presents their status or condition, financial status or does not use their awarded funding correctly. Fraud in this area also takes place where a third party financially abuses the adult or child receiving social care support.

In one case detected by CFID a carer for a vulnerable adult fraudulently claimed that she was supporting the adult when she was no longer doing so. A total of **£1,365** was fraudulently claimed by the woman. She was prosecuted but absconded prior to sentence. CFID tracked down the individual who was arrested and again put before the court for sentence.

## Disruption Operations

In some cases the most effective way to prevent fraud and other economic crime affecting the public purse is through disruption tactics employed by CFID.

In one case, criminals sought to use public bodies as a way to launder the proceeds of crime with stolen credit cards. CFID worked with the business areas to change business processes preventing this crime occurring. As an accredited organisation CFID worked with the financial institutions to share intelligence and protect their customers.

Another case concerned a fake service being offered to vulnerable adults who needed a blue badge. This website sought to charge a fee to members of the public to obtain a blue badge where no fee was required or payable. CFID worked with the press and communications team to publicise the correct way to obtain a blue badge as well as with partners to protect residents.

## Collaborations

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence packages have been continually disseminated to law enforcement bodies by CFID where suspected crime is identified.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of our public body partners. Over the last year **45 Alerts** and guidance notes have been shared by CFID across all our local authority and social housing providers.

CFID's specialist expertise has been used with other local authority services in protecting frontline services, ranging from other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

CFID has also supported other professional bodies including local authorities and police forces in delivering their strategic priorities in digital forensics, cyber crime, intelligence, financial investigation and prosecution support.

## BENCHMARKING

A number of county metropolitan, unitary and district councils were researched to establish comparative results on CFID's performance over the last year.

The data produced by councils varies with some not publically reporting any fraud.

1. London Borough of Hammersmith & Fulham<sup>3</sup>
2. Kent County Council<sup>4</sup>
3. Basildon Borough Council<sup>5</sup>
4. Braintree Council<sup>6</sup>

	1	2	3	4	CFID
Detected Fraud Value <sup>7</sup>	1,594,383	152,352	576,000	Not reported	5,558,808
Annual Budget (£)	494,000	903,500	Not reported	73,035	1,460,143
Money Recovered	409,284	112,310	Not reported	Not reported	3,363,775

5. Harlow Council
6. Maldon Council
7. Colchester Council
8. Tendring Council

	5	6	7	8	CFID
Detected Fraud Value <sup>8</sup>	Not reported	Not reported	Not reported	Not reported	5,558,808
Annual Budget (£)	Not reported	Not reported	165,000	Not reported	1,460,143
Money Recovered	Not reported	Not reported	Not reported	Not reported	3,363,775

<sup>3</sup> <http://democracy.lbhf.gov.uk/documents/s80183/Corporate%20Anti-Fraud%20End%20of%20Year%20Report.pdf>

<sup>4</sup> <https://www.kent.gov.uk/about-the-council/finance-and-budget/spending/fraud-prevention>

<sup>5</sup> <http://www.basildonmeetings.info/documents/s81372/Internal%20Audit%20and%20Consultancy%20Service%20enc1%20290616.pdf>

<sup>6</sup> [https://www.braintree.gov.uk/info/200136/access\\_to\\_information/762/transparency\\_code](https://www.braintree.gov.uk/info/200136/access_to_information/762/transparency_code)

<sup>7</sup> This calculation has been made using the same figures CFID use from the National Fraud Authority.

<sup>8</sup> This calculation has been made using the same figures CFID use from the National Fraud Authority.

## NATIONAL ARRANGEMENTS

### Cabinet Office

**David Kleinberg** – CFID head, was seconded to the Cabinet Office – Fraud Error and Debt Taskforce as the Head of Counter Fraud Standards (Punishment, Sanction and Redress) in January 2016. This role is to create and set national standards across government to create a 'Counter Fraud Profession'.

David also sits on the Cabinet Office Cross-Sector Group with other members from law enforcement including the City of London police, National Crime Agency, government and private sector.

### National Anti-Fraud Network (NAFN.gov)

**Daniel Helps** – Operations head, was elected to the national executive board for NAFN.gov. This organisation was selected by David Anderson QC (*the government's independent reviewer of Terrorism Legislation*) to be the only national body with the powers to acquire communications data (under RIPA) for local government.

### National Tenancy Fraud Forum

**Daniel Helps** – Operations head, is an executive board member of the national forum for fighting tenancy fraud, formed of every social housing provider in the UK. The forum develops national practice and strategic assessment for response to fraud and other economic crime against social housing.

### College of Policing

**David Nash** – Digital Forensics & Cyber Crime head for CFID, sits on the national group for 'Cyber & Digital Careers Pathway in Policing'. This board is sponsored by Home Office grant to improve the training for all cyber crime and digital investigation practitioners in policing bodies (including CFID).

There are 12 members of the group (including CFID) out of the total 48 police forces in the UK.

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<b>21 September 2017</b>	<b>ITEM: 6</b>
<b>Standards and Audit Committee</b>	
<b>Counter Fraud &amp; Investigation Annual Strategy</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> David Kleinberg, Group Manager Counter Fraud & Investigation	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT	
<b>This report is Public</b>	

## Executive Summary

The Counter Fraud & Investigation Department (CFID) is responsible for protecting the council from fraud and economic crime.

This report describes the strategy for the ensuing year to improve the council's stance and identification methods as well as improve the counter-fraud culture.

The approach is about target hardening the council's business from attack by criminals but ensuring that we continue to deliver our core business of providing services to our residents and visitors to Thurrock.

### 1. Recommendation(s)

**1.1 The Audit Committee agrees the counter-fraud strategy and work plan for the ensuing year.**

### 2. Introduction & Background

2.1 Fraud and other economic crime such as money laundering and corruption are unfortunate realities for any organisation, particularly large employers like Thurrock Council where we process millions of transactions every year.

2.2 Our key focus is delivering services to our residents, businesses and visitors where we are entrusted to use public money effectively and without disruption. Criminals do and will continue to seek to take advantage of those services with attempts to divert valuable assets away from those in need.

2.3 Thurrock Council is serious about maintaining excellence in service delivery responding well to requests for support but continuing to maintain a strong stance to cases of proven fraud.

2.4 In order for our business processes to deliver what they are designed to do CFID works closely with business areas to ensure that where incidents of fraud do occur we can respond appropriately and keep those cases to an absolute minimum.

### **3. Strategy**

3.1 This year CFID will be renewing our understanding of each and every business process to ensure that we are delivering those services in a way that still delivers what they are designed to do whilst recognising and responding correctly where fraud risk may be present.

3.2 **Appendix 1** details the work programme for the ensuing year outlining where CFID's counter-fraud experts will be engaging with the business areas and our key stakeholders, including our supply chain to minimise the risk from fraud.

### **4. Reasons for Recommendation**

4.1 This report provides a detailed update to the Committee on the improved counter-fraud measures for the Council and how it is reducing fraud under the council's counter-fraud strategy.

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

5.1 This approach and methodology was presented to all managers, directors and head of services in the Thurrock Council Manager's conference providing opportunities to discuss and respond.

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

6.1 Work undertaken by to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities supporting corporate governance.

### **7. Implications**

#### **7.1 Financial**

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



There are no financial implications contained in this report.

## 7.2 Legal

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

The Accounts and Audit (England) Regulations 2015 section 4 (2) require that:

*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.*

This proactive and investigative work undertaken by the Directorate as well as the regular monitoring of compliance with the requirements of Fighting Fraud Locally discharges this duty.

## 7.3 Diversity and Equality

Implications verified by: **Rebecca Price**  
**Community Development Officer**

There are no implications related to 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):

None.

## 9. Appendices to the report

- Appendix 1 – CFID Annual Work Plan for 2017/18

### Report Author:

David Kleinberg,  
Counter Fraud & Investigation

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**Appendix 1 - Counter Fraud & Investigation**  
Counter Fraud Work Plan for Sep 2017 to Sep 2018

Risk area	Tasks	Planned for	Current status
Council-wide	Review and revise the council's policies affecting counter-fraud: <ol style="list-style-type: none"> <li>1. Counter-Fraud, Bribery &amp; Corruption</li> <li>2. Counter-Money Laundering</li> <li>3. Cyber Crime</li> <li>4. Whistleblowing</li> </ol>	Sep 2017 – Nov 2017	Proposed re-drafted policies on Point 1 and 2 have been produced and distributed to the Leadership Group, Diversity and Trade Unions for comment.  Policies at points 3 and 4 will be distributed in Oct 2017.
Council-wide	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Adults, Housing &amp; Health</li> <li>• Children's Services</li> <li>• Environment &amp; Place</li> <li>• Finance &amp; IT</li> <li>• HR, OD &amp; Transformation</li> <li>• Strategy, Comms &amp; Customer Services</li> </ul>	Sep 2017	CFID will be attending DMT's for each directorate to communicate the process, background and delivery plan throughout September.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all staff to ensure UKBA compliance.	Sep 2017	The questionnaire is written and is being installed into an online 'MetaCompliance' portal for distribution to all staff.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	Sep 2017	The questionnaire is written and is being installed into an online 'MetaCompliance' portal for distribution to all staff.
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> <li>• Adults, Housing &amp; Health</li> <li>• Children's Services</li> <li>• Environment &amp; Place</li> <li>• Finance &amp; IT</li> <li>• HR, OD &amp; Transformation</li> <li>• Strategy, Comms &amp; Customer Services</li> </ul>	Oct 2017 – Dec 2017	Awaiting workshops.

**Appendix 1 - Counter Fraud & Investigation**  
Counter Fraud Work Plan for Sep 2017 to Sep 2018

<b>Risk area</b>	<b>Tasks</b>	<b>Planned for</b>	<b>Current status</b>
Council-wide	Process the results from the Fraud Risk Assessment workshops & produce report and action plan including 'target hardening' high risk areas.	Jan 2017	Awaiting workshops.
Council-wide	Deliver targeted service-specific training to high-risk areas identified in the Fraud Risk Assessment Process.	Feb 2018	Awaiting Fraud Risk Assessment results.
Council-wide	Conduct random sampling exercises in high-risk areas in the council.	March 2018 – April 2018	Awaiting Fraud Risk Assessment results.
Council-wide	Collate results and then produce a report on the Random Sampling results to affected Directorates and then to Directors Board.	April 2018 – June 2018	Awaiting Fraud Risk Assessment results.
Council-wide	Investigate incidents of suspected fraud, and other economic crime including: <ul style="list-style-type: none"> <li>• Fraud (&amp; other deception)</li> <li>• Bribery</li> <li>• Corruption</li> <li>• Cyber-Crime</li> <li>• Money Laundering</li> </ul>	Sep 2017 – Sep 2018	This work is conducted throughout the year and reported quarterly.
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2017 exercise is complete.	Will report progress made on quarterly basis	Results being assessed. Regular performance reporting will commence in Dec 2017.

<b>21 September 2017</b>		<b>ITEM: 7</b>
<b>Standards and Audit Committee</b>		
<b>2016/17 Access to Records Report</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Lee Henley, Strategic Lead - Information Management		
<b>Accountable Assistant Director:</b> Jackie Hinchliffe, Director of HR,OD & Transformation		
<b>Accountable Director:</b> Jackie Hinchliffe, Director of HR,OD & Transformation		
<b>This report is:</b> Public		

## Executive Summary

- During 2016/17, the council processed 97% of Freedom of Information (FOI) requests within the legal timeframe. This is based on 1046 FOI requests that were processed.
- The reporting period shows an increase in FOI requests received compared with 2015/16 (980 received).
- Based on data captured within the FOI database, it has been estimated that the average FOI request takes 2 hours 30 minutes to process.
- The council challenge and/or refuse requests when it is believed that the requestor has used a false name, where we have reasonable grounds to believe the applicant is acting as part of a campaign or in consort with others, or where their questions do not meet the other validity requirements for FOI.
- The council refuse requests where it is estimated that the time taken to process the request exceeds 18 hours. During 2016/17, 40 requests were refused in full due to the 18 hour threshold (and 2 were part refused).
- During 2016/17 the council received 47 Subject Access Requests under the Data Protection legislation. 83% of these requests were processed within the timeframe.
- The Information Governance Team is continuing to ensure an increased amount of data is identified for routine publication online. This work forms part of the Transparency Agenda and aims to increase openness and accountability; whilst reducing unnecessary processing of FOI requests.

## 1. Recommendation(s)

### 1.1 To note the performance and statistics for 2016/17 for both FOI and Data Protection.

## 2. Introduction and Background

### 2.1 Freedom of Information

2.1.1 FOI affects up to 100,000 public sector bodies and organisations in England, Wales and Northern Ireland, including central and local government, the police, NHS, schools, dentists, opticians and pharmacists. Anyone, from anywhere in the world, may make a request for information that is held by the council (they can be a person, business, or organisation). FOI requestors do not have to give reasons for seeking the information, and the council cannot make enquiries as to why information is being sought.

2.1.2 From 1 January 2005 the Freedom of Information (FOI) Act 2000 was fully implemented. This resulted in access to recorded information held by the council being made available, allowing anyone to submit a written request to see information about almost anything that is recorded.

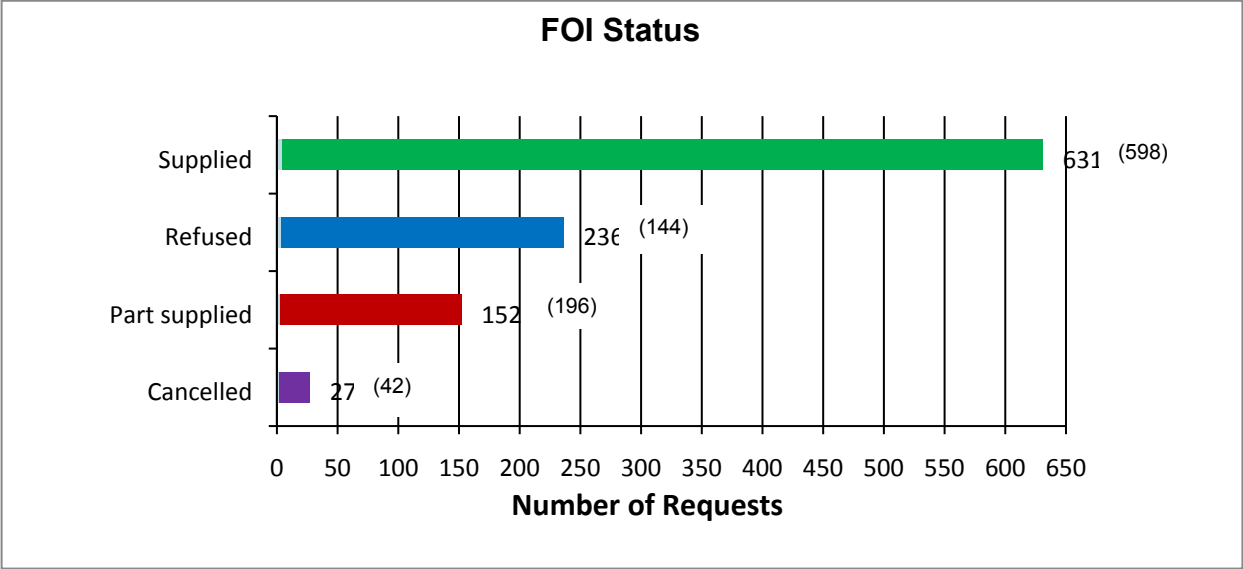
2.1.3 On receipt of an FOI Request the council have 20 working days to process the request.

2.1.4 During 2016/17, 1046 FOI requests were recorded on the council's FOI tracking system. The table below details year-on-year volume and performance data since 2014:

Year	Number of Requests	% responded to in time
2014/2015	548	98%
2015/2016	980	98%
2016/2017	1046	97%

2.1.5 The chart below shows that of the 1046 requests received in 2016/17, 631 (60%) were supplied with all information requested, 236 (23%) were refused, 152 (15%) were part supplied, 27 (2%) were cancelled.

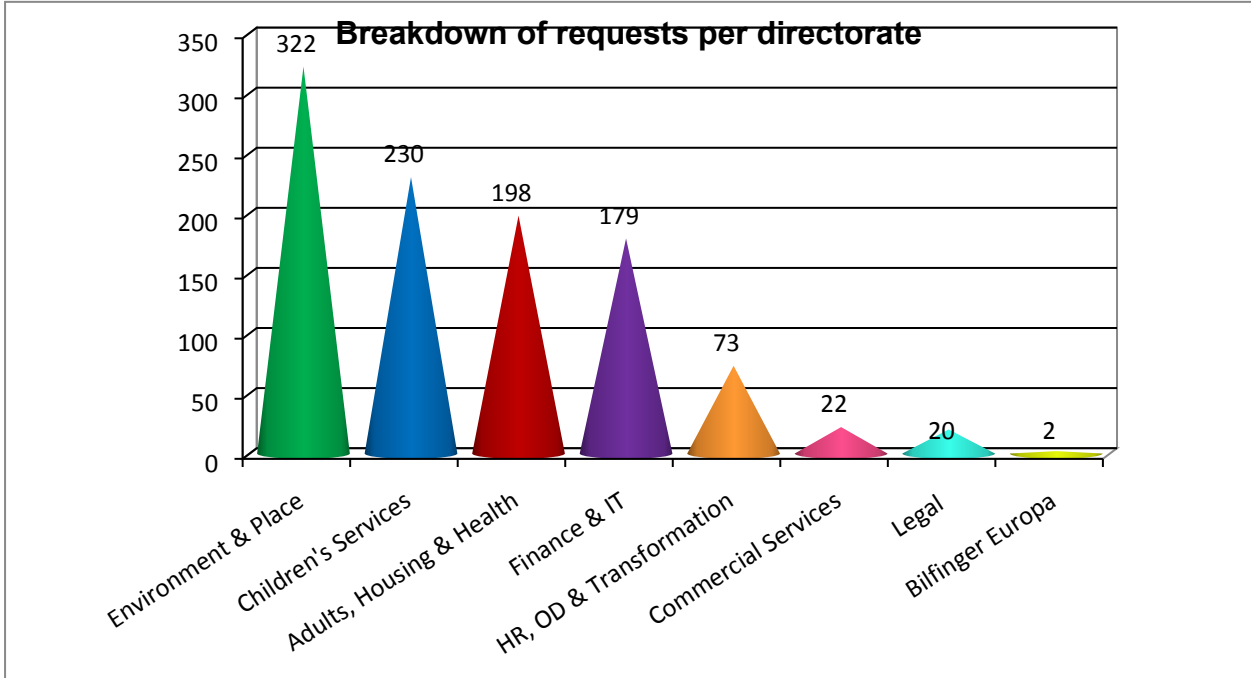
The figures in brackets below are 2015/16 figures.



2.1.6 The average number of days taken to answer a Freedom of Information request for 2016/17 was 17 working days. During 2015/16 the average time taken was also 17 working days.

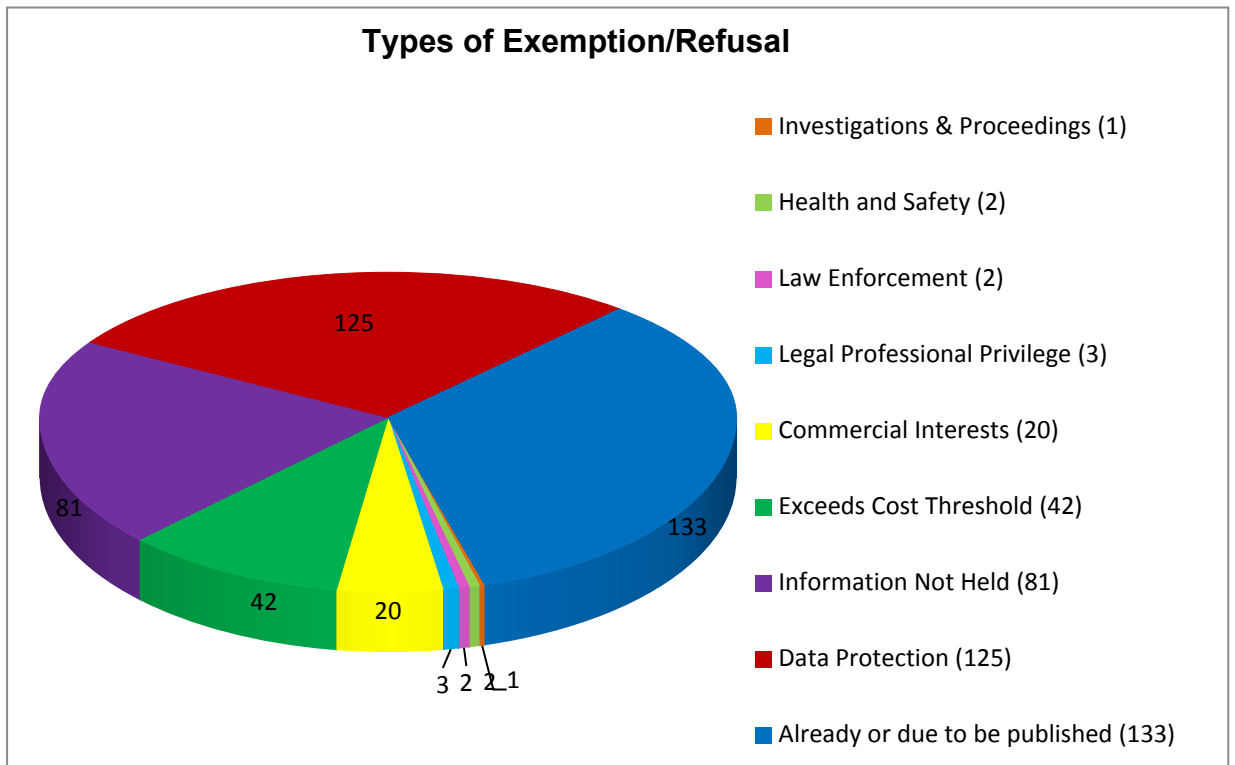
2.1.7 Based on 1046 requests processed within 2016/17 it has been estimated that the average FOI request takes 2 hours 30 minutes to process.

2.1.8 The chart below shows requests received per Directorate.



2.1.9 The chart below shows the type of exemptions and refusals that were applied (based on a total of 388 requests that were part supplied or refused). Some of the exemptions allow the council to withhold information where disclosure would cause significant prejudice to the council's business at a particular time, and which is therefore not in the public interest to release. Please note the

chart below does not balance back to 388, as more than one exemption can be relied upon per request.



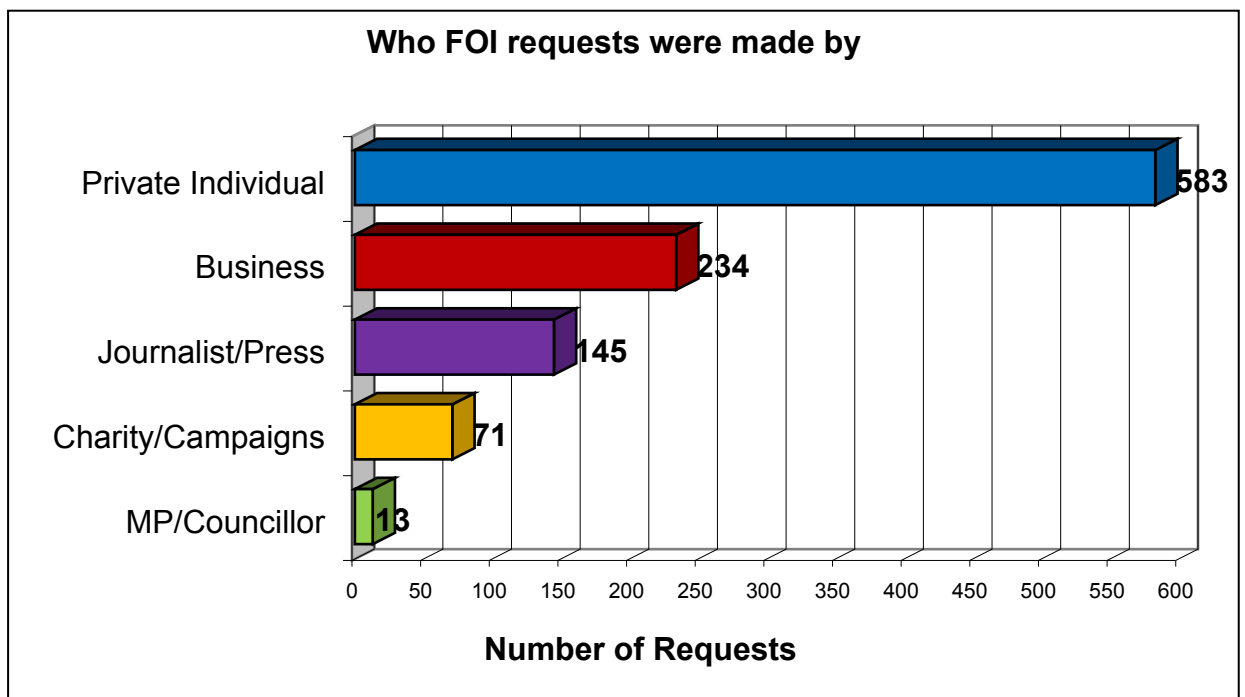
2.1.10 The Information Governance Team maintains responsibility for making decisions on the application of Exemptions (to withhold information) under the Act. These are recorded and evidenced to support the approach taken, and to demonstrate how the Public Interest Test has been applied for Qualified 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.

2.1.11 The Information Governance Team respond to complaints received regarding FOI and Environmental Information Regulations (EIR) requests. During 2016/17 there was 1 FOI complaint that was escalated to the Information Commissioner’s Office (ICO). A summary of this complaint is detailed below:

- The council had no record of receiving the FOI request that was escalated to the ICO. The request was then logged on the day the council had visibility and it was processed accordingly. The ICO closed the case and were satisfied with the council’s actions.



2.1.12 The chart below identifies where FOI requests to the council originated from.



2.1.13 The council refuse requests where it is estimated that the time taken to process the request exceeds 18 hours. The first task the team undertake when requests are formally logged is to work with service areas to assess how long a request is likely to take. Any requests estimated to take in excess of 18 hours will be refused. Estimates must be justified and records kept supporting our decisions. During 2016/17, 40 requests were refused (in full) due to the 18 hour threshold.

2.1.14 If the council receives two or more related requests within a period of 60 consecutive working days (on the same/similar topic), from a person or different persons who appear to be acting in concert or in pursuance of a campaign, the costs of complying with the individual requests will be aggregated (for the purpose of refusing).

2.1.15 The Information Governance Team routinely populates completed FOI requests onto the council's website with the aim of reducing FOI requests received by the council.

2.1.16 A benchmarking exercise has been undertaken to compare performance and data on FOI with other Councils. The results of this are shown in Appendix 1 and a summary is provided below:

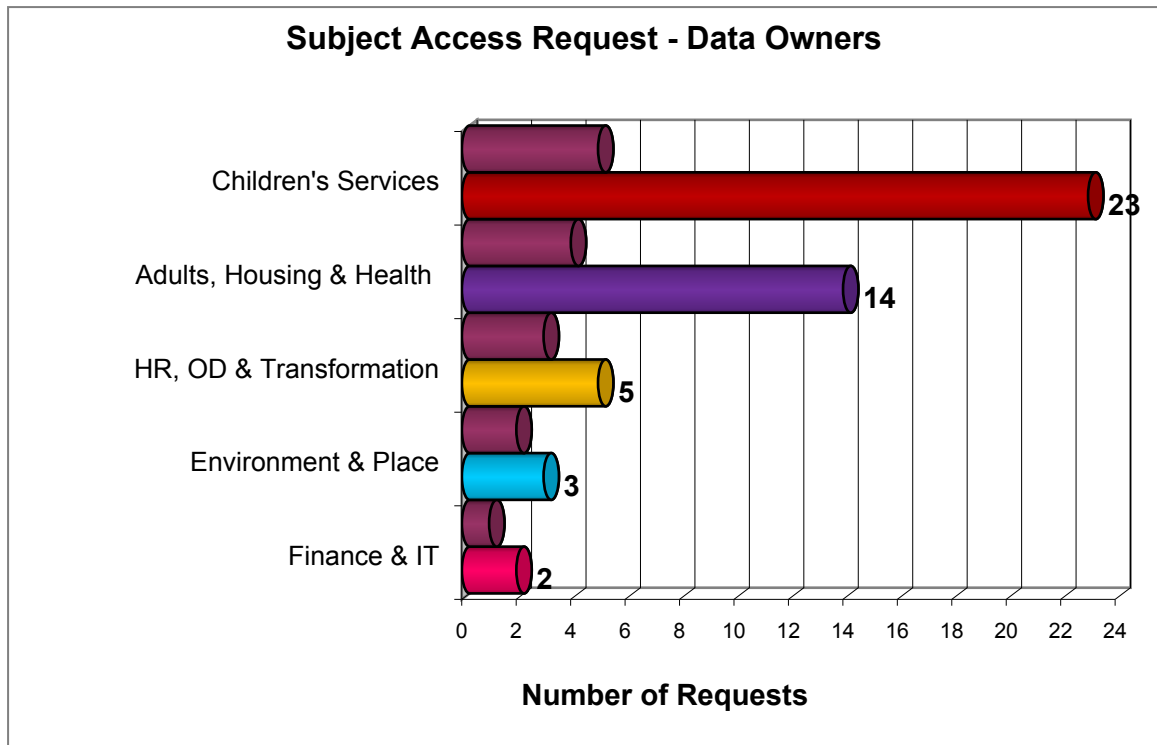
- Replies were received from 25 councils' (the request was sent to approximately 90 Councils/organisations in scope for FOI).
- Performance is strong for the majority of Councils' who responded.
- It is evident that the majority of those who responded have seen an increase in requests being received.

## 2.2 Data Protection

- 2.2.1 Principle 6 of the Data Protection Act states that personal information must be processed in accordance with the rights of data subjects. This can result in anybody making a request to the council about any information we hold on them and these are referred as Subject Access Requests (SAR). Requests range from very specific records (such as Council Tax, Benefits claim history or complex social care records) to a wide range of records (such as all information held by the council).
- 2.2.2 When the SAR process is utilised, the council have 40 calendar days in which to complete the request. The timeframe is met at the point at which we have prepared all files for disclosure and have invited the applicant to collect their records from the council.
- 2.2.3 During 2016/17, the council received 87 SAR requests, of those 47 requests paid the fee and the full SAR process was implemented. Of the 47 requests, 83% (39) of requests were processed within the statutory timeframe. During this financial year the team received 4 large requests at the same time. These are on-going and have impacted on the overall team performance.
- 2.2.4 During 2016/17 the council did not receive any complaints from the ICO regarding the management of SAR's.
- 2.2.5 The table below shows volumes of requests and performance since 2014. The ICO have also confirmed that in the future they are going to be implementing formal monitoring of council's response rates on data protection in terms of timeframes (at the moment this is only checked if complaints are made).

Year	Number of Requests	% responded to in time
2014/2015	21	71%
2015/2016	43	93%
2016/2017	47	83%

- 2.2.6 The chart below shows where the data was owned (i.e. those Directorates holding data on the applicant) for the 47 requests processed fully. This chart highlights that Children's Services received the most requests for 2016/17.



### **3. Issues, Options and Analysis of Options**

3.1 There are no options associated with this paper.

### **4. Reasons for Recommendation**

4.1 This report is for noting purposes. There are no recommendations requiring approval.

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

5.1 This report was sent to Performance Board and Directors Board.

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

6.1.1 The council has an effective system and process in place for managing both FOI and Data Protection requests. Procedures are regularly reviewed in order to improve performance.

6.1.2 The council's ability to comply and process FOI and Data Protection requests within the requirements of the respective legislation demonstrates our commitment to openness and accountability. This will allow residents and customers to have a confidence in what we do and will help build trusting relationships.

6.1.3 Access to information can also be closely linked to our Customer Services and ICT Strategies.

6.1.4 Processing of FOI and Data Protection requests can identify where service improvements can be made, such as improving records management processes.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Laura Last**  
**Senior Finance Officer**

- The council can charge £10 to process a SAR under the Data Protection Act, however there is no charge under the Freedom of Information Act as the council refuse requests that exceed the cost threshold.
- Financial penalties for Data Protection breaches have increased to up to £500K and the Information Commissioners Office (ICO) have been given more powers to check for compliance.

### **7.2 Legal**

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

- FOI failure could result in regulatory intervention as the ICO are now starting to target poor performing councils for FOI which will lead to reputational damage.
- There are various avenues available to the Information Commissioner's Office to address an organisation's shortcomings in relation to the collection, use and storage of personal information. These avenues can include criminal prosecution, non-criminal enforcement and audit. The Information Commissioner also has the power to serve a monetary penalty notice on a data controller.
- The council must also comply with the Code of Practice issued under section 46 of the Freedom of Information Act 2000. The Information Commissioner may issue practice recommendations to an authority considered to be non-compliant with the Code specifying the steps that should be taken to ensure conformity. Failure to comply with such a recommendation could lead to an adverse report to Parliament in relation to the authority, by the Information Commissioner.
- The council must also be mindful of its duties under the Public Records Acts 1958 and 1967, the Local Government (Records) Act 1962, the Local

Government Act 1972, the Local Government (Access to Information) Act 1985 and any other record-keeping or archives legislation.

### 7.3 **Diversity and Equality**

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

- There are significant diversity issues for the whole community regarding FOI and Data Protection. The successful implementation of FOI and Data Protection allows our customers, stakeholders, partners and the public to access and receive information.

### 7.4 **Other implications**

None

### 8. **Background papers used in preparing the report**

- None – Information has been obtained from the FOI and Data Protection databases/systems.

### 9. **Appendices to the report**

- Appendix 1 - Benchmarking

### **Report Author:**

Lee Henley

Strategic Lead - Information Management

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**Appendix 1 -Freedom of Information Benchmarking results 2016/2017**

Council	Number of FOI requests received during 2015/16	Increase or Decrease from previous year	Number of FOI requests received during 2016/17	% that were replied to within 20 working days	The majority of the requests came from
Thurrock Council	980	+	1046	97.0%	Individuals
Wokingham			1185	91.0%	Not recorded
Ashfiled District Council	879	+	1233	99.7%	Businesses
Mansfield District Council	629	+	694	100.0%	Businesses
Leicestershire County Council	949	+	1169	92.0%	Not recorded
Eastbourne Borough Council	558	+	644	96.0%	Individuals
South Gloucestershire Council	1114	+	1231	87.0%	Not recorded
Canterbury City Council	792	+	990	96.7%	Individuals
Malvern Hills District Council	461	+	541	95.0%	Not recorded
Southampton City Council	1354	+	1382	71.3%	Individuals
Dorset County Council	826	+	894	90.3%	Individuals
London Borough of Redbridge	1537	+	1703	98.0%	Individuals
Rutand County Council	1401	+	1491	91.0%	Individuals
London Borough of Barnet	1977	+	2068	97.0%	Individuals
Leicester City Council			1371	98.0%	Individuals
Redditch Borough Council and Bromsgrove District Council			1236	86.4%	Not recorded
Bedford Bororough Council	1597	+	1645	99.4%	Not recorded
Herefordshire Council	1171	+	1192	95.6%	Individuals
Northumberland County Council			1373	91.0%	
Bristol City Council			1935	65.0%	Not recorded
Central Bedfordshire	1354	-	1255	98.5%	Individuals
Southend Borough Council			1160	84.2%	Individuals
East Sussex County Council	1115	+	1402	93.0%	Not recorded
Milton Keynes Council			1270	85.0%	Not recorded
West Berkshire Council	1211	+	1299	91.7%	Not recorded
London Borough of Sutton	1290	+	1448	88.0%	Individuals

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<b>21 September 2017</b>	<b>ITEM: 8</b>
<b>Standards and Audit Committee</b>	
<b>Annual Complaints Report 2016/2017</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Lee Henley – Strategic Lead Information Management	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Jackie Hinchliffe – Director of HR, OD & Transformation and David Lawson - Monitoring Officer	
<b>This report is:</b> Public	

## Executive Summary

- A review of the complaints procedure resulted in the removal of the concerns stage with effect from 1st August 2016.
- The combined total of complaints and concerns received for the reporting period is 2890. The combined total for 2015/16 was 4506, therefore this represents a significant reduction.
- Directorate sheet summaries are attached as Appendix 1. These provide information on the most common (not all) complaints received for the Directorate, together with analysis on what action has been identified or undertaken by the service to improve service delivery and/or reduce complaints.
- During the reporting period, 38% of complaints have been upheld. This is an improvement compared with 2015/16 which identified 50% of complaints as being upheld.
- For the reporting period, 90% of complaints were responded to within timeframe. Performance has dipped compared to the previous year (98%) and is due to a combination of shorter complaint timeframes that were introduced on the 1<sup>st</sup> August 2016 and the introduction of the requirement for a senior officer sign for complaints within certain areas.
- A total of 752 MP/MEP enquiries were received, of which 97% were responded to within the timeframe.

- A total of 4065 members enquiries were received, of which 97% were responded to within the timeframe. The average time taken to respond to members enquiries across all Directorates was 5 days.

## 1. Recommendation(s)

### 1.1 To note the statistics and performance for the reporting period.

## 2. Introduction and Background

2.1 This report sets out the council's complaints statistics for the year 2016/2017.

2.2 Adult Social Care (ASC) and Children's Social Care (CSC) have separate statutory complaints procedures.

2.3 Directorate analysis of complaints has been produced and are attached as Appendix 1. The Corporate Complaints Team work with services to establish the root cause for concerns/complaints received, reasons for complaint escalation and reasons why complaints are upheld.

## 2.4 Ombudsman Enquiries

2.4.1 The table below provides a summary of formal enquiries where the Local Government Ombudsman and/or the Housing Ombudsman have reached a formal decision on cases within the reporting period. Findings and recommendations from all enquiries are shared with respective Directors and Heads of Service.

Area	Issue Nature	Ombudsman Findings	Financial Remedy
Housing (HO)	The handing of repairs following a leak.	Local settlement	£50
CSC (LGO)	Discrimination.	Local settlement	n/a
ASC (LGO)	Denied a supporting living allowance.	Maladministration and Injustice	n/a
ASC (LGO)	Handling of safeguarding matter.	Discontinue investigation	n/a
Housing (LGO)	Concerns over a homeless application.	No maladministration	n/a
Finance & IT (LGO)	Delay with processing housing benefit claim and payments, resulting in eviction.	Maladministration – no injustice	n/a
Housing (HO)	Unhappy with the caretaking service.	No maladministration	n/a
Housing (HO)	ASB concerns.	Closed after initial enquiries	n/a
ASC	Eviction from care home	No maladministration	n/a

(LGO)	and safeguarding issues.		
Legal (LGO)	Appeal against refusal of school place.	Closed after initial enquiries	n/a
Finance & IT (LGO)	Letters sent to incorrect address resulting in bailiff fees.	Maladministration and injustice	£100
Legal (LGO)	Appeal against refusal of school place.	Maladministration - no Injustice	n/a
Housing (LGO)	Failure to complete repairs.	Discontinue investigation	n/a
Legal (LGO)	Unhappy with the way the school admission appeal was arranged.	Maladministration - no Injustice	n/a
Environment & Place (LGO)	Failings in the way the council collected waste bin.	Maladministration - no Injustice	n/a
Housing (HO)	Failure to adequately address ASB issues.	Local settlement	£50
Housing (HO)	Disputes over service charge.	No maladministration	n/a
Environment & Place (LGO)	Breach of planning.	No maladministration	n/a
Legal (LGO)	Appeal against refusal of school place	Discontinue investigation	n/a
Environment & Place (LGO)	Refusal of dropped kerb application.	No maladministration	n/a
Legal (LGO)	Appeal against refusal of school place.	Maladministration - no Injustice	n/a
Finance & IT	Issues with debt recovery.	Closed after initial enquiries	n/a
Housing (HO)	Issues with repairs.	No Maladministration	n/a
CSC (LGO)	Support offered by CSC and sharing information without consent.	Maladministration and injustice	£250
Housing (LGO)	Priority banding for medical needs.	Closed after initial enquiries	n/a

## 2.5 MP and Member Enquiries

2.5.1 During the reporting period enquiries were received as follows:

- 4065 member enquiries were received, with 97% responded to within timeframe. The average time taken to respond to members enquiries across all Directorates was 5 days.

- A total of 752 MP/MEP enquiries were received (498 MEP), of which 97% were responded to within timeframe.

2.5.2 MP/MEP enquiry trends and common themes are outlined below:

Area	Enquiry Type	Volume
Housing	Housing solutions	189
Housing	Repairs	102
Housing	Estate Management	87
Finance & IT	Housing Benefits	49
Environment & Place	Street cleansing	32
Housing	Transforming Homes	24

2.5.3 Councillor enquiry trends and common themes are outlined below:

Area	Enquiry Type	Volume
Housing	Repairs	583
Housing	Housing Solutions	293
Environment & Place	Missed bin collections	112
Housing	ASB	90
Environment & Place	Street Cleansing	386
Environment & Place	Planning	196
Environment & Place	Environmental Health & Trading Standards	214

## 2.6 Learning lessons from complaints

2.6.1 The most important aspect of any complaints management framework is the ability to demonstrate that the council can show evidence that it is learning from complaints received. Appendix 1 includes a high level summary of learning from upheld complaints which has been identified by the Directorates.

## 2.7 Compensation

2.7.1 Records confirm that within the reporting period financial compensation payments have been made by the council as outlined below:

Area	Complaint Stage	Financial Remedy
CSC	Stage 3	£300
Finance & IT	Stage 2	£834
Environment & Place	Stage 3	£200
Housing	Stage 3	£160
Environment & Place	Stage 2	£25
Children's	Stage 3	£6500

Housing	Stage 2	£750
Housing	Stage 2	£800
Housing	Stage 2	£800
Housing	Stage 2	£725
Finance & IT	LGO	£100
Housing	Stage 3	£20
Strategy, Communications & Customer Service	Stage 3	£66
Housing	HO	£50
Environment & Place	Stage 3	£25
CSC	LGO	£250
Housing	HO	£50
		<b>Total £11655</b>

## 2.8 Children's Social Care (CSC)

- Children's Social Care operates a statutory complaints procedure. For the reporting period, 94 Stage 1 complaints were recorded (the previous year 81 were received so this represents an increase). 9 complaints were upheld, 10 complaints were partially upheld and 49 complaints were not upheld. Of the 26 not completed, 7 were out of jurisdiction, 15 were withdrawn and 4 are in the process of investigation.
- 2 complaints progressed to Stage 2 independent investigation. 1 complaint was partially upheld and 1 complaint is still ongoing.
- 1 complaint progressed to a Stage 3 review panel. The outcome of this complaint was partially upheld.
- Other representations received are shown below:
  - 62 compliments
  - 2 Ombudsman enquiries
  - 13 MP Enquiries
  - 23 Member Enquiries
  - 8 MEP Enquiries
  - 12 Initial feedback.

## 2.9 Adult Social Care (ASC)

- 98 complaints were investigated in accordance with the statutory adult social care complaints procedure (the previous year 54 were received so this represents an increase). 44 complaints were upheld, 12 were partially upheld, 26 complaints were not upheld and 2 complaints are in the process of being investigated. 12 complaints were withdrawn and 2 were out of jurisdiction.
- Other representations received are shown below:

- 1 Ombudsman enquiry
- 8 MP Enquiries
- 41 Member Enquiries
- 10 MEP Enquires
- 142 compliments

## 2.10 Complaint channels

2.10.1 There are various means for complainants to register expressions of dissatisfaction. The top themes for 2016/2017 are shown below:

Digital channel (email, social media, website)	72%
Complaints Form	11%
Telephone	12%
Letter	4%
In Person	1%

## 2.11 Compliments

2.11.1 The council received a total of 491 external compliments within the reporting period (last year this figure was 395) from residents and visitors. Breakdown is below:

Area	Volume
Housing	58
Environment & Place	162
Finance & IT	4
Strategy, Communications & Customer Service	17
HR, OD & Transformation	28
Legal	1
Children's	17
ASC	142
CSC	62
<b>Total</b>	<b>491</b>

## 2.12 Changes to the complaints process

2.12.1 A review of the council's complaints process resulted in changes with effect from 1<sup>st</sup> August 2016. This change resulted in the removal of the 'concerns' stage and any issues that would have previously been processed as a 'concern' are now dealt with as a stage 1 complaint if it meets the council complaint definition. A summary of other process changes made are shown below:

**Complaints timeframes:**

- The timeframes for responding to complaints, members enquiries and MP enquiries were changed from calendar days to working days.
- Stage 1 complaints now have a 7 working day timeframe. This was 14 calendar days, therefore this represents a shorter timeframe.
- Stage 2 complaints now have a 15 working day timeframe. This was 28 calendar days, therefore this represents a shorter timeframe.
- Stage 3 complaints now have a 15 working day timeframe. This was 28 calendar days, therefore this represents a shorter timeframe.
- All enquiries have a 10 working day timeframe. This was 14 calendar days so no change.

#### **Members Enquiries:**

- Any members enquiries received on behalf of their constituents that clearly meet our definition of a complaint, will be dealt with as a resident/individual complaint (recorded as a complaint via members). In these cases the response will be sent to the resident/individual with the member copied in.
- Enquiries from members that do not align with our complaint definition will be logged and processed as a members enquiry.

### **3. Issues, Options and Analysis of Options**

3.1 There are no options associated with this paper.

### **4 Reasons for recommendations**

4.1 This report is for noting purposes. There are no recommendations requiring approval.

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

5.1 This report was sent to Performance Board and Director's Board.

### **6 Impact on corporate policies, priorities, performance and community impact**

6.1 Complaints impact on the council's priority of delivering excellence and achieving value for money.

6.2 The complaints process seeks to create a culture of corporate learning from best practice from listening to our customers and by acting on complaints. All complaints received must have learning applied if the complaint outcome is upheld.

6.3 The complaints process aims to improve customers' and users' experience of accessing council services. This will support our customer services strategy.

## **7 Implications**

### **7.1 Financial**

Implications verified by: **Harriet Kateregga**

**Management Accountant**

There are no direct financial implications arising from this report.

### **7.2 Legal**

Implications verified by: **David Lawson**

**Deputy Head of Legal & Monitoring Officer**

- Both the Courts and the Local Government Ombudsman expect complainants to show that they have exhausted local complaints / appeal procedures before commencing external action.
- The implementation of our learning from complaints and listening to our residents should lead to a reduction of complaints received and a reduction in those going to the Ombudsman or the Courts.
- Social Care for Adult and Children are required to follow a separate procedure stipulated by the Department of Health (DOH) and Department for Education & Skills (DFES).

### **7.3 Diversity and Equality**

Implications verified by: **Natalie Warren**

**Community Development and Equalities Manager**

- The Information Management Team will ensure that the Community Development and Equalities Manager are aware of all complaints that have an equality related expression of dissatisfaction.

### **7.4 Other implications**

None

## **8 Background papers used in preparing the report**

- Information has been obtained from the council's complaints system.



## **9. Appendices to the report**

- Appendix 1 – Directorate performance data analysis and learning outcomes.

### **Report Authors:**

Lee Henley

Strategic Lead – Information Management

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## Appendix 1

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: ADULTS, HOUSING & HEALTH**

### Summary:

Top expressions of dissatisfaction relate to Housing remedial repairs, Transforming Homes programme, delays by contractors and service provision for homeless applications. These include:

- Transforming Homes - Quality of works, conduct of contractors and no updates being provided.
- Repairs - Lack of updates regarding repairs appointments, damp and mould, delays by the contractor and quality of work.
- Housing solutions - Lack of updates, conduct of staff, delays with decision being made on application.
- Estate Management – ASB issues and lack of communication.

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	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Transforming Homes</b>	<b>33</b> (38)	<b>2</b> (7)	<b>65</b> (48)	<b>60%</b> (79%)	<b>11</b> (13)	<b>15</b> (15)	<b>67%</b> (67%)	<b>3</b> (3)	<b>3</b> (6)	<b>0%</b> (33%)
<b>Repairs</b>	<b>158</b> (660)	<b>23</b> (79)	<b>429</b> (447)	<b>41%</b> (77%)	<b>71</b> (106)	<b>97</b> (149)	<b>48%</b> (69%)	<b>15</b> (40)	<b>15</b> (46)	<b>7%</b> (13%)
<b>Housing Solutions</b>	<b>30</b> (108)	<b>1</b> (9)	<b>100</b> (77)	<b>24%</b> (18%)	<b>20</b> (19)	<b>60</b> (31)	<b>32%</b> (29%)	<b>12</b> (7)	<b>15</b> (8)	<b>7%</b> (25%)
<b>Estate Management</b>	<b>54</b> (157)	<b>7</b> (13)	<b>107</b> (79)	<b>20%</b> (49%)	<b>22</b> (19)	<b>57</b> (53)	<b>26%</b> (32%)	<b>10</b> (14)	<b>15</b> (18)	<b>26%</b> (22%)

\*Last year's full figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

### Points to Note:

- Transforming Homes – 60% of stage 1 complaints were upheld. This has improved compared to last year (79%) however this still remains high.
- Transforming Homes – 67% of stage 2 complaints were upheld (the same figure for 2015/16).
  - **Reasons why the % upheld is high:**
    - Overall the number of concerns/complaints received for Transforming Homes for the year represents 0.7% of the overall number of contacts required (16,725) to complete these works.
    - A theme this year has been regarding contractor communication.
    - A second theme of those upheld was regarding the timely resolution of any defects which come to light after a property has been completed.
  - **Plans to reduce this %:**
    - Where complaints are upheld actions are put in place with our contractors to address any themes arising and are monitored through ongoing improvement plans.
    - English classes have recently been put in place by a contractor for their workforce to help improve their ability to respond to residents when working in Thurrock homes. In addition to this, the content of all standard letters has been reviewed.
    - The way defects are handled has now been reviewed and the time taken to resolve any defects is now monitored monthly as a performance item with our contractors.
- Repairs - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
  - **What actions have been taken by the service to help contribute to this reduction in volumes:**

Below is a summary of key improvements identified and implemented within the service and in partnership with Mears.

- Follow on works / Exclusions:
  - A dedicated resource is now assigned to the Exclusions work stream.
  - In December a second resource was assigned to this work stream.
- Follow on works/missed appointments:
  - Due to repeated issues of this nature a common trend was identified with regards to one particular sub-contractor. As a result, no further works were issued to the subcontractor from September 2016, allowing them time to focus on existing work orders only.

- A second subcontractor was then identified as having a high number of missed appointments recorded. It was then determined that the demand of works was too high and this was resulting in missed appointments. Volume of work assigned to this subcontractor was reduced.
- Repairs call handling:
  - With effect from November 2016, all calls to the repairs team are now recorded.
  - Regular spot checks are carried out on calls received by the repairs call centre, including both recorded and live calls, to ensure the correct information is being provided to residents and to identify any training needs.
  - Call scripts have been developed and implemented, to assist in the handling of calls relating to repairs.
- Technical Services
  - A dedicated resource has been assigned to work with Technical Services in order to assist in managing visits undertaken by Thurrock Surveyors. This includes arranging appointments with residents and booking these into the Surveyor's diaries, keeping residents informed with regards to appointments and assisting the Surveying and Engineering Team Lead with ensuring that Surveyors are promptly providing their reports and any recommendations following inspections.
- Damp and Mould
  - The service have appointed a Damp and Mould Specialist Surveyor and Damp and Mould Resident Liaison Officer.
  - A full review of the process along with the development of procedures for managing cases relating to reports of Damp and Mould has been completed and implemented in the 3<sup>rd</sup> quarter (Oct – Dec 2016).
  - Work is currently ongoing with regards to the development and implementation of Damp and Mould training across various housing teams, to assist in the management of cases.
- Repairs - 41% of stage 1 complaints were upheld. This has improved significantly compared to last year (77%) however this still remains high.
- Repairs - 48% of stage 2 complaints were upheld. This has improved significantly compared to last year (69%) however this still remains high.
  - **Reasons why the % upheld is high:**

- The upheld complaints for the Repair Service relate to delays in follow on works being completed, communication issues, staff attitude and quality of workmanship.
  - **Plans to reduce this %:**
    - Please see above section (*what actions have been taken by the service to help contribute to this reduction in volumes*)
    - Delays in follow on works - This will be monitored via customer feedback, by introducing logs to ensure follow on work are progressed. Additionally, Mears have outlined that the Customer Care Team will monitor 'call back sheets' to ensure these have been signed off and works completed.
    - Communication issues - The service are addressing communication issues through 'Mears Governance Meetings'
    - Attitude of staff – This has been addressed by taking action in line with HR procedure.
    - Quality of work – This has been addressed by delivering toolbox talks with staff.
    - In addition to the above, it should be noted that:
      - Overall the number of concerns/complaints received for repairs represents 2% of the total number of responsive repairs undertaken (34,056).
      - Resident customer satisfaction, has increased from 86% (2015/16) to 91% for 2016/17.
- Housing Solutions – There has been a significant increase in stage 2 complaints received (60 for this year compared with 31 the previous year).
  - **Reasons for the increase in stage 2 volumes:**
    - The policy, increased demand pressures and limited stock often mean the council are unable to meet all the needs in providing a property for all customers.
    - Delays in processing applications.
    - Lack of contact from staff.
    - Concerns over the conduct of staff.
  - **Detail of the plans to reduce the volume of stage 2 complaints received going forward:**
    - The service review within the homelessness service will drive forward a significant change in the way in which the council delivers the homeless service. This will result in the quicker processing of applications as the team will be working on specialist areas.

- To manage customer expectations, a review of all customer literature and communication will be undertaken to improve the information in letters and on the website. This will clarify the service standards and expectations.
  - Staff will be offered a refresher customer care training.
  - Increased joint working with the corporate complaints team, conducting monthly review of trends and lessons learnt to minimise future complaints.
- Estate Management - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
    - **What actions have been taken by the service to help contribute to this reduction in volumes:**
      - The team have adopted a more pragmatic approach to introductory tenancy cases and focused more on Tenancy Sustainment. An example of this is whereby there is a small amount of rent arrears.
      - The team now offer early support and referrals to other agencies when concerns are identified and the team are working more closely with our partners to achieve this and reduce the number of evictions.
      - The team have also focused on resolving complaints swiftly to ensure the matter is not escalated. To help with this the team now break down and highlight each separate concern raised by the customer, to ensure they are responding fully to each item raised.
      - The team now provide feedback around lessons learned from previous complaints to ensure the same mistakes aren't repeated. An example of this is a case study that was used in a team brief around a stage 1 which escalated where it shouldn't have if the Officer had checked through previous customer slips to ascertain the customer had raised the same concern before with a different Officer.

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: Children's Services**

**Summary:**

Top expressions of dissatisfaction relate to Special Educational Needs (SEN) and School Admissions and include:

- Delays with Educational Health and Care (EHC) plan.
- Unhappy with how school admission has been processed.
- Conduct of staff members.

	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>SEN</b>	1 (4)	0 (0)	17 (7)	41% (71%)	3 (1)	8 (1)	50% (0%)	4 (0)	4 (0)	25% (0%)
<b>Admissions</b>	1 (3)	0 (1)	7 (6)	14% (0%)	0 (1)	5 (1)	60% (0%)	0 (0)	0 (0)	0 (0%)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

**Points to Note:**

- SEN - 50% of stage 2 complaints were upheld (based on 8 complaints).
  - **Reasons why the % upheld is high:**
    - The 4 upheld stage 2 complaints identified in this report relate to the timeliness of the delivery of the of the new Education Health and Care (EHC) plans and communication issues by the SEND team in relation to this. These 4 complaints were upheld, due to:
      - Capacity issues within the SEND team.
      - Delays in the production of the EHC plans.
      - Communication with parents regarding these cases was not at a sufficient level.



- **Plans to reduce this %:**
  - The process of monitoring the performance of delivery of EHC plans has been improved with clearer data reporting and a weekly tracking check on progress.
  - There is now an ongoing log of priority cases where there have been identified issues regarding the EHC plans including timescales, resources and placement issues.
  - All cases are now monitored and reviewed by the SEN Manager with clear expectations placed on SEN caseworkers to keep parents informed of progress on a regular basis and to escalate any issues at an early stage.
  
- Admissions – 60% of stage 2 complaints were upheld (based on 5 complaints).
  - **Reasons why the % upheld is high:**
    - The upheld complaints were all linked to the same theme and relate to the approach taken by staff and the way the council handled the appeal's process.
  
  - **Plans to reduce this %:**
    - As a result of the upheld stage 2 complaints, a review of the school admissions service was undertaken.
    - Staff concerns were fully considered and dealt with in-line with council procedures.

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: Environment & Place**

**Summary:**

Top expressions of dissatisfaction include:

- Bins not being collected on dedicated collection day.
- Bins not being put back in the correct place.
- Issues with fly tipping and general upkeep of area.
- Potholes - Conditions of paths and delays with updates/work being completed.
- Delays in streetlights being fixed.
- Lack of maintenance of recreation grounds.

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	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Missed bin collection</b>	<b>94</b> (388)	<b>12</b> (37)	<b>190</b> (89)	<b>66%</b> (76%)	<b>13</b> (22)	<b>27</b> (28)	<b>52%</b> (68%)	<b>4</b> (3)	<b>4</b> (3)	<b>50%</b> (66%)
<b>Non return of bins</b>	<b>17</b> (90)	<b>1</b> (10)	<b>22</b> (19)	<b>73%</b> (79%)	<b>7</b> (4)	<b>7</b> (5)	<b>43%</b> (60%)	<b>1</b> (3)	<b>3</b> (3)	<b>67%</b> (66%)
<b>Street Services</b>	<b>23</b> (65)	<b>5</b> (5)	<b>23</b> (20)	<b>17%</b> (40%)	<b>6</b> (5)	<b>20</b> (6)	<b>40%</b> (50%)	<b>4</b> (0)	<b>4</b> (0)	<b>0%</b> (0)
<b>Potholes</b>	<b>21</b> (40)	<b>1</b> (2)	<b>13</b> (16)	<b>23%</b> (44%)	<b>3</b> (5)	<b>4</b> (6)	<b>25%</b> (33%)	<b>1</b> (2)	<b>1</b> (2)	<b>0%</b> (50%)
<b>Streetlights</b>	<b>2</b> (10)	<b>0</b> (1)	<b>14</b> (5)	<b>64%</b> (80%)	<b>5</b> (2)	<b>5</b> (2)	<b>80%</b> (50%)	<b>1</b> (0)	<b>1</b> (0)	<b>100%</b> (0)
<b>Parks &amp; Open spaces</b>	<b>45</b> (61)	<b>3</b> (3)	<b>31</b> (14)	<b>19%</b> (36%)	<b>4</b> (2)	<b>5</b> (3)	<b>60%</b> (33%)	<b>1</b> (0)	<b>0</b> (0)	<b>100%</b> (0)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

**Points to Note:**

- Missed Bins - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
  - **What actions have been taken by the service to help contribute to this reduction in volumes:**
    - The recruitment of an Environment Frontline Services Manager dedicated to managing the Waste Services Team.
    - Improved monitoring procedures and investigation of complaints. This includes regular meetings with the Complaints Department and the Contact Centre to identify areas of concern and trends, allowing action planning to address matters of concern.
    - The Waste Management team have received in-house training and additional support to improve the quality of complaint investigations and written responses.
    - Positive engagement initiatives have been implemented in order to engage staff and improve performance. This includes, training and better cascade of information, more robust monitoring documentation, informal meetings and challenging poor performance.
    - The additional support from Environment Services Customer Liaison team means that all complaint responses are tailored to each complaint and generalised responses are no longer used.
    - Minor adjustments to the rounds in order to make better use of staff resources and even out workload.
    - The introduction of an additional garden waste round from October 2016.
    - Seven replacement hire vehicles were commissioned to replace four existing old and unreliable vehicles (which when out of action resulted in missed bins complaints).
- Missed Bins - 66% of stage 1 complaints were upheld. This has improved compared to last year (76%) however this still remains high.
  - **Reasons why the % upheld is high:**
    - The department provides over 200,000 waste collections on a weekly basis to over 66,000 households across Thurrock. Due to the high volume of services provided there were operational issues including staff resources, unbalanced rounds and vehicle problems. These factors have all contributed to a high % of upheld complaints.
  - **Plans to reduce this %:**
    - Review of the existing collection system and routes, planned improvement from a 'pepper pot' system to a 'sweep system'.
    - Continue to actively engage frontline crews to ensure they understand the impact of complaints and their role in performance (see measures above).

- Continue to actively develop the Waste Management team to improve management skills and knowledge. A bespoke training programme will be created with the Training team which will include complaint management.
- Continue to actively engage with the Customer Liaison team, Complaints Department and Contact Centre to ensure high quality responses, swift resolution of enquiries and positive engagement with residents.
- Missed Bins - 52% of stage 2 complaints were upheld. This has improved compared to last year (68%) however this still remains high.
  - **Reasons why the % upheld is high:**
    - Improving the standard of complaint investigations and quality of responses has been a journey for the service.
  - **Plans to reduce this %:**
    - Performance monitoring with crews regarding Stage 2 complaints. This will include individual meetings with crews, addressing and monitoring matters of concern as part of the PDR process.
    - See above stage 1 plans in order to reduce upheld complaints at stage 2.
- Non return of Bins - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
  - **What actions have been taken by the service to help contribute to this reduction in volumes:**
    - The Waste Management team have been more consistent with addressing crew performance regarding non return of bins and this is ongoing.
    - In house training provided to crews to address correct return of bins.
    - Regular communications with crews to draw their attention to this performance issue and service expectations.
- Non return of Bins – 73% of stage 1 complaints were upheld.
  - **Reasons why the % upheld is high:**
    - This is a highly emotive issue for some residents, and there is some ambiguity around this issue. Crews are required to return bins to the collection point/ curtilage of the property, however, a number of residents expectations are significantly different as they expect the return to an exact placement.
  - **Plans to reduce this %:**

- Further in house training, written notifications provided to crews to address correct return of bins as required.
  - Review of return of bins procedure and improved publicity to residents.
  - Better management of residents expectations.
- Streetlights – 64% of stage 1 complaints were upheld (based on 14 complaints) and 80% of stage 2 complaints were upheld (based on 5 complaints).
  - **Reasons why the % upheld is high:**
    - The council have experienced performance problems with its street lighting contractor over the last 12 months, resulting in works orders for defective street lights not being repaired within the contracted timeframe.
    - The poor customer experience has been intensified by the responses residents have received via the “Report It” feature on the web site. The responses sent regarding street lights gave a timescale for repair, which the contractor was not adhering to.
    - In addition, the Report status on the “Report It” tool was closed down, on the advice that the lights would be repaired within 10 days. The feedback received from residents was negative, as they raised concerns that their request should not be closed down before the actual job was completed.
  - **Plans to reduce this %:**
    - The issues above are being addressed. A new Term Contract has been awarded and street lighting faults will, as of, August be dealt with by the new contractor.
    - The new contractor’s performance will be monitored to ensure works are carried out within agreed timeframes.
    - With regards to the responses that are sent out via “Report It”, these are being changed to provide better information and the reports will not be closed down until the jobs are complete. This should commence mid July.

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: Finance & IT**

**Summary:**

Top expressions of dissatisfaction relate to Council Tax, Housing Benefit, Sundry Debtors and include:

- Complaints regarding Council Tax demand letters.
- Delays with refunds being processed.
- Delays with amendments being made to accounts.
- Delays and errors in the processing of benefit claims.
- Overpayment letters are not clear.
- Payments stopped with no notification.
- Attitude of staff within the Sundry Debtors service.
- Recovery action taken is unjustified.

	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Council Tax</b>	<b>43</b> (137)	<b>1</b> (8)	<b>111</b> (77)	<b>17%</b> (17%)	<b>18</b> (17)	<b>23</b> (37)	<b>13%</b> (13%)	<b>2</b> (6)	<b>2</b> (6)	<b>0%</b> (17%)
<b>Housing Benefit</b>	<b>23</b> (119)	<b>2</b> (11)	<b>71</b> (50)	<b>30%</b> (46%)	<b>11</b> (9)	<b>20</b> (16)	<b>35%</b> (21%)	<b>4</b> (5)	<b>5</b> (5)	<b>0%</b> (20%)
<b>Sundry Debtors</b>	<b>13</b> (25)	<b>0</b> (4)	<b>27</b> (28)	<b>11%</b> (12%)	<b>1</b> (6)	<b>69</b> (61)	<b>12%</b> (23%)	<b>3</b> (7)	<b>3</b> (7)	<b>0%</b> (14%)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

### Points to Note:

- Council Tax - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
  - **What actions have been taken by the service to help contribute to this reduction in volumes:**
    - Complaints in this section range from billing through to debt recovery.
    - For billing, initiatives such as Thurrock On-line have assisted in increasing the accuracy of billing. In addition a strong focus on root cause analysis for complaints continues to be embedded.
    - With regards to debt recovery, whilst this can often be a contentious subject the % upheld rate is low. The focus of the service review has been to consider how the service can improve this trend whilst continuing to maintain the excellent recovery rates, through delivering debt recovery:
      - at the right time,
      - in the right way and
      - with the right message
- Housing Benefit - The reporting period has seen a significant reduction in concerns/complaints received compared with 2015/16.
  - **What actions have been taken by the service to help contribute to this reduction in volumes:**
    - The service is focusing on maintaining timeliness and accuracy in dealing with benefit enquiries. This may be a factor that has contributed to a reduction in volume.
- Housing Benefit – 35% of stage 2 complaints were upheld.
  - **Reasons why the % upheld is high**
    - This relates to 7 complaints for the year. The team process in excess of 3000 new claims a year and 40,000 changes in circumstance. Therefore the numbers are low in relation to the volume of contact that is made.
    - The numbers are low to establish a direct theme, although 2 cases related to timeliness and accuracy.
  - **Plans to reduce this %:**
    - The team will continue to work on areas to improve both timeliness and accuracy.

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: HR, OD & Transformation**

**Summary:**

Top expressions of dissatisfaction relate to Corporate Complaints & FOI, Organisational Development and the Web Team and include:

- Unhappy with the recruitment process.
- A delay regarding the handling of a complaint.
- Delay in processing a subject access request.
- Removal of name from website.

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	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Complaints/FOI/DP</b>	0 (2)	0 (0)	2 (1)	50% (100%)	0 (0)	0 (0)	0 (0%)	0 (0)	0 (0)	0 (0%)
<b>Organisational Development</b>	0 (0)	0 (0)	1 (0)	0% (0%)	0 (0)	0 (1)	0 (0%)	0 (0)	0 (0)	0 (0%)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

**Points to note:**

The upheld complaint for the complaints team, was due to not keeping an individual updated of progress regarding their subject access request. The member of staff was spoken to and reminded that communication is important on any overdue requests.



**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: Legal**

**Summary:**

Top expressions of dissatisfaction relate to Democratic & Electoral Services and Legal Services and include:

- Issues with arrangements made to be able to view the Electoral Role.
- A potential data protection breach within Electoral Services.
- Lack of update received from Legal Services.

	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Democratic &amp; Electoral Services</b>	1 (4)	0 (0)	1 (1)	0% (0%)	1 (1)	4 (2)	50% (50%)	0 (0)	0 (0)	0 (0)
<b>Legal Services</b>	1 (0)	0 (0)	4 (1)	50% (0%)	1 (1)	4 (4)	25% (25%)	1 (2)	1 (2)	100% (50%)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

**DIRECTORATE ANNUAL COMPLAINTS SUMMARY: 2016/2017**

**DIRECTORATE: Strategy, Communications & Customer Service**

**Summary:**

Top expressions of dissatisfaction relate to the Contact Centre and Face to Face (F2F) and include:

- Mishandling of documents when providing them to F2F.
- Staff conduct.
- Unhappy with advice given by Contact Centre advisors.

	Concerns rec'd	Concerns escalated	S1 rec'd	% upheld	S1 escalated	S2 rec'd	% upheld	S2 escalated	S3 rec'd	% upheld
<b>Contact Centre</b>	<b>3</b> (17)	<b>0</b> (1)	<b>10</b> (9)	<b>90%</b> (44%)	<b>0</b> (3)	<b>12</b> (14)	<b>50%</b> (43%)	<b>0</b> (2)	<b>0</b> (2)	<b>0%</b> (0%)
<b>Face to Face</b>	<b>0</b> (4)	<b>0</b> (0)	<b>4</b> (1)	<b>100%</b> (100%)	<b>0</b> (0)	<b>3</b> (6)	<b>33%</b> (67%)	<b>1</b> (0)	<b>1</b> (0)	<b>100%</b> (0)

\*Last year's full year's figures are shown in brackets

Please note: The Complaints Team will investigate a complaint direct at stage 3 when an assessment of the case is deemed appropriate

**Points to Note:**

- Contact Centre - 90% of stage 1 complaints were upheld (based on 10 complaints).
  - **Reasons why the % upheld is high:**
    - During 2016/17 the Contact Centre dealt with 384,700 calls. The number of complaints that were received at stages 1 and 2 (based on calls handled) equates to 0.006%.

- 9 complaints were upheld due to human error.
- **Plans to reduce this %:**
  - Following all of the 9 upheld complaints, the individual advisors were spoken to directly, to make them aware of their error and to ensure that they fully understand the process to try and prevent this from happening again.
- Contact Centre - 50% of stage 2 complaints were upheld (based on 12 complaints).
  - **Reasons why the % upheld is high:**
    - In comparison to the number of calls that were handled over the reporting period (384,700), the % of complaints received is low as stated above.
    - Of the 6 upheld complaints, 3 relate to the standard of customer services provided, 2 related to process and 1 related to the actions of a separate council service.
  - **Plans to reduce this %:**
    - The Contact Centre will continue to undertake quality/monitoring checks, to ensure call advisors handle calls effectively.
    - All advisors have and will continue to attend customer care training.
    - For the 3 upheld complaints in relation to service standards, the advisors were spoken to regarding these complaints (as they could have been handled better) and suggestions were made as to how they could be handled differently in the future.
- Face to Face – 100% of stage 1 complaints were upheld (based on 4 complaints).
  - **Reasons why the % upheld is high:**
    - During 2016/2017 the face to face team dealt with 101,903 customers. Of these 4 upheld complaints were received which equates to 0.003%.
    - The four complaints were for various reasons with no direct theme.

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<b>21 September 2017</b>	<b>ITEM: 9</b>
<b>Standards and Audit Committee</b>	
<b>Internal Audit Progress Report 2017/18</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Gary Clifford, Chief Internal Auditor	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Sean Clark, Director of Finance & IT	
<b>This report is public</b>	

## Executive Summary

The Internal Audit Plan 2017/18 was discussed by the Standards & Audit Committee at their meeting of 28<sup>th</sup> February 2017. This progress report covers work undertaken since the last report issued on 6<sup>th</sup> July 2017.

### 1. Recommendation(s)

#### 1.1 That the Standards & Audit Committee:

**Consider reports issued and the work being carried out by Internal Audit in relation to the 2017/18 audit plan.**

### 2. Introduction and Background

2.1 The Accounts and Audit Regulations 2015 require that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

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 2017/18 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 The reports issued by Internal Audit provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green (RAG) assurance level and reports are now categorised as:

- Green; Amber/Green (positive assurance opinions);
- Amber/Red (negative assurance opinion that provides some assurance but a number of weaknesses were identified); and
- Red (negative assurance opinion).

3.2 During the period being reported on, we have finalised 4 reports. These cover the areas of Emergency Planning, Temporary Accommodation, Accounts Payable and Cash & Banking. All of these reports received positive (Green or Amber/Green) assurance opinions and further details of the headline findings are shown in Appendix 1.

3.3 The work which commenced on Leaseholder Charges has been deferred due to the need to restructure the management of the service. The scope of the work around Primary Care Contracts – Sexual Health has been increased to incorporate Integrated Health.

3.4 Internal Audit have undertaken ad hoc work which was requested following concerns around council funded grant projects, which is still on-going. We have also been looking at data security issues following a data breach which the council reported to the Information Commissioners Office (ICO).

3.5 The purpose of this progress report is not only to highlight reports issued as final but to provide members with an update on work which has reached the draft report stage and work currently in progress. The status of work currently being undertaken is shown at Appendix 1.

### **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, Corporate Directors, Directors and Heads of Service before being reported to Directors Board and the Standards & Audit Committee.

5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, 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 2016-17. Recommendations made are designed to further the implementation of these corporate priorities.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Laura Last**

#### **Senior Finance Officer - Management Accounts**

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. If there is a cost to any audit recommendation, this is to be met from existing budgets.

### **7.2 Legal**

Implications verified by: **David Lawson**

#### **Deputy Head of Law & Governance**

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 Regulations 2015 to at least annually undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to this progress report.

### **7.3 Diversity and Equality**

Implications verified by: **Becky Price**

#### **Community Development Officer**

There are no direct diversity or equality implications arising from this report.

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:**

- Strategy for Internal Audit 2017/18 to 2019/20 and Internal Audit Plan 2017/18
- Internal Audit Reports issued in 2017/18.

**9. Appendices to the report**

- Appendix 1 – Internal Audit Progress Report.

**Report Author:**

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance



# Thurrock Council

## Standards & Audit Committee

## Internal Audit Progress Report 2017/18

Date of Committee: 21<sup>st</sup> September 2017

## Introduction

The internal audit plan for 2017/18 was presented to the Standards & Audit Committee on 28<sup>th</sup> February 2017. This report provides an update on progress against that plan.

### **Table showing reports issued as Final, in Draft or Work in Progress**

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<b>Audits to address specific risks</b>					
Emergency Planning	Final	Green	0	0	3
Temporary Accommodation	Final	Amber/Green	1	2	1
Risk Management	Draft		N/A	N/A	N/A
Section 17 Payments	Draft		N/A	N/A	N/A
Performance Development Review (PDR)	Draft		N/A	N/A	N/A
VAT	Draft		N/A	N/A	N/A
Extensions to contracts of consultants	Draft		N/A	N/A	N/A
Integrated and Primary Care – Sexual Health	Work in Progress		N/A	N/A	N/A
Provider Services – Collection of Income	Work in Progress		N/A	N/A	N/A
Cyber Security	Work in Progress		N/A	N/A	N/A
Responsive Repairs & Maintenance	Work in Progress		N/A	N/A	N/A
<b>Core Assurance</b>					
Accounts Payable	Final	Green	0	3	2
Cash & Banking	Final	Green	0	0	6
HR & Payroll	Draft		N/A	N/A	N/A
Council Tax	Draft		N/A	N/A	N/A
Housing Benefits	Draft		N/A	N/A	N/A
NNDR	Draft		N/A	N/A	N/A
Main Accounting & Budgetary Control	Draft		N/A	N/A	N/A

### Work and other issues for which no reports are generated

Internal Audit, through the Chief Internal Auditor, led on the work of the Annual Governance Statement (AGS) which forms part of the annual accounts process. In 2016/17, CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) required councils to change their Local Code of Corporate Governance to align it to the core principles. The AGS for 2016/17 had to be developed around this new framework. This work was completed

to timeframe with the draft AGS being put onto the council's website by the end of June. The External Auditors have now completed and signed off their review of the AGS and it is deemed to be compliant.

We have undertaken 2 pieces of ad hoc work at the request of senior management. The first related to concerns raised around a council grant funded project. This work is continuing and is subject to an on-going investigation so will be reported in due course. The second involved a data breach which the council's Information Manager reported to the Information Commissioners Office (ICO). The ICO did not feel there was a need to penalise the council but Internal Audit were asked to look at lessons learned that could be used to reduce the likelihood of similar breaches occurring in the future. An internal report was discussed with Director's Board on 30<sup>th</sup> August 2017.

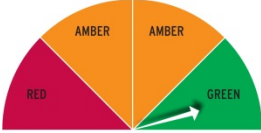
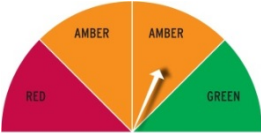
#### Changes to plan

Community Safety review deferred (previously reported on 6<sup>th</sup> July).

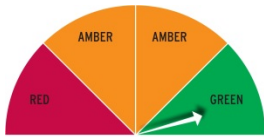
Work commenced on Leaseholder Charges which formed part of a Joint Working Agreement with the London Borough of Barking & Dagenham (LBBD), who provided the management of the service and some other resources. However, changes to the management structure within the service at LBBD resulted in information not being provided. The Housing Department were notified of this. In addition, the feeling that LBBD were not providing the service that was being paid for resulted in a notice to cease the arrangement being issued to them in July. Therefore, it was agreed that, whilst the work had already commenced, further work should be delayed until the new management arrangements had been put in place after the service comes back in house in mid-September 2017.

At the request of senior management, the scope of the review around Primary Care Contracts – Sexual Health has been extended to cover Integrated Care – Sexual Health. This was agreed as the original area to be reviewed only represents a small part of spend on sexual health. The increased scope is likely to have an impact on resources and this will be discussed with the relevant senior management to determine which work can be deferred into the next annual planning cycle.

## Key Findings from Internal Audit Work

<p><b>Assignment: Emergency Planning</b></p>	<p><b>Opinion: Green</b></p>	
<p><b>Headline Findings:</b> Our review of <b>Emergency Planning</b> did not identify any issues or areas of concern around the adequacy of the control framework. There were good controls around the following areas which were reviewed as part of the audit process: policies and procedures; budgetary control; critical activities and responsibilities have been fed into the major incident plan; identifying and addressing training needs; and business impact and risk assessments are undertaken in compliance with the council's risk management strategy and reported to senior management. The 3 medium and 3 low recommendations from the previous audit had been implemented.</p>		
<p><b>Assignment: Temporary Accommodation</b></p>	<p><b>Opinion: Amber/Green</b></p>	
<p><b>Headline Findings:</b> Our review of <b>Temporary Accommodation</b> identified 1 high, 2 medium and 1 low recommendations around the adequacy of the control framework. In providing our assurance opinion, we have taken into account that the high level recommendation had already been identified and work was underway to address the issue. We have not undertaken a review in this area for a number of years so did not revisit the previous recommendations.</p>		
<p><b>Action and Response</b></p>	<p><b>Responsible Officer</b></p>	<p><b>Date</b></p>
<p><b>Action</b> - The budget setting process for temporary accommodation needs to be more robust and should incorporate the expected income and a provision for bad debt in relation to income collection. This will ensure Oracle accurately reflects the expected income, actual income and income not yet collected (debt).</p> <p><b>Response</b> – A full suite of budget monitoring measures is in development and the Assistant Director is working closely with Finance to put all necessary mechanisms in place. A dynamic supply-and-demand model is being used to track all key variables (new admissions into temporary accommodation, 'net loss' figure for private properties based on difference between collectable rent and charges paid, etc.) and proper bad debt and write-off procedures will be instigated shortly.</p>	<p>Assistant Director of Housing/ HRA &amp; Development Accountant</p>	<p>September 2017</p>
<p><b>Action</b> - The Temporary Accommodation Manager should consider negotiating better nightly rates with B&amp;B's and hotels where possible, particularly where the council has spent significant sums over the last two years across Homelessness and Children's Social Care for similar provision. A record of agreements in place with B&amp;Bs needs to be in writing, including any negotiated rates agreed. This will ensure the council is getting value for money when placing homeless persons in temporary accommodation.</p> <p><b>Response</b> - A full review of current properties and associated rates is in progress. Where properties are spot-purchased the communications between the team and the supplier will be captured as an audit trail of the procurement. The scope for meaningful rate reductions may be limited due to Thurrock's relatively low bargaining power in the niche temporary accommodation market (which we intend</p>	<p>Assistant Director of Housing</p>	<p>Internal – September 2017 Work with other services – March 2018</p>

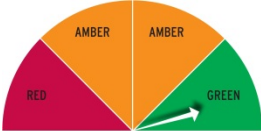
<p>to reduce rather than increase by minimising the overall use of temporary accommodation), however more favourable terms will be pursued wherever possible.</p> <p>To reduce corporate spend in the area of private accommodation we will be exploring the possibility of joint working with other services to procure all accommodation at the lowest possible cost.</p>		
<p><b>Action</b> - The collection of rental income for temporary accommodation needs to be associated with an account on Northgate Housing in line with the other rent accounts for permanent council housing. Alternative payment options should also be extended to homeless clients, where possible, to manage the collection of rent. Once this has been actioned, reconciliation between the amounts received on Northgate and posted to Oracle should be undertaken on a monthly basis. This will ensure the accounts of people placed in temporary accommodation are monitored more efficiently and help to make the income collection process more effective.</p> <p><b>Response</b> - These issues will be fully addressed when the Northgate temporary accommodation module is implemented and rents can be collected via a number of payment methods including direct debit, standing order and card payments. They will then be managed alongside the council's permanent housing rent management by the rents team.</p> <p>In order to mitigate the risks we are implementing a phased approach so that some parts of the module can be implemented sooner. Management of placements into the hostels is now live on the system allowing the team to monitor numbers and the movement of residents. No rents are collected by the council for these properties.</p> <p>Furnished lets are next to be implemented and our ICT colleagues are working closely with the Revenues and Benefits team to ensure that eligible subsidy can be maximised and matched appropriately. It is anticipated that the whole module will be live by October 2017.</p>	<p>Housing Strategy &amp; Quality Manager</p>	<p>October 17</p>

<p><b>Assignment: Accounts Payable</b></p>	<p><b>Opinion: Green</b></p>	
--	------------------------------	---

**Headline Findings:** Our review of **Accounts Payable** identified 3 medium and 2 low recommendations around the adequacy of the control framework. Whilst the number of medium recommendations would ordinarily result in an Amber/Green assurance opinion, none of these is directly attributable to the Account Payable team and this has been reflected in the assurance opinion. 2 are the direct responsibility of budget holders and their need to comply with finance procedure rules and 1 relates to issues for IT. The 1 medium and 3 low recommendations from the previous review had been actioned.

Action and Response	Responsible Officer	Date
<p><b>Action</b> - It is recommended that ICT cleanse the Oracle system to ensure that only current employees remain on the list. In addition, a new user form should be designed with specific tick boxes which would allow managers to tick which access level their staff require. In the longer term, the issue of cloning other users'</p>	<p>Oracle Senior Application Consultant</p>	<p>31/3/2018 31/8/2017</p>

<p>access should be raised with the Oracle Improvement Programme team to determine if individual access levels, linked to job roles, can be developed.</p> <p><b>Response</b> – Staff leavers will be taken off the Oracle system by the end of the financial year.</p> <p>A new user form with specific tick boxes will be redesigned.</p>		
<p><b>Action</b> - It is recommended that budget holders are reminded that purchase orders need to be raised on the iProcurement system prior to the purchases being made. This ensures that there is an appropriate authorisation and available budget to procure the goods/services before they are received.</p> <p><b>Response</b> – Agreed – will send a reminder. Please note that with purchase cards a PO is not required.</p>	Section Manager	01/08/17
<p><b>Action</b> - It is recommended that budget holders are reminded to receipt and/or submit invoices promptly to ensure payments are processed in line with the supplier's terms and conditions. Failure to do so could result in the council incurring fines and penalties under the Late Payment of Commercial Debts (Interest) Act 1998.</p> <p><b>Response</b> – Agreed. Will send a reminder in addition to the system workflow reminders, weekly hold reports and monthly BVPI08 reports that staff already receive.</p>	Section Manager	01/08/17

<p><b>Assignment: Cash &amp; Banking</b></p>	<p><b>Opinion: Green</b></p>	
<p><b>Headline Findings:</b> Our review of <b>Cash &amp; Banking</b> did not identify any issues or areas of concern around the adequacy of the control framework. There were good controls around the following areas which were reviewed as part of the audit process: bank reconciliations; identifying and dealing with discrepancies; receipting and recording income; record keeping; and cash collection. The 3 low recommendations from the previous audit had been implemented.</p>		

<b>21 September 2017</b>	<b>ITEM: 10</b>
<b>Standards and Audit Committee</b>	
<b>Audit Results Report for the Year Ended 31 March 2017</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Sean Clark, Director of Finance and IT	
<b>Accountable Assistant Director:</b> N/A	
<b>Accountable Director:</b> Lyn Carpenter, Chief Executive	
<b>This report is Public</b>	

## Executive Summary

This report details the findings of the external auditors from their audit of the 2016/17 financial statements.

External audit propose to issue an unqualified audit opinion and an unqualified value for money conclusion subject to the completion of their outstanding work.

### 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 external audit process is now substantially complete. The financial statements further developed in 2016/17 to include the updated requirements of the CIPFA Code of Practice on Local Authority Accounting (The Code) and now also incorporate group financial statements which include the results of Gloriana Thurrock Ltd.

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

a) Intend, subject to completing the audit, give an unqualified opinion on the Financial Statements; and

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

### **3. Issues, Options and Analysis of Options**

3.1 There are no material uncorrected misstatements but the Council has decided not to correct the non-material items included in the external audit report.

3.2 The overall impact of correcting these items would be a small increase in the general fund balance. This will be reflected in 2017/18.

3.3 There are two principal reasons for not correcting the items noted:

- The misstatements relate to capital items which will be addressed in the 2017/18 period.
- They relate to estimates of potential errors based on a process of extrapolation used by external audit.

3.4 The detail for each of these is set out in the audit report and officers have agreed with external audit that the rationale for not correcting these items is reasonable.

3.5 The audit has progressed smoothly within agreed timescales and the Council is in a strong position to meet the earlier closedown deadlines in 2017/18.

3.6 The unqualified value for money conclusion supports the work of Members and Officers to ensure the Council remains financially sustainable in the medium term.

### **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 Statements later on this 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**  
**Director of Finance and IT**

The statements are largely governed by the Code. Apart from reporting the Council's financial position as at 31 March 2017, there are no further financial implications arising directly from this report.

## 7.2 **Legal**

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

There are no specific implications from this report.

## 7.3 **Diversity and Equality**

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

There are no specific implications from this report.

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

There are no specific implications from 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):

- There are various working papers within Corporate Finance.

## 9. **Appendices to the report**

- Appendix 1 - Audit Results Report

### **Report Author:**

Sean Clark  
Director of Finance and IT

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**Thurrock Council  
Audit results report**

Year ended 31 March 2017

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**EY**

Building a better  
working world



Private and Confidential

11 September 2017

Dear Standards and Audit Committee Members

We have substantially completed our audit of Thurrock Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Standards and Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement. The finance team is well prepared for the earlier timetable for preparing and auditing the 2017/18 statement of accounts.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours sincerely

Suresh Patel  
Executive Director

For and on behalf of Ernst & Young LLP  
United Kingdom

# Contents

**01** Executive Summary

**02** Areas of Audit Focus

**03** Audit Report

**04** Audit Differences



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between 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 "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Standards and Audit Committee, other members of the Authority and management of Thurrock Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and Audit Committee, other members of the Authority and management of Thurrock Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and Audit Committee, other members of the Authority and management of Thurrock Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



# 01 Executive Summary



# Executive Summary

## Overview of the audit

### Scope and materiality

In our Audit Plan presented to the Standards and Audit Committee meeting on 28 February 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £6.6 million for both Thurrock Council and the Group. We reassessed this using the actual results for the financial year, which has increased this amount to £7.6 million for the Council and the Group. The threshold for reporting audit differences has increased from £0.333 million to £0.380 million for both the Council and the Group. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- ▶ Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- ▶ Councillors' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

### Status of the audit

We have substantially completed our audit of Thurrock Council's and the Group's financial statements for the year ended 31 March 2017. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Receipt of the final signed financial statements and review of the final version;
- ▶ Completion of subsequent events review;
- ▶ Completion of Final Review Procedures by the Executive Director and Audit Manager;
- ▶ Receipt of the signed management representation letter; and
- ▶ Completion of Procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

We expect to issue the audit certificate at the same time as the audit opinion.



# Executive Summary

## Status of the audit (continued)

We are yet to complete our work on the Whole of Government Accounts (WGA) return. The Authority has submitted the unaudited WGA return to HM Treasury and is currently updating the return for audit amendments, which will be provided to us for audit. We will perform the procedures required by the National Audit Office (NAO) regarding the WGA submission.

The audit certificate is issued to demonstrate that the full requirements of the NAO Code of Audit Practice (the Code) have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

## Audit differences

Our audit has identified misstatements which management have corrected, none of which we consider need to be brought to your attention. We have also identified a number of disclosure adjustments which have been corrected by management. These are set out in Section 4.

We have identified six audit differences where we have accepted as reasonable, management's rationale for not adjusting the financial statements. We ask that Committee consider the rationale and approve the detail which will be included in management's Letter of Representation. Details can be found in Section 4.

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## Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Thurrock Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards and Audit Committee.





# Executive Summary

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified a significant risk relating to Sustainable resource deployment and the pressures faced by the Authority from the economic downturn, a common risk for all local authorities. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work. We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will update the Standards and Audit Committee should we have any matters to report. We have no other matters to report.

## Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, 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 and which is unknown to you.

## Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.





# 02 Areas of Audit Focus



## Areas of Audit Focus

# Audit issues and approach: Risk of Fraud in Revenue and Expenditure Recognition

### Revenue Recognition

#### What are our conclusions?


Our testing has been completed and we have not identified any material misstatements from the incorrect capitalisation of expenditure items. This work is subject to final review and we will update the Standards and Audit Committee should any issues arise.

#### What is the risk?

##### Risk of fraud in revenue recognition

Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

In our view, as the Council's main sources of revenue are largely fixed and budgeted for, e.g. government grants and taxation, the revenue recognition risk exists largely in relation to the potential for the incorrect classification of revenue spend as capital.

 Significant Risk

#### What did we do?

We considered whether or not revenue spend had been appropriately capitalised by testing a sample of additions to property, plant and equipment to ensure these were correct to be included as assets on the balance sheet.



# Areas of Audit Focus

## Audit issues and approach: Management Override of Controls

### Management override

#### What are our conclusions?

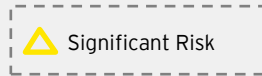
Page 98  
Our testing in this area is complete, but is subject to final review. From the work completed to date:

- We have not identified any material weaknesses in controls or evidence of material management override.
- ▶ We have not identified any material instances of inappropriate judgements being applied.
- ▶ We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

#### What is the risk?

##### Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger (using our data analytics tool) and other adjustments made in preparing the financial statements;
- ▶ Reviewing significant accounting estimates (e.g. valuations of property, plant and equipment and pensions) for evidence of management bias including a review of the methodology used to calculate the estimates at the year-end; and
- ▶ Evaluating the business rationale for significant unusual transactions.

In undertaking our work on management override of controls we have considered the balances included in the Council's and Group's financial statements that are the most susceptible to judgement or estimation techniques. Due to their significance on the financial statements we have included these estimates as higher inherent risk in our audit strategy and include a separate section to report on this below. The key estimates we considered were:

- ▶ valuation of property, plant and equipment; and
- ▶ valuation of pension liabilities.



## Areas of Audit Focus

# Audit issues and approach: Management Override of Controls



### Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates we considered were:

- ▶ The valuation of Property, Plant and Equipment - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- ▶ Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.

We note that due to the specific nature of local authority accounting, neither of the valuation areas above impact on the General Fund.

Specifically in relation to other liabilities we note that provisions are low risk as the majority relates to the non-domestic rates (NDR) appeals provision, for which the Council uses Wilkes Head & Eve to provide an early indication of the year end figure, then the Council uses their own data and data directly from the Valuation Office website to produce the year-end balance. The provision calculation is based on known appeals which have not yet concluded at 31 March and appeals which are expected to be lodged, based on historic information.

The remainder of the Authority's estimates, including bad debt provision and depreciation are also considered to be low risk.

No issues were noted in our work on provisions and estimates. We have included a separate section to report on valuations of property and pension below.



# Areas of Audit Focus

## Audit issues and approach: Preparation of group accounts

### Group accounts

**What are our conclusions?**

Our work in this area is complete, but is subject to final review.

From the work completed to date:


- ▶ We have not identified any instances where the consolidation has not been carried out appropriately.
- ▶ We have not identified and material misstatements in material consolidated balances.
- ▶ Disclosures are in line with CIPFA Code of practice and associated guidance.

We will update the Standards and Audit Committee should any issues arise.

**What is the risk?**

**Preparation of group accounts**  
 For 2016/17 the Council has concluded that it needs to prepare group accounts, consolidating Gloriana Thurrock Ltd for the first time.

First time preparation of group accounts is a complex accounting procedure and increases the risk of material errors in the financial statements.

 Significant Risk

**What did we do?**

In order to address this risk we carried out a range of procedures including:

- ▶ Reviewing the procedures performed by the finance team to ensure the subsidiary is consolidated appropriately;
- ▶ Testing the material balances consolidated within the Thurrock Council financial statements, and
- ▶ Reviewing the associated disclosures to ensure these are in line with CIPFA Code of practice and associated guidance.



## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks

### Property valuations

#### What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's internal valuer.

We identified two issues in relation to the valuation of the Council's Property, Plant and equipment, which are reported in a separate section below.

#### What is the risk?

At 31 March 2016 the value of property on the Council's balance sheet was over £800 million, representing almost 80% of the total assets.

To ensure assets are recorded at fair value, the Council adopts a rolling five year revaluation programme (i.e. 20% of assets are revalued each year). This is an exercise which involves judgement, input from external experts and leads to a material accounting estimate.

Accounting entries required from changes in asset valuations affect several primary statements and disclosures in the Council's financial statements.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the competence and capability of the valuer;
- ▶ Reviewing the figures produced for the revaluation of the assets for reasonableness;
- ▶ Reviewing the basis for valuation adopted by the Council for appropriateness;
- ▶ Agreeing the figures produced by the valuer for the revaluation of the assets to the asset register; and
- ▶ Testing the accounting treatment of changes in the valuation of property assets to ensure the financial statements are materially accurate and compliant with the CIPFA Code of practice.



## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks (continued)

### Pension valuations and disclosures

#### What is the risk?

The Council is an admitted body to the Essex County Council Pension Fund. Barnett Waddingham are appointed as actuaries for this fund and provide the Council with the figures for the disclosures in the financial statements, based on payroll and pension data provided to them by the Council. The value of the pension liability is a significant balance sheet item (£159.5 million at 31 March 2016) and represents a material accounting estimate.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the competence and capability of the actuary and reviewing their work, including the assumptions used as the basis for producing for pensions figures;
- ▶ Requesting a programme of work be undertaken by the auditor of the Essex County Council Pension Fund;
- ▶ Agreeing the figures produced by the actuary in their actuarial valuation to the disclosures in the financial statements, and
- ▶ Testing the accounting treatment applied to the pension amounts to ensure the financial statements are materially accurate and compliant with the CIPFA Code of practice.

#### What are our conclusions?

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed within the relevant notes to the financial statements.

However, we have one matter to report regarding the methodologies used by the actuary, which are reported in a separate section below.





## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks (continued)

### Change to the Housing Rents and Housing Repairs System

#### What are our conclusions?

We have not identified any instances where the migration to the new system has led to material inaccuracies or incomplete data. Parameters have been entered correctly and review of reconciliations has provided assurance that all data is correct and has been fully migrated.

#### What is the risk?

The Council has implemented a new IT system (Northgate) for recording its housing rents and repairs transactions from October 2016.

The change in system increases the risk of misstatement in the financial statements due to the migration of data from the old system which could cause data to be lost or omitted.

Depending on the effectiveness of the Council's data migration arrangements we may be required to carry out additional audit procedures which could increase the audit fee.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the procedures performed by the Council to migrate the data to assess how management have gained assurance that data on the new system is complete and accurate;
- ▶ Checking that the parameters entered into the new system agree to those in the old system and that these parameters agree to those charges approved by the Council; and
- ▶ Reviewing reconciliations performed by the Council to ensure all data is correct and has fully migrated.



## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks (continued)

### Financial Statements Presentation

#### What are our conclusions?

Our work in this area is complete, but is subject to final review.

From the work completed to date:

- the disclosures were in line with the CIPFA Code;
- the general ledger has been re-mapped to reflect the Group's and the Council's organisational structure; and
- the restated comparative figures agreed to the Council's segmental analysis and supporting working papers.

We will update the Standards and Audit Committee should any issues arise.

#### What is the risk?

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Council operates. We expect this to reflect the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Reviewing the expenditure and funding analysis, the restated CIES and new notes to ensure disclosures are in line with the code of practice;
- ▶ Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.



## Areas of Audit Focus

# Audit issues and approach: Reliance on experts

### Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- ▶ Analysed source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assessed the reasonableness of the assumptions and methods used;
- ▶ Considered the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below.

#### Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the Council's actuary, Barnett Waddingham. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PwC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this view. Whilst we have sufficient assurance over the material accuracy of the Council's pensions disclosures, it is EY's opinion that the methodologies used by Barnett Waddingham to derive the discount rate and RPI inflation assumptions in their calculation of the Local Government Pension Scheme valuation may not be robust as they do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions.

#### Property valuations

We have assessed and are satisfied with the competency and objectivity of the Council's internal valuer.

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property, focusing in particular on specialist assets which are valued on a depreciated replacement costs basis.

Our work in this identified two misstatements:

- ▶ The incorrect Gross Internal Area (GIA) had been used to calculate the value of one property within Other Land and Buildings, the valuation is understated by £7.03 million.
- ▶ The index used for the valuation of Council Dwellings had been incorrectly calculated, the valuation is understated by £6.38 million.

We have therefore undertaken additional audit work to assess the potential impact of these issues. We have concluded that the overall valuation estimate is not unreasonable and has not resulted in a material misstatement of the value of Property, Plant and Equipment in the context of the overall Property, Plant and Equipment balance. Any change in valuation would not materially impact the decisions taken by the Council and there is no impact on the Council's General Fund Balance.



## 03 Audit Report



# Proposed Audit Report

## Our opinion on the financial statements

### 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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

#### Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2016/17, 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 2016/17, 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.



# Audit Report

## Our opinion on the financial statements

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council and Group as at 31 March 2017 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 2016/17.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



# Audit Report

## Our opinion on the financial statements

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

#### *Authority's responsibilities*

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

#### *Auditor's responsibilities*

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Thurrock Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Thurrock Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

#### *Conclusion*

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



# Audit Report

## Our opinion on the financial statements

### Certificate

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

*Suresh Patel*

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

*London*

*XX September 2017*

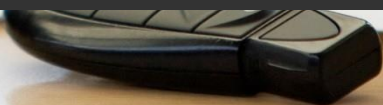
*The maintenance and integrity of the Thurrock Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*





# 04 Audit Differences





# Audit Differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted and unadjusted differences

There are no corrected misstatements that we wish to bring to your attention. We have identified a number of disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you. We have identified six audit differences (the last two are projected misstatements based on extrapolations of sample testing) where **we have accepted as reasonable**, management's rationale for not correcting the financial statements. We summarise these items below. We have included all known amounts greater than £0.380 million. We ask that the Committee consider and approve management's rationale as included in the Letter of Representation:

- Page 112
1. £7.03 million understatement of Property, Plant & Equipment valuations due to incorrect Gross Internal Area (GIA) being used to calculate the value of one property within Other Land and Buildings. Corresponding understatement of unusable reserves (Revaluation Reserve), but **no impact on General Fund Balance**. *Management view this as not material to the accounts and have agreed to address this issue in 2017/18.*
  2. £6.382 million understatement of Property, Plant & Equipment valuations due to incorrect calculation of the index used for the valuation of Council Dwellings. Corresponding understatement of unusable reserves (Revaluation Reserve), subject to any previous impairments, but **no impact on General Fund Balance**. *Management view this as not material to the accounts and the matter will be superseded by the full HRA valuation in 2017/18.*
  3. £0.625 million overstatement of Property, Plant & Equipment additions due to an item of revenue expenditure funded from capital under statute (REFCUS) being incorrectly recorded as a capital addition. Corresponding understatement of REFCUS. **No impact on General Fund Balance**. *Management view this as not material to the accounts and management do not agree with our view on the classification of this expenditure between capital and revenue.*
  4. £0.406 million overstatement of Property, Plant & Equipment additions due to an asset purchased in 2015/16 not being recorded until 2016/17. **No impact on General Fund Balance in either 2015/16 or 2016/17.**

Items 5 and 6 are projected misstatements based on our extrapolation of errors we identified in sample testing. As such, they reflect an indication of a potential error. **Both items are not material and management have asserted that they will not adjust for potential errors.**

5. £1.574 million projected overstatement of revenue expenditure funded from capital under statute (REFCUS) due to one item of capital expenditure being incorrectly recorded as REFCUS. Corresponding understatement of Property, Plant & Equipment additions. The projected misstatement is based on the value of the error found (£77,952) within the sample tested (£324,289) as an approximation of the potential misstatement across the population of £6,549,018. **No impact on General Fund Balance.**
6. £0.627 million projected overstatement of creditor balances due to insufficient supporting documentation for three amounts in the sample. If the extrapolated creditors were reversed this could potentially increase the General Fund Balance. The projected misstatement is based on the value of the errors found (£35,298) within the sample tested (£1,747,928) as an approximation of the potential misstatement across the population of £31,066,303. **General Fund Balance is potentially understated.**



# Audit Differences

## Summary of adjusted and unadjusted differences (cont.)

Audit difference	Impact on General Fund Balance £m
1	Nil
2	Nil
3	Nil
4	Nil
5 (Note 1)	Nil
6 (Note 1)	-0.627
Net impact	-0.627

*Note 1: Audit differences 5 & 6 are projected misstatements based on the results of our sample testing.*

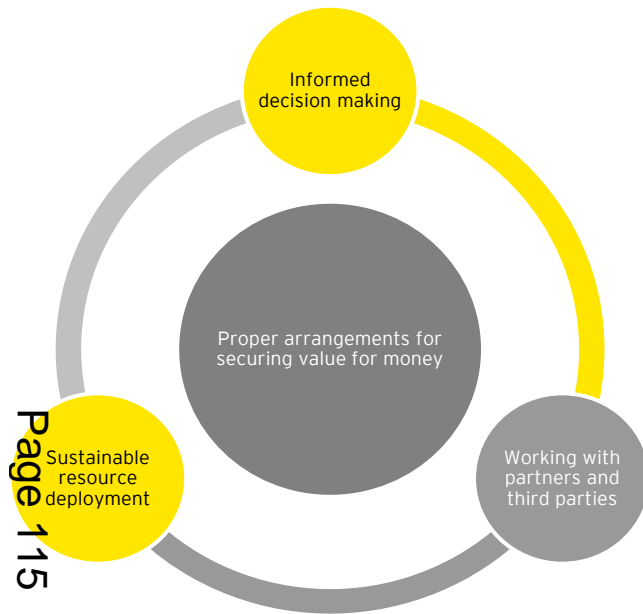
Then net impact of the audit differences, if they were to be adjusted, would be to increase the General Fund Balance by £0.627 million.



**05** Value for Money



## Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion

In light of the national pressures on local government funding and in common with many other councils we identified one significant risk around these arrangements relating to deploying resources in a sustainable manner: pressures from the economic downturn.

In summary, the Council is facing up to the challenge of its future budget gaps, with a number of initiatives through its self-financing and commercial delivery programmes. Therefore, we conclude that appropriate arrangements are in place to manage this risk.



# Value for Money

## VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk identified in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
<p>In common with the majority of the local government sector the Council faces significant financial challenges over the next three years. While the budget for 2017-18 has been balanced, the phasing of reductions in government support and pressures on costs mean that the gap is £5.6 million in 2018-19 and £2.2 million in 2019-20.</p> <p>Therefore, there is a significant budget gap over the medium term, for which the Council has identified a number of savings and actions. However, the scale of the budget gap is a significant risk to the value for money conclusion.</p> <p>In response to this risk our approach focussed on the following:</p> <ul style="list-style-type: none"> <li>▶ The adequacy of the Council’s process for identifying the savings and efficiency targets;</li> <li>▶ The robustness of any underlying assumptions;</li> <li>▶ The use of scenario planning; and</li> <li>▶ The effectiveness of in year monitoring of progress against the savings and efficiency targets</li> </ul>	<p>Deploying resources in a sustainable manner</p>	<p>The Council recognises it faces unprecedented financial pressures and that a fundamental change is required to the way it operates in order to future-proof the Council’s operations. The Council has put in place a detailed strategy to address the budget gap through investment in diverse financial instruments, such as the Solar investment, and using the housing company, Gloriana, to provide affordable housing.</p> <p>We have completed testing on a sample of proposed savings, including reduced agency costs and spend on overtime. We have found that the implementation of savings plans are properly managed and monitored.</p> <p>The Council’s budget setting process is deemed to be robust, with sensibly prudent assumptions applied to uncertain income streams and future expenditure.</p> <p>The Council is aware of the risks related to reductions in government funding, including the New Homes Bonus (NHB). In response to this risk, sensible assumptions are made within the budget regarding the trajectory of government funding in general and the NHB specifically and the reserve levels set are reflective of this risk.</p> <p>The Council has built up a level of reserves that could be used to assist the transformation, if necessary, and could also be used to give the Council time to put in place alternative plans to achieve these savings.</p>



**06**

## Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Thurrock Council Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. We found that the financial information within the Annual Report and published with the financial statements was consistent with the Annual Accounts.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.

### 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, is specified by the National Audit Office.

We are yet to complete our work on the Whole of Government Accounts (WGA) return. The Authority has submitted the unaudited WGA return to HM Treasury and is currently updating the return for audit amendments, which will be provided to us for audit. We will perform the procedures required by the National Audit Office (NAO) regarding the WGA submission.

Once completed we will report any matters arising to the Standards and Audit Committee.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.





## Other reporting issues

### Other matters

**We have no matters to report** in respect of the requirements under ISA (UK&I) 260 and other ISAs specifying that we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. These findings include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits.



# Assessment of Control Environment



## Assessment of control environment

### Financial controls

It is the responsibility of the Authority 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 Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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.






## 08 Appendices



## Appendix A

# Required communications with the Standards and Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Any significant difficulties encountered during the audit</li> <li>▶ Any significant matters arising from the audit that were discussed with management</li> <li>▶ Written representations we have requested</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Any other matters significant to overseeing the financial reporting process</li> </ul>	September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Thurrock Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	September 2017 Audit Results Report



# Appendix A

## Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	September 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	At the time of writing this report we are awaiting some external confirmations in relation to borrowings. We will provide you with an update at the Standards and Audit Committee on 21 September 2017.

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# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off”</li> <li>▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	September 2017 Audit Results Report
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the group audit team’s planned involvement in the component auditors’ work on the financial information of significant components</li> <li>▶ Instances where the group audit team’s evaluation of a component auditor’s work of gave rise to a concern about its quality Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	February 2017 Audit Plan  September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm’s general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.</p>	February 2017 Audit Plan  September 2017 Audit Results Report



# Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	February 2017 Audit Plan  September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report





## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Standards and Audit Committee meeting on 28 February 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) Terms of Appointment. 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Standards and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Standards and Audit Committee on 21 September 2017.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on the 2015/16 Teachers Pension return, the 2015/16 Pooled Capital Receipts and advisory work with Xantura on development of the Children's Safeguarding Profiling Model, which were completed during the 2016/17 financial year. We have adopted the necessary safeguards in our completion of this work.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016. We will confirm our final fees following completion of our audit and non-audit work and report this in the Annual Audit Letter.

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work (see note 1)	141,723	133,723	133,723
Total audit fee - Non code work (see note 2)	TBC	n/a	38,575

**Note 1:** Our actual fee is higher than the scale fee set by the Public Sector Audit Appointments (PSAA Ltd) as a result of additional procedures we undertook on the Council's group accounts and the £4,000 additional fee we outlined in the February 2017 Audit Plan. In addition we have been required to use a specialist to review the Council's proposed changes to how it calculates the minimum revenue provision. We have agreed with the Director of Finance & IT an additional fee of £4,000 for this additional work. These additional fees are subject to agreement with PSAA.

**Note 2:** The fee for non-audit work will be discussed with management and reported to the Standards and Audit Committee in subsequent reporting once the scope of work has been agreed for 2016/17. This work relates to the agreed upon procedures certification arrangements for the Teachers' Pension grant return and Pooled Capital Receipts.





## Appendix C

# Accounting and regulatory update



### Accounting update

Since the date of our last report to the Standards and Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Thurrock Council 
<p><i>IFRS 9 Financial Instruments</i></p> <p>Page 128</p>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>▶ How financial assets are classified and measured</li> <li>▶ How the impairment of financial assets are calculated</li> <li>▶ Financial hedge accounting</li> <li>▶ The disclosure requirements for financial assets.</li> </ul> <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Reclassify existing financial instrument assets</li> <li>▶ Re-measure and recalculate potential impairments of those assets; and</li> <li>▶ Prepare additional disclosure notes for material items</li> </ul>
<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>▶ Leases;</li> <li>▶ Financial instruments;</li> <li>▶ Insurance contracts; and</li> <li>▶ for local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Disaggregate revenue into appropriate categories</li> <li>▶ Identify relevant performance obligations and allocate income to each</li> <li>▶ Summarise significant judgements</li> </ul>



# Appendix C

Name	Summary of key measures 	Impact on Thurrock Council 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council is reviewing and amending the closedown process to achieve draft accounts production by 31 May for 2017/18.</p> <p>We have already commenced discussions with management on the early closedown process and locally we are agreeing with management those areas for early work, which will include testing of major income and expenditure streams during the financial year.</p>

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## Appendix D

### Request for a Management representation letter

#### Management Rep Letter

[To be prepared on the entity's letterhead]

Suresh Patel  
Ernst & Young  
1 More London Place  
London  
SE1 2AF

September 2017

Dear Suresh,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Thurrock Council ("the Group and Council") for the year ended 31 March 2017. 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 consolidated and council financial statements give a true and fair view of the Group and Council financial position of Thurrock Council as of 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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, for the Group and Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have 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 2016/17 for the Group and for the Council 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 consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

#### 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 consolidated and council 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 Group or 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 consolidated or council 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 consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.



## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

##### C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - 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 consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, and 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 on the following date: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 year 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 consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

##### 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 consolidated and council 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 recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

##### F. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

##### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

##### H. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. We confirm that the financial statements reflect the operating segments reported internally to the Council.



## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

##### I. Other information

1. We acknowledge our responsibility for the preparation of the other information, the Narrative Report and the Annual Governance Statement
2. We confirm that the content contained within the other information is consistent with the financial statements.

##### J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

##### K. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

##### L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
  - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, etc., none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency).





## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

#### **M. Purchase and Sales Commitments and Sales Terms**

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the 31 March 2017, the Authority had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Authority (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

#### **N. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists 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 specialists 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 specialists.

#### **O. Accounting Estimates (property, plant and equipment and pensions valuations)**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.



## Appendix D

### Request for a Management representation letter

#### Management Rep Letter (cont.)

##### P. Retirement benefits

1. 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.

*Yours sincerely,*

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\_\_\_\_\_  
(Director of Finance and IT)

\_\_\_\_\_  
(Chairman of the Standards and Audit Committee)

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ED None

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<b>21 September 2017</b>	<b>ITEM: 11</b>
<b>Standards and Audit Committee</b>	
<b>Financial Statements and Annual Governance Statement 2016/17</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key
<b>Report of:</b> Sean Clark, Director of Finance and IT	
<b>Accountable Assistant Director: Report of:</b> N/A	
<b>Accountable Director:</b> Lyn Carpenter, Chief Executive	
<b>This report is Public</b>	

## Executive Summary

The draft financial statements have been reviewed by external audit and are 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 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 the review by external audit has been completed.

### 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;**
- 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.**

### 2. Introduction and Background

#### 2.1 Financial Statement

- 2.1.1 The Financial Statements sets out the financial performance for the 2016/17 financial year and both the Council's financial position and the Group's financial position as at 31 March 2017.
- 2.1.2 There are a number of 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.
- 2.1.3 The headline from a Council perspective is that the Council achieved a balanced budget and has maintained the General Fund reserve at the optimum level set by the Council's 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, 2011 and 2015 in relation to the publication of a statement on internal control.

## **2.3 Letter of Representation:**

- 2.3.1 The letter of representation is a letter issued by the Council to the auditor in writing as an additional form of audit evidence. The date of the document must not be later than the date of audit work completion. It is used to let the the Council's management declare in writing that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of the management's knowledge. For audit evidence, it is reliable if the auditor has no other means of obtaining evidence. The person issuing the letter should have the appropriate authority or seniority in the organization to vouch on the issue.

### **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 2015 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**  
**Director of Finance and IT**

We can confirm that the usable reserves within this restated financial statement are broadly as previously reported throughout the year to Cabinet.

#### **7.2 Legal**

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

There are no direct legal implications arising from this report.

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

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

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 Statements
- Appendix 3 – Letter of Representation

**Report Author:**

Sean Clark

Director of Finance and IT

Corporate Finance



# THURROCK COUNCIL

## Annual Governance Statement 2016/17

### 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 statutory duty to put in place 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.

A revised Local Code of Corporate Governance was developed to ensure it reflects the seven principles of the recently refreshed *CIPFA/SOLACE "Delivering Good Governance in Local Government Framework 2016 Edition"*. The seven principles are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This statement explains how the council has complied with the revised code and has met the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)*.

## **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 2017 and up to the date of approval of the statement of accounts.

### 3.0 The Governance Framework

#### Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

#### To demonstrate its commitment to Principle A, Thurrock Council has:

Defined and documented roles and responsibilities for Cabinet, Council, Overview and Scrutiny and all Committees of the council, along with officer functions, 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, General Services Committee and thereafter agreed periodically at Full 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.

Codes of Conduct which define the high ethical standards and standards of behaviour expected from elected members and officers and ensure the council's business is conducted with fairness and integrity.

An Anti-Fraud & Corruption Policy which was finalised and was adopted by the council in November 2015. It sets out the council's position in regards to allegations of fraud, theft, bribery, corruption and money laundering.

Whistleblowing Policy and Procedures which were introduced in August 2015 and the profile of whistleblowing has been further raised through their inclusion on the council's website.

Processes for considering any complaints that come into the council. These cover member complaints which are dealt with by the Monitoring Officer, officer or service complaints which are dealt with by the Information Management team and Adult & Children's Social Care complaints, which have their own complaints systems and processes which are regulated by the Commission for Social Care Inspection (CSCI).

The Chief Finance Officer (Director of Finance & IT), 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.

## Principle B - Ensuring openness and comprehensive stakeholder engagement.

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders.

### To demonstrate its commitment to Principle B, Thurrock Council has:

Meetings of the Council and its Committees which members of the public can attend unless there are good reasons for not doing so on the grounds that items are exempt under schedule 12A of the Local Government Act 1972. The public have the right to see the agenda and minutes once they are published and they are available on the council's website.

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 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.

Carried out regular consultations with residents and service users to identify their priorities for service improvement and how satisfied they are with the council's services.

Supported the principle of sharing services with other local authorities. The council shares its legal services with the London Borough of Barking and Dagenham (LBBB) and supplies legal services to Brentwood Council and a number of other authorities. The Counter Fraud & Investigation Service also supplies a service to Southend Council, Castle Point District Council, the Ministry of Justice and a number of other central government bodies.

### **Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.

#### **To demonstrate its commitment to Principle C, Thurrock Council has:**

An annual Corporate Plan which was agreed by Cabinet in July 2016 which sets out what the council will do to achieve its vision and priorities in 2016/17. The plan is supported by the Corporate KPI (Key Performance Indicator) Framework which details the statistical evidence the council will use to monitor the progress and performance against those priority activities.

A Forward Plan for both Council and Cabinet meetings which is used to provide the required 28-day notice of such decisions and also includes decisions that are proposed to be taken over the next four months by the Leader of the Council, the Cabinet, Cabinet Members and Officers of the Council.

2 Strategic Leadership Boards and 9 Strategic Management Boards. The aim of strategic boards is to proactively contribute to the improvement of Thurrock Council by:

- identifying and prioritising changes which are most likely to lead to sustained improvements in the way that Thurrock Council operates as a corporate entity.
- making sure that changes are appropriately resourced, and effectively programme/performance managed.
- making sure that the council has appropriate knowledge and skills in order to deliver high quality and efficient corporate services.
- making sure that changes are effectively communicated through management teams, corporate communications and other channels as appropriate.
- taking the lead to monitor and report on progress and take appropriate action where improvements are not being achieved.

The boards are decision-making bodies that are solution-focused in the way their business is conducted. Directors' Board will sign off the annual work plans and priorities and will also be responsible for resolving areas of conflict and any shortfalls in resources to deliver the plans.

A Social Values Framework that describes how the council will consider the social, economic, environmental and equality aspects when procuring services from suppliers.

**Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

**To demonstrate its commitment to Principle D, Thurrock Council has:**

A Medium Term Financial Strategy (MTFS) that sets out a stable financial framework within which the council operates and is reviewed throughout the year. It supports the Medium Term Financial Plan reported to councillors during the budget setting process.

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.

A corporate scorecard process which 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.

A Local Development Framework which sets out how we will use land and has been the basis to achieve both our partners’ and the council’s wider objectives.

**Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods.

**To demonstrate its commitment to Principle E, Thurrock Council has:**

Robust HR policies and procedures which include detailed guidance on the recruitment and selection process.

A mandatory induction programme, equality and diversity training and on-line information security training for new employees.

An induction programme for newly elected members and opportunities for longer serving members to update their skills. There is also mandatory training for members on equality and diversity and for those moving on to quasi-judicial committees or the Standards & Audit Committee.

A staff Performance Development Review (PDR) process which requires line managers to agree individual performance targets and identify development opportunities for their direct reports in the coming year. This is supported by a six monthly 1 to 1 meeting to check progress and a year-end annual appraisal to measure achievement, with pay progression being related to performance.

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. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

A management structure that includes a Chief Executive who leads a management team (Directors' Board) which includes the Corporate Director - Children's Services, Corporate Director - Environment and Place, Corporate Director - Adults, Housing and Health, Director of Finance & IT (Section 151 Officer), Director of Commercial Services, Director of HR, OD and Transformation, Director of Strategy, Communications and Customer Services, Director of Public Health and the Deputy Head of Law & Governance (Monitoring Officer).

**Principle F - Managing risks and performance through robust internal control and strong public financial management.**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes.

**To demonstrate its commitment to Principle F, Thurrock Council has:**

A Risk and Opportunity Management (ROM) Policy, Strategy and Framework and a Strategic/Corporate Risk and Opportunity Register which are regularly reviewed and the outcomes from the reviews reported to Standards & Audit Committee, via Directors Board and Performance Board.

Aligned the refresh of service risk/opportunity registers with the annual service planning cycle. Where risks and opportunities are identified, they are included in service plans. Service managers are responsible for the regular monitoring of progress against the service plan and the management of risks/opportunities as part of the performance review process.

6 scrutiny committees and 2 review panels which report annually to the council. Scrutiny committees provide constructive challenge to the executive on policies and performance. .

The Director of Finance & IT is the Section 151 Officer responsible for the overall management of the financial affairs of the council. The Director of Finance & IT is responsible for all financial systems, procedures and supporting records of the council. Any new or amended financial systems, procedures or practices are agreed with the Director of Finance & IT before implementation.



### **Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.

#### **To demonstrate its commitment to Principle G, Thurrock Council has:**

An Internal Audit Service that provides 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 which are presented to the Standards & Audit Committee on a quarterly basis and at the July meeting through the Chief Internal Auditor's 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 timely action plan and follow up audit.

A process, through the Standards & Audit Committee, for members to oversee and monitor the council's response to the findings and recommendations of internal and external audit reports and call in officers if necessary.

Produced an Accounting Statement that includes the external Auditor's independent opinion and the council's financial statements.

Produced an Annual Governance Statement which details the council's system of internal control and its commitment to achieve good governance.

Published information on the council's website in accordance with the Local Government Transparency Code 2015.

## **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 Chief Internal Auditor'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).

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 and MTFS cascade the Community Strategy into the council's corporate strategic planning process and inform 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 updated and reviewed the Corporate Plan in July 2016 to ensure it remains current. The MTFS is regularly reported to members and is updated on a rolling basis.

### **INSPECTIONS**

#### **ADULT SERVICES**

There was an announced visit by the Care Quality Commission (CQC) to the Extra Care Service on the 11<sup>th</sup> to 13<sup>th</sup> October 2016. The overall rating of the service was requires improvement. In respect of the individual areas inspected, the results were as follows:

- Is the service safe? Requires improvement
- Is the service effective? Requires improvement
- Is the service caring? Good
- Is the service responsive? Requires improvement
- Is the service well-led? Requires improvement

The CQC provided the service with an action plan to address the key findings.

There was an unannounced visit by the Care Quality Commission (CQC) to the Homecare Reablement Team Service on the 1<sup>st</sup>, 8<sup>th</sup>, 17<sup>th</sup> and 29<sup>th</sup> November 2016. There had been a previous inspection in May 2016 which identified a number of breaches of regulations. The overall rating of the service following the May inspection was requires improvement. In respect of the individual areas inspected, the results were as follows:

- Is the service safe? Inadequate
- Is the service effective? Requires improvement
- Is the service caring? Requires improvement
- Is the service responsive? Requires improvement
- Is the service well-led? Requires improvement

The CQC provided the service with an action plan to address the key findings and followed up with an unannounced visit in November. The service was clearly improving with an upward direction of travel in 4 of the 5 areas although the overall rating was still requires improvement. The results of the individual areas were as follows:

- Is the service safe? Requires improvement
- Is the service effective? Good
- Is the service caring? Good
- Is the service responsive? Requires improvement
- Is the service well-led? Good

## **CHILDREN'S SERVICES**

There were 2 OFSTED Inspections carried out at Thurrock Schools (excluding Academies). The overall results were as follows:

- Holy Cross RC Primary School – Good
- St Thomas of Canterbury RC Primary School – Good

## **LEGAL FRAMEWORK**

The authority has approved changes to the Senior Management Structure which aim 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 Director of Law & Governance with the London Borough of Barking and Dagenham by way of a section 113 secondment under the Local Government Act 1972 with the Deputy Head of Law & Governance fulfilling the role of the council's Monitoring Officer. 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 Monitoring Officer in conjunction with the Constitution Working Group, General Services Committee and Full Council to ensure it remains up to date and appropriately addresses legislative changes such as the new statutory

Prevent duties. Consequential amendments have included changes to portfolios held by Cabinet Members, Management / Directorate structures and minor formatting and typographical errors.

Legal or Monitoring Officer implications are a mandatory requirement of every report and / or motion of Council thereby informing decision makers of relevant legal comments.

A legal advisor, from the shared Legal Service of 65 admitted lawyers generally attends all formal decision making meetings.

The Deputy Head of Law & Governance & Monitoring Officer is a member of the weekly Director Board at the council, together with attending regular monthly Governance Group meetings of Chief Statutory Officers with Group Leaders.

Legal advisors also regularly attend relevant boards.

The Monitoring Officer manages the investigation of any disclosures of malpractice made under the Council' Whistle blowing Policy and procedures and monitors the implementation of recommendations arising from any investigation.

The Monitoring Officer is the Senior Responsible Officer for the Regulation of Investigatory Powers (**RIPA**) and monitors both the RIPA policy and countersigns authorisations.

There are embedded review procedures for Members' and Officers' declarations of interests and declarations of gifts and hospitality, together with monitoring and reviewing Local Government Ombudsman decisions and supporting Standards and Audit Committee in its oversight function.

Legal & Democratic Services provides regular briefings and training to senior managers, legal officers and Members on new legislation and key changes in the law in a local authority context and / or matters of particular significance to the council' work together with regular training events – some of which have been attended by a wide range of other authorities.

The council has an Induction and Member Training programme of internal and external training events. Extensive Induction Handbooks are produced for all Members, with training for holders of key positions such as Cabinet, chairs of committees together with mandatory annual training for planning and licensing committee Members and Overview & Scrutiny training.

The Monitoring Officer did not need to use any statutory powers during the year.

## **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 Corporate Finance, providing the reasons for current variances and including forecasts for the end of year outturn position.

Corporate Finance collate the Heads of Services' returns into the monthly budget monitoring report which is considered by Directors Board monthly and Cabinet quarterly.

This highlights the key variances enabling management and Cabinet to challenge them.

They also enable resources to be realigned to ensure overall service delivery is managed effectively.

For all committee reports for which a decision is required, a "financial implications" section is included assessing financial consequences of the decision being taken. This is verified by a member Corporate Finance.

Corporate Finance officers keep up to date with the latest developments in accounting practice to support the preparation and presentation of the financial statements. As in previous years, staff prepared for completion of the financial accounts by attending the Ernst and Young training day and/or various CIPFA workshops.

The annual Statement of 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 Statement of Accounts that explains their purpose and summarises the key messages arising from them. We have also included a glossary of terms to aid understanding.

### **BUDGET MONITORING**

Corporate Finance officers meet with all Service Heads and their staff monthly during the financial year to discuss performance against budget and actions to be taken. We use this information to support the budget monitoring reports presented to Cabinet. It also informs decisions to make budget transfers or to prepare supplementary estimates as required.

Every year the council sets a comprehensive and balanced budget, which has been shown to provide adequate resources to deliver the services of the council.

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. The process is supported by Scrutiny Committee review of the budget between October and February each year.

The Chief Finance Officer presents an outturn report to Cabinet annually reflecting the overall performance against budget for the previous year.

### TREASURY MANAGEMENT STRATEGY

The council's Treasury Management Strategy, which the Council agrees annually, sets out its policy on managing its loans, cash and investments. This ensures the council has sufficient cash to meet its needs, returns are maximised, costs are minimised whilst the security of the council's financial assets is maintained. The strategy has regard to the CIPFA Code of Practice for Treasury Management in Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities.

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 November 2011.

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 uses the Oracle financial system to generate all financial information required by stakeholders.

The financial system is stable but the quality of reporting remains under review with a programme in place to address this.

### COMMENT ON THE ROLE OF THE DIRECTOR OF FINANCE & IT

The Section 151 Officer (the Director of Finance & IT) has a responsibility to ensure an effective internal audit function is resourced and maintained. The council's internal audit function is led by the Chief Internal Auditor. In January 2017, 2 additional Assistant Internal Auditors were appointed to ensure there were adequate resources to maintain the service.

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.

## **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.

The Chief Internal Auditor's overall opinion is included in the Internal Audit Annual Report for the year ended 31<sup>st</sup> March 2017 and will be submitted to the Standards & Audit Committee in July 2017. The overall control environment was given an Amber assurance opinion; Risk Management was Amber whilst corporate governance remained Green. The change from Green to Amber for the assurance opinion issued on the control environment was as a result of an agreed change to the assurance opinions of individual reports where Amber/Red opinion were previously deemed to be positive but it was agreed they should actually be negative.

The External Auditor issued an unqualified audit opinion and unqualified value for money statement for 2015/16.

## **RISK AND OPPORTUNITY MANAGEMENT**

In accordance with the Risk and Opportunity Management (ROM) Policy, Strategy and Framework the Strategic/Corporate Risk and Opportunity Register was regularly reviewed during 2016/17 and the outcomes from the reviews reported to Standards & Audit Committee, via Directors Board and Performance Board.

The annual review of ROM arrangements was undertaken in 2016 using the ALARM/CIPFA Risk Management Benchmarking Model. This model is used to test and compare the council's performance against the major risk management standards and the criteria that informs the risk management element of the Annual Governance Statement.

The results of the review and proposals to maintain and further embed the practice across the organisation were reported to the Standards & Audit Committee in February 2017.

The challenge in the short to medium term is to maintain or improve the practice across the organisation to ensure that adequate risks and opportunity management arrangements remain in place, are further embedded and form part of the decision making process both at operational and strategic levels.

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

The council has an Anti-Fraud & Corruption Policy which was finalised and adopted by the council in November 2015. It sets out the council's position in regards to allegations of fraud, theft, bribery, corruption and money laundering. The policy takes into account national best practice. The council's

Counter Fraud & Investigation Directorate has sole responsibility for the prevention, detection and deterrence of any fraud, bribery and corruption promoting an anti-fraud culture through a zero tolerance approach. A programme of training and awareness was rolled out across directorates and subject matter experts from the Counter Fraud & Investigation Directorate have been assigned to each council service area.

The council has a Whistleblowing Policy and Procedures which are effective from August 2015 and has further raised the profile of whistleblowing through inclusion on the council's website.

### **BUSINESS CONTINUITY**

As part of the council's plans to meet its savings targets, it was agreed that business continuity would be devolved down to local managers and there would be no central coordination through the Emergency Planning Team. However, it is important to note that business continuity is a statutory duty for local authorities under the Civil Contingencies Act 2004.

Reductions in the risk to the business continuity in some areas 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. In respect of IT, discussions have taken place with Southend Council and an arrangement agreed to have a number of terminals available to maintain critical services if a disaster were to occur. The arrangement is reciprocal with Southend Council being able to access terminals in Thurrock if the disaster were to occur within their borough.

### **GROUP RELATIONSHIPS**

Gloriana Thurrock Ltd is the council's wholly owned regeneration company whose principle aim is "to help deliver the council's growth agenda by developing new housing and commercial projects to stimulate market confidence within the Borough and to provide quality housing to meet housing needs and improve the lives of Thurrock residents". Any profits made by the company will be used for further developments and/or to support services.

Gloriana is funded from loans granted via the Council, and any land considerations are sold at market value in return for shares/equity. The sale of the land is agreed by full Council. Any projects undertaken by Gloriana are overseen by the Gloriana Board which meets monthly and is made up of senior council officers from Regeneration, Housing and Finance who form the company's directors, and an external director from the HCA. There is also a stakeholder group made up of the Leaders and Deputy Leaders of the 3 main political parties in Thurrock who meet quarterly with members of the Gloriana Board to discuss current and future projects.

A review of the robustness of the governance arrangements, decision making and monitoring processes around Gloriana is included within the annual audit plan for 2017/18 and a service review is due to be undertaken in 2018/19 as



part of the council's overall service review programme across all areas of its business.

### **STANDARDS & AUDIT COMMITTEE**

The Standards & Audit Committee undertake 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 Audit letter and Audit Results Report to those charged with governance;
  - (f) keeping under review the Authority's control environment and anti-fraud and anti-corruption 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.
- reviewing the performance of the council's appointed Internal Audit provider.

Our Standards & 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 three 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 Monitoring Officer received no complaints during 2016/17 which passed the council's agreed threshold criteria requiring a hearing or was relevant to a Members' official role and duties.

### **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.

As part of the scrutiny function, 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 Wellbeing 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 scrutiny 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 & Audit Committee in November 2016 and reported that:

- The council was issued with an unqualified Audit Opinion on the 30<sup>th</sup> September 2016;
- An unqualified Value for Money assessment was issued on the 30<sup>th</sup> September 2016;
- There were no issues to report on the accuracy of the consolidation pack the Council prepared for the Whole of Government Accounts which was submitted to the National Audit Office on the 30<sup>th</sup> September 2016; 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 & Audit Committee in February 2017 and acknowledged that the level of errors identified in the general classification and calculation of overpayments had continued to reduce.

## **INFORMATION GOVERNANCE**

The council is required to ensure it complies with Data Protection Act 1998 and the Freedom Of Information Act 2000 when considering its arrangements around information governance. Each September, the Information Manager provides an Annual Access to Records Report to the Standards & Audit Committee which gives a detailed breakdown of all requests made under these Acts and whether they were completed within the required timeframes.

## **LOCAL GOVERNMENT AND HOUSING OMBUDSMAN**

The Local Government Ombudsman (LGO) and Housing Ombudsman's (HO) services provide a complaints handling service to make sure that local public services are accountable to the people that use them and that things are put right when they go wrong. Each September, the Information Manager provides an Annual Complaints Report to the Standards & Audit Committee which gives a summarised breakdown of all complaints that were dealt with by the LGO/HO Ombudsman and the outcomes of their findings.

## 5.0 Significant governance issues

During 2016/17, we addressed the following issues to improve the council's governance arrangements:

Significant Governance Issues from 2015/16				
Identified from	Issue	Description	Responsible Officer (s)	Progress
CQC Review	Number of recommendations	There was a CQC "Review of Health Services for Children Looked After and Safeguarding in Thurrock" carried out in October 2015. Whilst the review concentrated on the NHS elements of the service, the findings were reported back to the Council as the commissioner of services through Public Health.	Director of Children's Services, Director of Public Health	<p>A paper entitled Twenty-First Wellbeing Services for Children and Young People went to Cabinet on 12<sup>th</sup> October 2016 which aims to provide an integrated children's services offer by providing more co-ordination between children's services, public health and the clinical commissioning group. This forms the basis of responding to the findings of the CQC inspection.</p> <p>At present, a complex and overlapping range of services is in place to meet the health and wellbeing needs of young people. Several commissioners and providers are involved, making coordination between services difficult and access for families, potentially confusing. The aim is to make it appear that it is a single service from the service user's perspective, rather than a number of different services.</p>

Significant Governance Issues from 2015/16				
Identified from	Issue	Description	Responsible Officer (s)	Progress
				A tendering exercise has been undertaken to procure a parcel of services under a Healthy Families Contract and an Early Offer of Help contract, both of which will run for 5 years.
OFSTED Inspection	Rating – Requires Improvement	There were 3 inspections of Thurrock maintained schools. 2 received Good rating but Bonnygate Primary School was given a requires improvement rating.	Director of Children’s Services/ Headteacher	Additional assistance provided to the school including a representative of the local authority on the governing body. The school was re-inspected in May 17 and received a Good rating.
OFSTED Inspection	Rating – Requires Improvement to be Good	OFSTED undertook an “Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board”. The overall rating was that “Children’s services in Thurrock Council require improvement to be good”. There were a total of 16 recommendations which the council needed to address.	Director of Children’s Services	The Director of Children’s Services formed a Development Board which meets regularly to discuss the OFSTED Action Plan. As at the end of March 2017, 9 recommendations had been completed, 5 were near to completion and 2 were on-going as circumstances meant the service had to review how it could action them. This represents good progress in addressing the recommendations and working towards a Good rating for the service.

We propose over the coming year to take steps to address the matters set out below to further enhance our governance arrangements.

<b>Significant Governance Issues for 2016/17</b>			
<b>Identified from</b>	<b>Issue</b>	<b>Description</b>	<b>Responsible Officer (s)</b>
Internal Audit	Red assurance Internal Audit Reports	<p>There were 2 reports issued with a Red Assurance opinion for reviews undertaken in 2016/17. These were the reviews of Acquisitions &amp; Disposals of Land and Buildings (excluding council houses) and HR Recruitment &amp; Selection.</p> <p>In respect of all other areas where recommendations were made, management have given assurance that these will be implemented. Internal Audit has processes in place to follow up all recommendations made and report the outcome to senior management and the Standards &amp; Audit Committee.</p> <p>In respect of the 2 Red reports issued above, HR Recruitment &amp; Selection was followed up 2 months after the report was issued and all recommendations had been actioned. The follow up review of Acquisitions &amp; Disposals will be followed up in 2017/18 due to changes to the senior management structure in the Assets team.</p>	Senior management and Chief Internal Auditor.
Risk Register	General Data Protection Regulations	<p>The new General Data Protection Regulation (GDPR) comes into effect from May 2018. The new rules are designed to give citizens across the EU more control of their personal data and create a high level of data protection in a digital era across the member states. These requirements will affect most parts of the council and represent a significant risk if the council fails to respond and there is a breach of the regulations.</p> <p>The Information Commissioner's advice is that organisations immediately begin preparations to implement the GDPR and they have issued a 12 step</p>	Information Manager and Chief Internal Auditor

<b>Significant Governance Issues for 2016/17</b>			
<b>Identified from</b>	<b>Issue</b>	<b>Description</b>	<b>Responsible Officer (s)</b>
		<p>checklist to assist organisations in doing this.</p> <p>It has been agreed that Internal Audit will undertake a review in 2017/18 to check the council's preparedness to meet the new regulations.</p>	
Risk Register and Internal Audit	Cyber Security	<p>Recent events have shown that no matter what sector organisations operate in, public or private, the increasing reliance on internet based activities makes organisations more vulnerable to 'cyber attacks'. There are substantial risks of being hacked, being unable to use key systems or access key data, all potentially leading to reputational loss. Cyber security is not just the proactive prevention of cyber-attacks, but also the identification and activation of both strategic and technical responses following an attack.</p> <p>It has been agreed that Internal Audit will undertake a review in 2017/18 to check that the council has the relevant technical security controls in place to protect both the council and customer's information from cyber-attack.</p>	Head of IT and Chief Internal Auditor
Internal Audit	Commissioning & Contracts (including compliance with procurement rules)	<p>There have been a number of instances, both with large and small contracts where officers have failed to comply with the council's contract procedure rules. Changes in the way in which goods and services can be procured with the move to iprocurement and payment by purchase cards for some off contract spend reduce the burden of having a paper audit trail but rely on officers having sufficient detailed narrative and evidence to support payments. Internal Audit will continue to undertake ad hoc reviews of contract management and Procurement Services will monitor on contract and off contract spend.</p>	Director of Commercial Services, Corporate Procurement, Strategy and Delivery Manager and Chief Internal Auditor

### Significant Governance Issues for 2016/17

Identified from	Issue	Description	Responsible Officer (s)
Internal Audit	Transformation Programme	<p>As part of the response to the continued financial pressures that local authorities are working under, they have to look at better and more efficient ways to provide services, utilise land and buildings, develop technological solutions etc. This has led to a number of programmes and projects which fall under the title of transformation. However, there is a risk that these programmes and projects, which can be very large and complex through to small and straightforward, do not take a holistic view of the council's operations so links are not made between the programmes and projects which could result in duplication, competing priorities and a lack of value for money.</p>	Directors Board and Transformation Board
External and Internal Audit	Oracle access arrangements	<p>Oracle is the main financial accounting system the council operates. However, it has been identified in a number of internal audit reviews that the process for allocating access and permissions to staff who use the system is basic and carries a high level of risk.</p> <p>When someone requires access to Oracle, the manager is asked to provide the name of someone else doing a similar job role and then the access is mirrored. This staff member may already have access to parts of the system they should not be able to access, particularly if they have changed role or job and their previous access has not been removed, so mirroring their access results in the new staff member also having a level that is in excess of that required to do their job. This has also been picked up by the External Auditors and as a result, they have indicated they will have to carry out additional transaction testing and walkthrough testing. They have determined that they cannot place reliance on the access control arrangements as unauthorised staff could make changes to the system, figures etc.</p>	Director of Finance & IT, Head of IT, Oracle Improvement team



We are satisfied these steps will help to enhance the governance framework and will monitor their implementation and operation as part of our next annual review.

This statement from the Leader of the Council and Chief Executive, provides reasonable assurance to all stakeholders that within Thurrock Council, processes and systems have been established which ensure decisions are properly made and scrutinised and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the council.

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**Signature**

**Date**

**Lyn Carpenter, Chief Executive**

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**Signature**

**Date**

**Cllr Robert Gledhill, Leader of the Council**

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**Thurrock Council**  
**Statement of Accounts**  
**2016/17**

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## NARRATIVE REPORT

### BACKGROUND AND CONTEXT

#### 1. Location and place

Thurrock is located on the north bank of the River Thames immediately to the east of London. It has excellent transport links with London and the rest of the UK and Europe by road, rail, river and air.

Geography	Extent
Area	165 sqkm
Riverfront	18 miles
Green Belt land	70%

#### 2. Population

Thurrock has a diverse population that is projected to increase by over 10% every 10 years.. In 2001 the population was 143,300 and by 2011 had increased to 158,300. The Office of National Statistics (ONS) estimates it will have risen to 175,000 by the time of the next national census in 2021.

Population estimates are produced by the ONS and are updated periodically. For the latest data – see <https://www.nomisweb.co.uk/reports/lmp/la/1946157204/report.aspx>

#### 3. Age and gender

The table below summarises ONS' population estimates by age and sex in the UK for mid-2015.

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

#### 4. Thurrock's Economic Performance

##### The local economy

In 2013, the Thurrock economy was worth around £2.8bn. Between 2007 and 2013, nominal Gross valued Added (GVA) growth in Thurrock was 12.2%) which was below the England average of 15.9%. Economic output per head of population was £17,300 below the England average of £24,100.

Thurrock has high levels of employment (73.4% of working age residents compared to 72.5% for England). Employment has been sustained despite significant population growth. Between 2004 and 2014, the number of Thurrock residents increased by 16,400 or 11.0% to an estimated 163,300. This compares with 8.2% growth nationally and 7.3% for Essex County.

Population growth partly reflects the employment opportunities in Thurrock itself, particularly in a few core sectors such as transport and logistics, port functions, and retail. The strength of these sectors reflects some of Thurrock's main economic advantages; geography and relatively low labour costs. As a whole, Essex's close proximity to both London and Cambridge, and its international airports and ports make it an attractive proposition for inward investment; while Greater Essex is up to 20% cheaper with regards to labour costs for a

## NARRATIVE REPORT

typical logistics operation compared to London and up to 50% cheaper with regards to labour costs for a typical sales/administration services operation.

Investments in Thurrock's core sectors have delivered large numbers of jobs in the area, but significant shares of these are low value and low skill. As such, labour productivity in Thurrock lags the Essex County and national averages.

### 5. Thurrock's EDS priorities: Progress to date

The 2007 Economic Development Strategy (EDS) stated that: "The overarching challenge for Thurrock is to create new jobs" and included a headline target to create 26,000 more jobs in the local economy by 2021. An increase in job opportunities was considered vital to the Thurrock's "economic, social and environmental sustainability", particularly in light of the area's growing population.

The 2007 EDS identified a number of priorities and set specific targets for realisation by 2021. These targets specifically reflect elements of the local economic context as set out above. The key progress to date is as follows:

- Thurrock has seen strong job growth despite the economic downturn, performing above the national and regional averages
- Projections suggest Thurrock may not meet the target of 26,000 jobs by 2021
- Several large investments (Thames Enterprise Park, DP World, Tilbury and Purfleet for example) do, however, offer the opportunity to see faster jobs growth in coming years. Two recent planning applications alone offer the scope for 4,500 new jobs over the next two to three years.

Recession and the subsequent weak economic recovery at a national level made this a significantly more challenging target than anticipated. Employment in Thurrock fell sharply after the onset of the economic downturn in 2008/09. 75.4% of working age residents were in employment in 2007 but this fell to 70.0% in 2011. This recovered to 73.4% by the end of 2014 and was above the England average of 72.5%.

Unemployment in Thurrock peaked at 11.4% of economically active residents in Thurrock in the 12 months to March 2012 but has declined since then and has continued to fall.

Extrapolating trend growth from 2007-2013 would see an increase of 11,800 jobs by 2021. This would be short of the 2007 target. However, potential investments in the local economy - in particular within identified economic hubs (e.g. London Gateway, Port of Tilbury, Lakeside, Purfleet and Thames Enterprise Park) - offer the potential for significant jobs growth in the coming years. Indeed, supporting and enabling delivery on those investments will be crucial to getting close to the target of 26,000 jobs by 2021.

### 6. Adult skills

Data for 2014 shows Thurrock still has relatively low proportions of residents who are qualified at NVQ Level 3 and above – 40.5% of working age residents in 2014, compared to 53.2% nationally. There is also a relatively high proportion of working age adults with low or no qualifications, including 12,600 Thurrock residents aged 16-64 with no qualifications – making up 12.2% of working age residents, compared to just 8.6% nationally. Employment rates vary significantly by qualification level: 84.4% working age residents qualified at NVQ4+ were in employment in 2014, compared to 63.1% of those qualified at NVQ1 and below (including 'other qualifications').

However, there have been considerable improvements in qualifications attainment in recent years. Between 2007 and 2014 there was a significant shift towards attainment at the highest qualification levels (NVQ3 and above) among working age residents, and away from qualifications at the lowest levels (NVQ1 and below). The proportion of residents qualified at NVQ4 and above has increased by 7.4% in Thurrock since 2009, compared to just 2.7% across Essex County and 6.1% nationally. This is a result of the focus on education to



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improve schools attainment and, support for academies to increase investment and pupil based planning for place provision.

In total there were 14,200 more working age residents qualified at Level 3 and above in 2014 than in 2007, and 10,500 fewer residents aged 16-64 whose highest level of qualification is at NVQ Level 1 or below (including 'other qualifications'). While these trends have also taken place nationally, they have been particularly marked in Thurrock.

### 7. Five strategic priorities to achieve our vision

The current strategic priorities of the Council are:

- Create a great place for learning and opportunity
- Encourage and promote job creation and economic prosperity
- Build pride, responsibility and respect
- Improve health and well-being
- Promote and protect our clean and green environment

They have largely been in place since 2012 and were refreshed slightly in 2015 to take into account of the changing relationship between the council and the community and our role in place shaping and community leadership. The priorities are now under review and are expected to be updated in the 2017/18 municipal year.

### 8. Homes and houses

According to the Valuation Office as at March 2016, there were 66,065 dwellings in Thurrock. The borough has a target to build 18,500 new homes by 2021 to meet the demand expected. Thurrock has a stock of 10,000 council houses, including 1,200 sheltered and extra care homes.

House price information below is from the Land Registry Housing Price Index, July 2016. Housing status data comes from the national census of 2011.

Housing status	Thurrock	East region	England
Owner-occupier	66.2%	67.6%	63.4%
Rented from the council or housing association	18.4%	15.7%	17.7%
Rented privately	14.1%	14.8%	16.8%
Average house prices	£249,803	£273,806	£232,885

### 9. Heritage

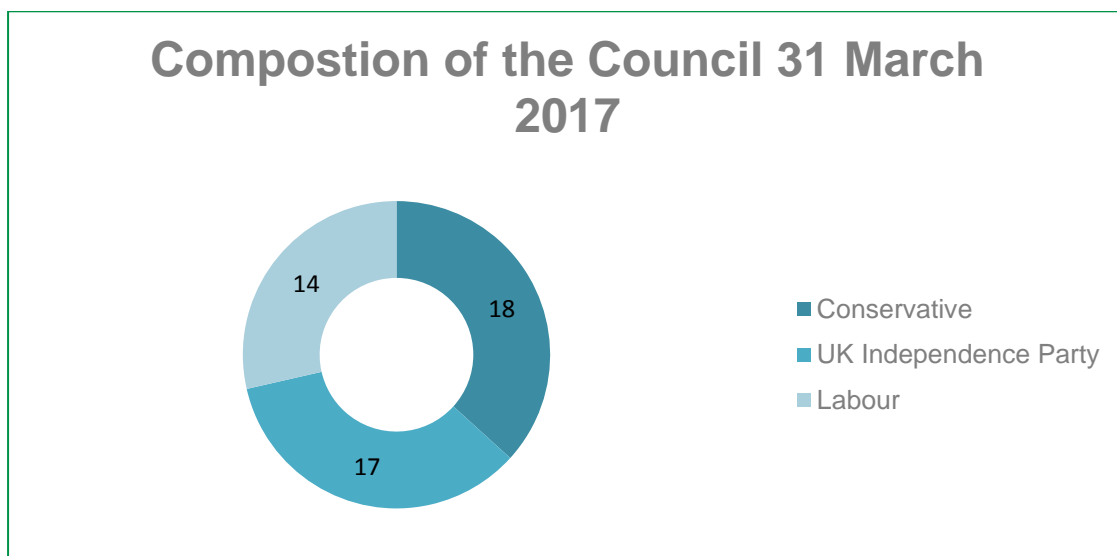
Thurrock has a wealth of historic sites in the borough and examples include:

- Tilbury Fort, where Queen Elizabeth I gave her famous "heart of a king" speech whilst amassing the fleet to face the Spanish Armada in 1588
- Coalhouse Fort, which was completed in 1874

Thurrock was also the venue for the Empire Windrush's momentous disembarkation at Tilbury. There are other moments from history captured in the displays at Thurrock Museum.

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### 10. Political Structure



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

### 11. The Cabinet and its members

The Cabinet includes the Leader of the Council and 8 councillors from the ruling party. Each cabinet member is responsible for a policy area, known as a portfolio.

The Cabinet is responsible for:

- publishing a forward plan that gives at least 28 days' notice about the key decisions it will take
- making most of the council's main budget and policy decisions
- recommending the budget and important policies for the council to agree on
- deciding certain policies
- carrying out important plans and strategies

#### Members of the Cabinet

The current members of the Cabinet and their portfolios are listed below:

Cabinet member	Role	Portfolio
Councillor Rob Gledhill	Leader of the Council	Housing
Councillor Shane Hebb	Deputy Leader of the Council	Finance
Councillor Mark Coxshall		Regeneration
Councillor James Halden		Education and Health
Councillor Brian Little		Highways and Transportation

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<b>Councillor Susan Little</b>	Children's and Adult Social Care
<b>Councillor Suzanne MacPherson</b>	Neighbourhoods
<b>Councillor Deborah Huelin</b>	Performance and Central Services
<b>Councillor Pauline Tolson</b>	Environment

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### 12. Risk Management

Risk management involves:

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

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

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

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

A structured approach to risk management will result in:

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

The Council's Corporate Risk Management Group consider the whole range of business risks facing the Council. The key risks are identified below:

#### ■ **Adult Social Care, Cost & Quality Standards - Risk 1** (Rating: 16 Critical/Very Likely)

The risk evaluates the impact of a combination of issues on the maintenance of care quality standards and the ability to meet the needs of service users who meet Adult Social Care eligibility criteria. The risk is rated at the higher level due to the financial pressures on local authorities and the impact this has in turn on providers.

The Council has a plan in place being implemented which responds to a recent CQC report and also an independent review of our in-house domiciliary care provider – Thurrock Care at Home. Furthermore financial pressures will reduce following additional funding from the social care precept from 2017/18.

#### ■ **Cyber Security - Risk 22** (Rating: 12 Substantial /Very Likely)

The industry has recently reported that Ransomware attacks have been significantly increasing over the last 12 months. This type of attack progressively infects the host infrastructure encrypting data so it is inaccessible unless a ransom is paid. Ransomware is a "popular headline" cybercrime, but three neighbouring Councils have reported attacks within the last 12 months all of which have an operational impact. This proves that local authorities are being targeted.

## NARRATIVE REPORT

The Council continues to manage this risk through a range of measures designed to protect the Council's core IT infrastructure.

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

Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme. There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve.

Whilst initiatives designed to manage, reduce, and meet demand are on-going, the results are in most cases not immediate and the risk rating is still likely to be high. The management of demand in social care has links across the whole system, and therefore the speed at which the NHS can also transform will have a bearing on the success of our own programme. The Council continues to work with the NHS to embed the integration agenda.

### ■ *Welfare Reforms - Risk 3* (Rating: 12 Critical/Likely)

The impact of the changes is being monitored by the Welfare Reform Group. In terms of the specific areas:

- The Essential Living Fund has had a lower take-up than expected and the arrangements with Southend are working well. The scheme continues to operate.
- The social sector size criteria affected nearly 1,000 people. Discretionary Housing Payment has been used to minimise the impact; Housing Benefit arrears have been lower than expected; The risk is over maintaining this position;
- The benefit cap has, to date, affected a very small number of people and the impact has been limited.
- The move from Disability Living Allowance to Personal Independent Plan is being monitored and numbers will grow as people switch at their review point. Delays remain the biggest issue to resolve.
- Localised Council Tax Support – again arrears are lower than expected and the long-term impact is hard to assess at this stage; The scheme was updated and approved by full Council in January 2017 and the impact continues to be monitored.
- Universal Credit – The impact is being monitored as it is rolled out but there remains a low level of cases moving to the universal credit system.

### ■ *CSC, Service Standards & Inspection Outcome - Risk 6* (Rating: 12 Critical/Likely)

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock multiagency safeguarding hub (MASH) has been successful although as anticipated it has led to an increase in the volume of work to children's social care, this is ongoing.

The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children's Services including from the Children's Social care budget will be risk assessed to mitigate the impact on front line services. The service has to be demand and needs lead and cannot fail to respond to the needs of a child due to budget or resource constraints. A target date of 31/03/17 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated.

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### ■ **CSC, Safeguarding & Protecting C&YP - Risk 7** (Rating: 12 Critical/Likely)

The nature of the work in terms of safeguarding and supporting children at risk of harm means that this will always be a high risk area although through the application of the S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood. The risk of children and young people coming to harm cannot be completely eliminated and the risk level needs to remain high and ensure clear vigilance across the council and partner agencies.

New and emerging risk factors will arise and there is always a potential for agencies 'not knowing, what they don't know' that needs to be guarded against. Embedding the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases. The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur.

The ongoing nature of risk in child protection and safeguarding is such that despite effective mitigation the acknowledgement of the risk needs to remain high and will not reduce. This is not to say that the risks are unmanageable but for effective management the gravity and complexity of the risk needs to be acknowledged.

Within the context of this work we have a high level and critical risk that is being proactively managed.

### ■ **Business Continuity Planning - Risk 8** (Rating: 12 Critical/Likely)

The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to business continuity planning arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting the authority.

Review to identify priority functions/ICT systems and to update service business continuity plans were undertaken by Service Managers during 2015/16 and have been updated in early 2017/18. Analysis of the information and an interim solution for ICT Disaster Recover arrangements was initially identified and agreed in March 2016. The interim solution for ICT disaster recovery when implemented along with the updated service business continuity plans put the Council in a fair position to deal with a significant disruption.

The risk is expected to remain at the higher level until assurance is obtained that the business continuity plans for the Council and the critical functions are adequate and effective.

### ■ **ICT Disaster Recovery Planning - Risk 11** (Rating: 12 Critical/Likely)

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

### ■ **Waste Disposal Contract Re-Procurement - Risk 23** (Rating: 12 Critical/Likely)

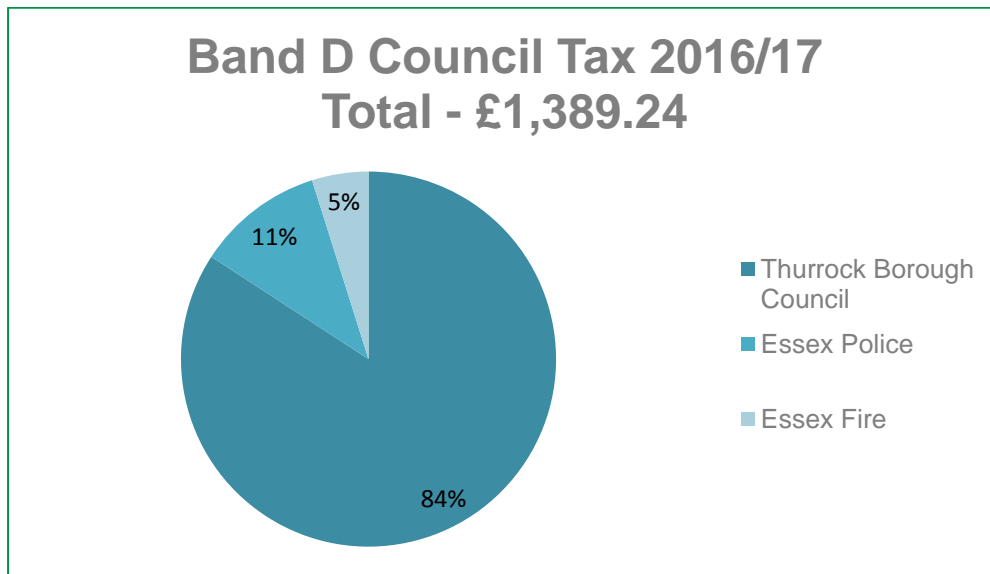
Waste Consulting LLP have been commissioned to support officers in the re-procurement of the waste disposal contracts and fleet replacement. A project team comprising of Environment Officer and colleagues from relevant departments including Legal Services, Corporate Property and Procurement have been engaged to manage the process in line with standard project management methodology. Negotiations with the incumbent contractors are ongoing. Extensions in line with the 31 December 17 date need to be formalised. Veolia have confirmed that they are unwilling to agree to extension of the CA Site contract. A dedicated sub-group has been put in place to manage the CA site re-procurement and related risk.

## NARRATIVE REPORT

### 13. Council Tax 2016/17

The net budget requirement for a council is the amount needed in to finance Council services after allowing for planned expenditure and income. For 2016/17, this was set by the Council £110.29m. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £53.11m leaving £57.14m to be raised locally from Council Tax ( the Council Tax Requirement).

The 2016/17 Band D council tax Thurrock Council services, including the adult social care precept was £1,169.46 (an increase of 3.99% over the 2015/16 charge of £1,124.64). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverable and the local council tax support scheme) of Band D equivalent properties. The total Band D council tax for the borough was £1,389.24 distributed amongst the preceptors as set out in the chart below.



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### 14. Regeneration and Investment

#### Growth

Thurrock has a growth strategy to create 26,000 jobs by 2021. There are 6 major growth hubs in the borough:

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

Future proposed developments to transform Thurrock include:

- Further development of Purfleet and High House Production Park to deliver a number of community facilities and housing as well as taking forward the film and television studio. This will enable the job opportunities required to realise the potential of the creative sector.
- Building on Grays as a Market Town to create an exciting, high quality destination for people to live, work, learn, shop and socialise. This will support the development of the night-time economy and provide safe and attractive places for communities to meet and businesses to thrive.
- An expansion of Lakeside and West Thurrock retail offer to include major leisure functions both to the north and south of the existing shopping centre. Work to improve accessibility to Lakeside by car and other means of public transport will help to place shape and delivery of new homes in the area will provide further opportunity.
- Regeneration of Tilbury's town centre and Civic Square through growth of primary care facilities and wider business opportunities such as port expansion to reduce levels of inequality and support job creation. Expansion of the Port of Tilbury through the development of London Distribution Park is key to growing the port's already successful distribution capability and securing Tilbury as the leading logistics and distribution hub.
- London Gateway is increasingly known as a major operator in international shipping. The first three berths (of an eventual six) have hosted some of the largest ships in the world and the next berth is under construction. Further investment must be secured to ensure potential is reached and complementary skills programmes and development of supply chains is needed to ensure future workforce requirements are understood.
- Enabling the development of Thames Enterprise Park and securing higher value, high-tech sectors with strong innovation, investment in research and development and export potential. In creating a workforce strategy for the area future gaps in labour and skills requirements will be identified. The council has an enabling role to play, especially in delivering the workforce that leads to its success.
- Concentration on enabling and embedding factors to deliver growth and then secure maximum benefit. This shift will support a focus on continuing economic growth rather than developing conditions to encourage growth which has been the focus to date.

## NARRATIVE REPORT

### STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

#### 1. Statement of Accounts

The Statement of Accounts comprise of the following statements:

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



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

### 2. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These accounts have been prepared in accordance with the Code of Practice 2016/17 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

### 3. Financial Performance

#### ■ General Fund

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

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

These create significant charges and credits to the cost of the various services - these are then reversed out through the MIRS, have a zero impact on the Council's overall resources. The financial outturn reported to Cabinet on 12 July 2017 is set out in the section below.

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### 4. The Financial Outturn

The council has successfully delivered savings of £100m since 2010, whilst limiting the impact on its customer offer or quality of service

The council has benefited from a recent history of prudent financial management to meet the financial scenarios arising that have predominantly related to demand-led social care pressures and additional discretionary requirements within Environmental Services. Mitigation has included, managing demand, further income generation, improving efficiency and reducing non-essential spend. Any challenges have been achieved while continuing to support local communities by delivering services in more efficient and innovative ways. The table below summarises the outturn position

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

2015/16 £'000	Directorate	2016/17 £'000
30,730	Adults; Housing and Health	34,105
34,943	Children's Services	37,687
23,053	Environment and Place	23,814
305	Commercial Services	644
4,774	Finance and Information Technology	7,687
2,128	HR; OD and Transformation	2,974
1,609	Corporate Strategy & Communications	2,311
1,931	Legal	1,646
2,538	Schools	3,664
22,838	SERCO	0
918	Corporate Costs	2,034
<b>125,769</b>	<b>Net Cost of General Fund Services</b>	<b>116,566</b>
(1,855)	Housing Revenue Account	(5,012)
<b>123,914</b>	<b>Net Cost of Services</b>	<b>111,554</b>
(106,239)	Other Income & Expenditure	(111,997)
<b>17,675</b>	<b>(Surplus)/Deficit</b>	<b>(442)</b>
<b>(35,814)</b>	Opening General Fund and HRA Balance	<b>(18,139)</b>
17,675	(Surplus)/Deficit in year (per table above)	(442)
<b>(18,139)</b>	<b>Closing General Fund and HRA Balance</b>	<b>(18,581)</b>

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

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The table below sets out the councils reserves by category:

31-Mar-16 £'000	Reserve Category	31-Mar-17 £'000
(5,354)	Education and Schools	(1,430)
(1,480)	Adults, Community and Health	(1,248)
(524)	Grant Carried Forward	(112)
(1,026)	Other Earmarked Reserves	(1,024)
(8,000)	General Fund Balance	(8,000)
(1,754)	HRA Related	(6,766)
<b>(18,139)</b>	<b>TOTAL</b>	<b>(18,581)</b>

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use.
- The General Fund Balance – the balance maintained to protect the council from unmitigated budget pressures; and
- HRA Related – a balance of £2.175m to protect the council from unmitigated budget pressures, Development Reserve of £3m and £1.4m Housing Zone funding

### 5. The Budget and Financial Forecast to 2019/20

The Council faced a number of challenges, risks and uncertainties during 2016/17, many of which could have medium or long-term financial implications. There were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2016/17 Budget Report, a copy of which is available on the Council's website. Local government finances continue to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

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

### 6. Business Rates Retention

This scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local businesses rate growth and the outcome of appeals against valuations and other changes to the rating list including applications for charitable relief. The provisions for rating appeals totals £12.2m of which the councils share is £5.98m. It is intended by 2019/20 local government will retain 100% of business rates revenue to fund local services. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time.

### ■ Housing Revenue Account

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

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HRA Outturn by Service Areas:	Full Year Budget	Spend YTD	Variance from Budget
	£'000	£'000	£'000
Repairs and Maintenance	12,602	13,010	408
Housing Operations	11,263	10,491	(772)
Financing and Recharges	24,018	24,607	589
Rent and Income	(48,426)	(48,554)	(128)
Development	543	25	(518)
<b>Grand Total</b>	<b>0</b>	<b>(421)</b>	<b>(421)</b>

The main pressure within the HRA was revenue repairs and has been managed by savings within the housing investment and delivery team. Actual bills issued to Leaseholders for general service charges during the year resulted in increased income which offset the reduction in income from tenants in the New Build schemes due to letting delays. Income pressures continue with the rent reduction policy.

The transforming homes core programme was funded by revenue resources in 2016/17 with 'exceptions' being funded from the non-ring-fenced capital receipts from right to buy sales. Changes were made to the financing of the new build programme to maximise the use of 1-4-1 receipts with the balance through prudential borrowing. One off increased recharges to the HRA during 2016/17 were made to reflect increased infrastructure costs relating to key service areas.

A one off saving on the cost of servicing debt, due to a change to the profiled delivery within the capital programme, has resulted in the HRA increasing its general balance by £0.421m bringing them to £2.175m. Other HRA reserves include a budgeted £3m contribution to the development reserve required to fund multi-year capital schemes within the HRA business plan and £1.4m Housing Zone funding to support future aspirations in building new homes and undertaking estate regeneration schemes. These are all fully committed.

### ■ Capital Expenditure

Total capital expenditure for 2016/17 amounted to £44.297m. A summary of this expenditure analysed by service is set out below and also shows the source of financing:-

Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	9,421	7,943	(1,478)
Adult Social Care	763	399	(364)
Housing General Fund	200	112	(88)
Housing Revenue Account	17,995	13,349	(4,646)
Environment	2,860	1,834	(1,026)
Planning and Transportation	19,470	12,700	(6,770)
Property and Regeneration	7,049	5,227	(1,822)
HR, OD & Transformation	4,805	1,447	(3,358)
Finance and I.T.	1,003	1,286	283
<b>Total</b>	<b>63,566</b>	<b>44,297</b>	<b>(19,269)</b>

Source of Finance	Budget	Total	Variance
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## NARRATIVE REPORT

	£000s	£000s	£000s
Prudential Borrowing	26,387	14,013	(12,374)
Supported Borrowing (SCER)	0	0	0
Usable Capital Receipts	1,828	879	(949)
Earmarked Usable Capital Receipts	1,215	1,084	(131)
Major Repairs Reserve	0	0	0
Grants	20,308	16,373	(3,935)
Developers Contributions	2,783	1,924	(859)
Trusts	135	135	0
Reserves	10,910	9,889	(1,021)
<b>Total</b>	<b>63,566</b>	<b>44,297</b>	<b>(19,269)</b>

The capital outturn position includes the delivery of the following projects in 2016/17:

- £10.23m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.
- The completion of new council dwellings at Bracelet Close, Corringham, with a gross spend of £5.35m over the period 2013/14 to 2016/17.
- £12.70m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road, West Thurrock and car parking improvements at Thames Road, Grays and Canterbury Parade, South Ockendon.
- £0.21m spent on the improvements to the hearing impairment unit at Warren primary school
- £0.15m spent on pothole detecting cameras, fitted to waste collection vehicles, part of the Governments one year funded trial to improve road safety, cut congestion and improve journey times.
- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

As at 31 March 2017, the Council had authorised expenditure in future years of £20.38m. In addition a further £77.96m had been previously authorised for use in 2017/18 and 2018/19, giving a total future years' commitment of £98.33m. This includes £13.4m on the Purfleet redevelopment, £9.1m on improvements to Grays South, £20.0m on housing new build developments and £4.8m on improvement works to the Civic Offices ground floor.

### ■ Cash Management

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

## NARRATIVE REPORT

### ■ Corporate Performance

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

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

The Corporate KPI Framework in 2016/17 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

By the end of 2016/17, 59.2% of those KPIs had achieved their target and 40.8% had failed to reach their target. 47% of indicators had improved on their performance the previous year, including three indicators which had improved but failed to meet their target.

Some of the indicators that were significantly below target include levels of apprenticeships within the council, recycling rates and staff sickness for which there are plans in place to improve in 2017/18.

The full report on end of year performance is available at:

<http://thurrock.moderngov.co.uk/ieListDocuments.aspx?CId=163&MId=5218&Ver=4>

### ■ Pensions

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

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The liability has increased by £60.1m to £219.5m between 31 March 2016 and 31 March 2017.

### ■ Material and Unusual charges/credits to the accounts

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

Further material items to note in 2016/17 are:

### ■ Long Term Investments

The Council retains its £50m investment with the Local Authority Property Fund run by the Churches, Charities and Local Authorities (CCLA) Investment Management Ltd. This fund was first invested in during 2014/15 to secure a higher return than is available through cash deposits. During 2016/17 the Council invested £15m in a 5 year investment bond with Rockfire Capital Ltd. The Council is one of several local authority investors and the funds are invested by Rockfire Capital Ltd in solar energy with the returns supporting service delivery at the Council.

## NARRATIVE REPORT

Both investments are reflected in the Balance Sheet as long term investments with dividends reflected within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Account.

### ■ Significant changes in accounting policies

The key changes in 2016/17 are set out below:

### ■ The Introduction of 'Telling the Story'

The format of the financial statements has been updated in line with the amended requirements for 'Telling the Story' introduced by CIPFA into the Code for 2016/17. The primary aim of these requirements is to provide a closer link between the management and financial reporting of local authorities.

The main impacts of this are

- The Council is required to include an 'Expenditure Funding Analysis' which presents the management reporting outturn and then highlights the amendments required to present the Comprehensive Income and Expenditure Account.
- The Comprehensive Income and Expenditure Account now presents the service headings per the Council's management reporting structure.
- A subjective analysis of the Council's income and expenditure account is presented as a note to the financial statements.

The Expenditure Funding Analysis is included on page 14 with associated notes on pages 39 to 42.

## 7. Future Financial Issues

### ■ Economic Outlook

The outlook for Local Authority funding remains challenging and there are now clearly defined plans for further reductions in government funding over the next 4 year period. This enables Local Authorities to plan with more clarity but further increases the challenges faced. The main sources of income to fund general services remain government grants, business rates income and council tax. The combination of these reductions in income combined with greater demands for services - especially in children's and adult social care – as well as the council's objective to enhance environmental services, means the shape of the organisation continues to flex to meet these challenges.

The Council continues to face additional funding risks arising from the localisation of business rates. The Council retains approximately 27% of the total amount collected but continues to manage the risk arising from successful appeals against rateable value assessments. The current plans for the complete localisation of business rates mean the Council's exposure to risk is likely to increase going forwards.

The Council continues to benefit from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates continue to be monitored in conjunction with advice from treasury management advisors and the debt profile will be considered going forward. The Medium Term Financial Strategy assumes a phased move to fixed rates from 2019/20.

## NARRATIVE REPORT

### ■ General Fund

For the period 2017/18–2019/20, the Council continues to deal with a reduction in government related support, together with service pressures mainly due to demographic growth, requiring overall savings of £16.58m to be delivered.

The Council has currently set a budget that is balanced for the period 2017/18. The Council continues to monitor the implications of the medium term financial strategy to the delivery of services and the achievement of priorities going forward. There will be renewed consultation on this between members and officers in the coming months.

The Medium Term Financial Strategy assumes further grant reductions in line with government fiscal announcements as well as increases in business rate growth, annual council tax increases and the delivery of savings. The 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. The Council also continues to assess capital bids to support service areas and provides funding for those which meet the relevant investment criteria.

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

The Council is now accessing the South Essex Local Enterprise Partnership funding for regeneration projects and highways. This is likely to total in the region of £90m.

## 8. Specific Accounting Issues

### ■ Accounting for Group Companies

The Council set up a wholly owned company to contribute to the delivery of the Council's regeneration priorities. Gloriana Thurrock Ltd was incorporated on 23 October 2013 and the first regeneration scheme commenced in 2015/16 and continues to progress towards final completion in 2017/18. The transactions within the entity are now considered material to the Council and hence have been fully consolidated into the financial statements.

During 2016/17 Gloriana Thurrock Ltd set up a 100% owned subsidiary company, Gloriana Thurrock Homes Ltd. The company did not undertake any trading activity in 2016/17 and has not been consolidated into the group financial statements in 2016/17 but is expected to be included in subsequent financial years.

The group financial statements are included from page 105 and following.

### ■ Highways Network Asset

The Council is required to account for the Highways Network assets within the borough on an historic cost basis within the Infrastructure Asset category of Property, Plant and Equipment. This means as costs are incurred on the roads (as well as footways and cycle tracks, street lights, structures and street furniture) they are added to this asset which is then depreciated over its useful life. CIPFA proposed that from the 2016/17 financial year the Council would be



## NARRATIVE REPORT

required to value all the elements of the 'Highways Network Asset' at current cost which was likely to significantly increase their value in the financial statements. On 8 March 2017 CIPFA/LASAAC decided to delay implementation of these accounting requirements indefinitely.

### **9. The Council's Economy, Efficiency and Effectiveness in the Use of Resources**

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

The Council's senior Leadership Group continue to develop the approach to achieving the £16.58m savings required over the forthcoming three financial years. A number of Boards continue to work to either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services continue to be subject to independent service reviews against set criteria, including demand, customers, process, people, digital and ICT as well as commercial and procurement opportunities, over the medium term.

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

### **10. Annual Governance Statement**

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

### **11. Further Information**

Additional information is available from the Director of Finance and IT, 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 IT;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts, which the Council has delegated to its Audit Committee.

### The Director of Finance and IT's Responsibilities

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

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

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

The Director of Finance and IT has also:

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

### The Director of Finance and IT's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2017.

Director of Finance and IT

Date: 21 September 2017

Chair of the Standards and Audit Committee

Date: 21 September 2017

## 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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

#### Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2016/17, 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and

## AUDITOR'S REPORT

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

#### *Authority's responsibilities*

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

#### *Auditor's responsibilities*

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

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

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

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

## AUDITOR'S REPORT

securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### Certificate

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

*Suresh Patel*  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
London  
September 2017

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

## EXPENDITURE FUNDING ANALYSIS

2015/16			2016/17			
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
30,730	1,785	<b>32,515</b>	Adults; Housing and Health	34,105	1,001	<b>35,106</b>
34,943	7,196	<b>42,138</b>	Children's Services	37,686	3,281	<b>40,968</b>
305	52	<b>358</b>	Commercial Services	644	16	<b>660</b>
918	(444)	<b>474</b>	Corporate Costs	2,000	(9,726)	<b>(7,727)</b>
1,609	272	<b>1,882</b>	Corporate Strategy & Communications	2,311	171	<b>2,481</b>
45,700	8,166	<b>53,866</b>	Environment and Place	23,814	8,386	<b>32,200</b>
4,968	456	<b>5,424</b>	Finance and Information Technology	7,687	313	<b>8,000</b>
2,128	247	<b>2,375</b>	HR; OD and Transformation	2,974	147	<b>3,121</b>
1,931	163	<b>2,094</b>	Legal	1,646	62	<b>1,708</b>
2,538	3,855	<b>6,393</b>	Schools	3,664	699	<b>4,364</b>
<b>125,772</b>	<b>21,748</b>	<b>147,520</b>	<b>General Fund</b>	<b>116,531</b>	<b>4,349</b>	<b>120,881</b>
(1,855)	(64,423)	(66,278)	Housing Revenue Account	(10,759)	(1,116)	(11,875)
123,917	(42,675)	81,242	<b>Cost of Services</b>	105,772	3,233	<b>109,005</b>
(106,239)	15,702	<b>(90,537)</b>	Other Income and Expenditure	(106,214)	9,376	<b>(96,838)</b>
<b>17,678</b>	<b>(26,973)</b>	<b>(9,294)</b>	<b>Surplus or Deficit</b>	<b>(442)</b>	12,609	<b>12,167</b>
(35,818)			Opening General Fund and HRA Balance at 31 March 2016	(18,140)		
17,678			Less Deficit on General Fund and HRA	(442)		
(18,140)			<b>Closing General Fund and HRA Balance at 31 March 2017</b>	<b>(18,582)</b>		

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Primary Statement

2015/16			2016/17				
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
69,856	(37,340)	<b>32,515</b>		74,469	(39,363)	<b>35,106</b>	
80,407	(38,269)	<b>42,138</b>	Adults; Housing and Health	82,642	(41,674)	<b>40,968</b>	
778	(421)	<b>357</b>	Children's Services	628	32	<b>660</b>	
61,454	(60,979)	<b>474</b>	Commercial Services	54,922	(55,960)	<b>(1,038)</b>	
2,050	(169)	<b>1,882</b>	Corporate Costs	3,650	(1,168)	<b>2,481</b>	
63,138	(9,271)	<b>53,867</b>	Corporate Strategy & Communications	43,543	(11,343)	<b>32,200</b>	
6,771	(1,346)	<b>5,425</b>	Environment and Place	11,286	(3,286)	<b>8,000</b>	
(12,052)	(54,226)	<b>(66,278)</b>	Finance and Information Technology	51,570	(63,445)	<b>(11,875)</b>	
2,710	(335)	<b>2,375</b>	Housing Revenue Account	3,752	(631)	<b>3,121</b>	
2,588	(493)	<b>2,094</b>	HR; OD and Transformation	3,118	(1,411)	<b>1,708</b>	
38,653	(32,259)	<b>6,393</b>	Legal	35,012	(30,649)	<b>4,364</b>	
<b>316,352</b>	<b>(235,109)</b>	<b>81,243</b>	Schools	<b>364,592</b>	<b>(248,897)</b>	<b>115,694</b>	
			<b>Cost of Services</b>				
38,155	(13,180)	24,975	Other operating expenditure	10	26,901	(11,151)	15,750
13,429	(2,290)	<b>11,139</b>	Financing and investment income and expenditure	11	14,802	(4,670)	10,132
4,359	(131,010)	<b>(126,651)</b>	Taxation and non-specific grant income and expenditure	12	3,920	(133,328)	(129,408)
<b>372,295</b>	<b>(381,589)</b>	<b>(9,294)</b>	<b>(Surplus) or deficit on Provision of Services</b>		<b>410,215</b>	<b>(398,047)</b>	<b>12,167</b>
			(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	23/30/31	0	(7,410)	<b>(7,410)</b>
0	(26,417)	<b>(26,417)</b>	Actuarial gains/ losses on pension assets/ liabilities	36	0	54,236	<b>54,236</b>
0	(19,190)	<b>(19,190)</b>	(Surplus) or deficit on revaluation of available for sale financial assets		0	782	<b>782</b>
0	(41)	<b>(41)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>0</b>	<b>47,608</b>	<b>47,608</b>
<b>0</b>	<b>(45,648)</b>	<b>(45,648)</b>					
<b>372,295</b>	<b>(427,237)</b>	<b>(54,942)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>410,215</b>	<b>(350,439)</b>	<b>59,775</b>

## MOVEMENT IN RESERVES STATEMENT

### Primary Statement

	General Fund Balance Notes £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015</b>	<b>(33,164)</b>	<b>(2,654)</b>	<b>(5,510)</b>	<b>0</b>	<b>(11,830)</b>	<b>(53,158)</b>	<b>(369,910)</b>	<b>(423,068)</b>
<b>Movement in reserves during 2015/16</b>								
Total Comprehensive Income and Expenditure	35,054	(44,348)	0	0	0	(9,294)	(45,648)	(54,942)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	7 (20,974)	45,074	(2,513)	0	(759)	20,828	(20,828)	0
Transfers to/from Other Reserves	2,699	174	0	0	696	3,569	(3,569)	0
<b>Increase or (Decrease) in 2015/16</b>	<b>16,779</b>	<b>900</b>	<b>(2,513)</b>	<b>0</b>	<b>(63)</b>	<b>15,103</b>	<b>(70,045)</b>	<b>(54,942)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(16,385)</b>	<b>(1,754)</b>	<b>(8,023)</b>	<b>0</b>	<b>(11,893)</b>	<b>(38,055)</b>	<b>(439,955)</b>	<b>(478,010)</b>



## MOVEMENT IN RESERVES STATEMENT

### Primary Statement

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

## BALANCE SHEET Primary Statement

31 March 2016		Notes	31 March 2017
£000			£000
916,052	Property, Plant & Equipment	30	919,441
0	Investment Property		0
1,482	Intangible Assets		1,374
22,266	Heritage Assets	28	22,266
51,993	Long Term Investments	33	68,517
1,950	Long Term Debtors		1,802
<b>993,743</b>	<b>Long Term Assets</b>		<b>1,013,400</b>
9,804	Short Term Investments	33	22,948
2,399	Assets Held for Sale	29	1,890
267	Inventories		512
27,229	Short Term Debtors	20	48,181
7,697	Cash and Cash Equivalents	37	7,935
<b>47,396</b>	<b>Current Assets</b>		<b>81,466</b>
(164,365)	Short Term Borrowing	33	(205,290)
(28,762)	Short Term Creditors	21	(38,131)
(267)	Leasing Liability		0
(6,213)	Short Term Provisions	19	(1,669)
<b>(199,607)</b>	<b>Current Liabilities</b>		<b>(245,090)</b>
(3,590)	Long Term Provisions	19	(4,788)
(191,087)	Long Term Borrowing	33	(190,785)
0	Deferred Discounts		0
(159,466)	Pension Liability	36	(219,534)
0	Leasing Liability		0
(187)	Long Term Creditors		(225)
(9,191)	Capital Grants Receipts in Advance	24	(16,209)
<b>(363,521)</b>	<b>Long Term Liabilities</b>		<b>(431,541)</b>
<b>478,011</b>	<b>Net Assets</b>		<b>418,235</b>
(38,055)	Usable reserves	22	(48,765)
(439,956)	Unusable Reserves	23	(369,470)
<b>(478,011)</b>	<b>Total Reserves</b>		<b>(418,235)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

## CASH FLOW Primary Statement

2015/16 £'000		Notes	2016/17 £'000
9,294	Net surplus or (deficit) on the provision of services		(12,167)
3,736	Adjustment to surplus or deficit on the provision of services for non cash movements		28,636
(28,472)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(32,145)
<b>(15,442)</b>	<b>Net Cash flows from operating activities</b>	<b>41</b>	<b>(15,676)</b>
(32,128)	Investing Activities	39	(27,042)
47,101	Financing Activities	40	42,956
<b>(469)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>238</b>
8,166	Cash and cash equivalents at the beginning of the reporting period		7,697
<b>7,697</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>37</b>	<b>7,935</b>

## **Note 1 ACCOUNTING POLICIES**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. 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 2016/17 (The Code) and the Service Reporting Code of Practice 2016/17 (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.

#### 1.6 Contingent Liabilities

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

## **1.7 Employee Benefits**

### ***Benefits Payable during Employment***

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

### ***Termination Benefits***

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

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

### ***Post-Employment Benefits***

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

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

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

### ***Teachers' Pension Scheme***

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

### ***Local Government Pension Scheme***

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

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

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

#### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of

## NOTES TO THE CORE STATEMENTS

### General Notes

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”<sup>1</sup>. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) or trade payables (short term creditors) and the most complex ones such as embedded derivatives. This note outlines how the Council has accounted for financial instruments.

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

#### Financial Assets

Financial assets are classified into four categories:

- **Loans and receivables** – these are financial assets that have fixed or determinable payments but are not quoted in an active market; and
- **Available for sale assets** – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments.
- **Short-term debtors**, where an allowance is made for the probability that some debt will ultimately prove impossible to collect; and
- **At Fair Value through Profit and Loss** – these are the Council’s externally managed fund.

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

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<sup>1</sup> Source: Code of Practice 2016/17



## NOTES TO THE CORE STATEMENTS

### General Notes

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

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

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

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

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

### Financial Liabilities

Financial liabilities can be classified into:

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

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

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves statement.

#### 1.10 Grants and Contributions

##### *Capital Grants*

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

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

##### *Revenue Grants*

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

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

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

#### 1.11 Intangible Assets

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

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

#### 1.12 Investment Property

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

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

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

#### 1.13 Leases

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

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

##### ***Finance Leases – the Council as Lessee***

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

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

Under the Prudential Framework the setting up of the long-term liability is deemed to be a credit arrangement, the cost of which must be included in the calculation of the Council's Capital Financing

## NOTES TO THE CORE STATEMENTS

### General Notes

Requirement and is therefore taken into account in the calculation of the Council's Minimum Revenue Provision.

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

#### ***Finance Leases – the Council as Lessor***

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

#### ***Operating Leases – the Council as Lessee***

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

#### ***Operating Leases – the Council as Lessor***

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

#### ***Recognition***

##### **De Minimis & Materiality Limits**

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

The capital value of an asset is not less than:	<b>£20,000</b>
The annual lease charge for an asset is:	<b>£20,000</b>

The minimum period of the lease for:	
Property	<b>10 years</b>
Equipment	<b>5 years</b>

Accounting cost 'versus' capital value whereby the lease will not be assessed.	<b>If Cost of assessment exceeds 1% of capital value</b>
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#### **1.14 Minimum Revenue Provision**

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

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

- For supported borrowing, the Council will set aside repayment of the total supported debt held by the Council calculated using the annuity method over a period of 50 years. This has been adopted in 2016/17 and backdated to the commencement date in 2007/08 and amendments to the calculated amounts in prior years will be offset over the future periods until the profile is aligned with the revised method.
- For prudential (or unsupported) borrowing the asset life (annuity) method has been adopted. This method involves making provision by instalments over the estimated useful life of the asset in respect of which the borrowing was made. For assets purchased up to 2012/13 an equal instalment approach was taken over the asset life. For assets purchased from 2013/14 onwards an annuity approach has been taken which calculates the instalment due by reference to the relevant PWLB rates (which differ depending on the length of the loan taken out).
- For assets held under a finance lease the amount set aside is calculated from the reduction in the underlying lease liability relating to each leased asset.

#### 1.15 Overheads and Support Services

Until 2015/16 The costs of overheads and support services were charged to those services that benefit from the supply or service in accordance with the principles of SeRCOP. The Code has been updated in 2016/7 and requires the Council to reflect the management reporting of the Council. The Council does not report overheads and support services within the management accounts and consequently this is no longer included in the Comprehensive Income and Expenditure Account. These charges have also been reversed from the comparative data in 2015/16.

#### 1.16 Prior Period Adjustments

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

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

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

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

#### 1.17 Property, Plant and Equipment

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

For the financial year 2016/17, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2016/17 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

### Impairments and Revaluation Losses

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

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

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

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

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

### Depreciation

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

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

<b>Asset Category</b>	<b>Useful Life (years)</b>
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	<b>£2,000,000</b>
The minimum value of a component as a proportion of total asset value	<b>10%</b>

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been

## NOTES TO THE CORE STATEMENTS

### General Notes

chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

##### *Assets Held for Sale*

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

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

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

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

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

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

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

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view, any RTBs processed early in 2017/18 where the transaction was fully committed as at 31 March 2017 have been shown as Assets Held for Sale.



## NOTES TO THE CORE STATEMENTS

### General Notes

#### *Disposals and De-recognitions*

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

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

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

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

#### **1.19 Fair Value Measurement**

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the management date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability

## NOTES TO THE CORE STATEMENTS

### General Notes

#### 1.20 Provisions

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

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

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

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

#### 1.21 Reserves

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

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

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

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

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the

## NOTES TO THE CORE STATEMENTS

### General Notes

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

#### 1.23 Revenue Income Treated as Capital Receipts Under Statute

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

#### 1.24 Schools

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

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

#### 1.25 Value Added Tax (VAT)

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

#### 1.26 Exceptional Items

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

#### 1.27 Heritage Assets

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

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

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

## NOTES TO THE CORE STATEMENTS

### General Notes

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

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

#### 1.28 Collection of Local Taxes

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

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

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

#### 1.29 Interests in Companies and Other Entities

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

#### 1.30 Inventories

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

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

There are no issued accounting standards that have not yet been adopted which have a material impact on the Council as at 31 March 2017.

#### Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;
- Property, plant and equipment assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end. As a minimum this is at least once every five years. At the

## NOTES TO THE CORE STATEMENTS

### General Notes

end of each year the valuer determines whether the carrying amount of the assets is consistent with their fair value.

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
<b>Property, Plant and Equipment</b>	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 £1.619m.
<b>Pensions Liability</b>	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 £11.19m
<b>Arrears</b>	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.	<p>The Council has a bad debt provision for general purposes of £1.03m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.10m.</p> <p>The HRA bad debt provision is £0.289m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.42m.</p>

## NOTES TO THE CORE STATEMENTS

### General Notes

Item	Uncertainty	Effect
<b>Provisions</b>	<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. This also includes the proportion of a provision made in the collection fund for appeals received from business rate payers against their assessed amount of non-domestic rates. This has been set at £12.2m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%).</p> <p>These provisions are based on judgements by officers and by their nature may vary over time.</p>	<p>There is potential for provisions to be under or overstated as the uncertainty over the timing and amount of liabilities are resolved. The appeals against business rates assessments are considered to potentially vary by 5 per cent upwards or downwards which is equivalent to £0.61m.</p>
<b>Fair Value Measurements</b>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example surplus assets, an external valuer is employed).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 30 and 34 below</p>	<p>The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments.</p> <p>These are based on observable inputs used in the fair value measurement which for property assets include industrial land values, residential sales, and consideration of the lease status of these assets.</p> <p>For financial instruments the observable inputs are set out in detail in Note 33 to the financial statements.</p>

#### Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

These include figures for sums collected through Council Tax - the Council's proportion is £57.1m (£67.9m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £54.8m (£111.8m across all preceptors). The Council's proportion is reduced by £23.9m 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 £55.9m and claiming this back from Central Government.

## NOTES TO THE CORE STATEMENTS

### General Notes

The Council's debt portfolio currently incurs interest of £9.2m. Of this £5.6m 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.

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £247m. These are shown in Note 24 to the accounts.

#### **Note 6        RESTATEMENT OF 2015/16 COMPARATIVE FIGURES**

In line with 2016/17 Code, the following changes have been included which impact on the brought forward figures from 2015/16. These changes are:

- The introduction of the Expenditure Funding Analysis on page 14 and the associated notes on pages 41-42.
- The reclassification of the cost of services within the Comprehensive Income and Expenditure Account on page 15
- The introduction of a note on Expenditure and Income analysed by nature included on page 50.

In addition the wholly owned subsidiary company has been consolidated into the group financial statements for the first time in 2016/17 including the associated comparative data for 2015/16 which are presented subsequent to the Council accounts from page 106.

## NOTES TO THE CORE STATEMENTS

### General Notes

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

##### ADJUSTMENTS FOR CAPITAL PURPOSES

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

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

##### NET CHANGE FOR THE PENSIONS ADJUSTMENTS

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

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

##### OTHER DIFFERENCES

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

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



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

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2015/16	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	334	1,453	(3)	1,785
Children's Services	5,014	2,208	(27)	7,196
Commercial Services	0	54	(3)	52
Corporate Costs	0	80	(524)	(444)
Corporate Strategy & Communications	16	250	6	272
Environment & Place	6,364	1,801	1	8,166
Finance and Information Technology	0	457	(0)	456
HR; OD and Transformation	0	243	4	247
Legal	0	166	(4)	163
Schools	0	3,855	0	3,855
<b>Net Cost of Services</b>	<b>11,728</b>	<b>10,568</b>	<b>(548)</b>	<b>21,748</b>
Housing Revenue Account	(48,492)	900	(16,831)	(64,423)
Other Income and Expenditure	13,045	5,236	(2,579)	15,702
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(23,719)</b>	<b>16,704</b>	<b>(19,959)</b>	<b>(26,973)</b>

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

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

## NOTES TO THE CORE STATEMENTS

### General Notes

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

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

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

	2015/16							Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
	General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked Reserves £000	Usable Reserves		Capital Grants Unapplied £000			
				Capital Receipts Reserve £000	Major Repairs Reserve £000				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>									
<u>Reversal of items debited or credited to the CIES</u>									
Amortisation of intangible assets	(570)	0	0	0	0	0	(570)	570	
Charges for depreciation and impairment of non-current assets	(8,424)	(6,986)	0	0	0	0	(15,410)	15,410	
Revaluation losses on property, plant and equipment	(1,711)	(14,209)	0	0	0	0	(15,920)	15,920	
Revaluation gains reversing previous losses	2,299	70,641	0	0	0	0	72,940	(72,940)	
Revaluation Depreciation Adjustments	(37)	(864)	0	0	0	0	(901)	901	
Movement in the fair value of investment property	0	0	0	0	0	0	0	0	
Movement in the value of held for sale assets	0	(90)	0	0	0	0	(90)	90	
Capital Grants and contributions applied	7,573	0	0	0	0	0	7,573	(7,573)	
Donations of assets to the CIES	0	0	0	0	0	0	0	0	
Revenue expenditure funded from capital under statute (REFCUS)	(8,116)	0	0	0	0	0	(8,116)	8,116	
Grant Funding for REFCUS	4,826	0	0	0	0	0	4,826	(4,826)	
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(11,442)	(25,033)	0	0	0	0	(36,475)	36,475	
<u>Insertion of items not debited or credited to the CIES</u>									
Statutory provision for the financing of capital investment	4,400	0	0	0	0	0	4,400	(4,400)	

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

	2015/16							
	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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	1,918	1,918	(1,918)
Capital Grants and contributions unapplied credited to the CIES	2,677	0	0	0	0	(2,677)	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	5,990	0	0	5,990	(5,990)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	4,074	9,106	0	(13,180)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	(75)	0	0	(75)	75
Statutory provision for the financing of capital investment	(3,572)	0	0	3,572	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(131)	0	0	131	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,050)	0	0	1,050	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>								
Reversal of notional major repairs allowance credited to the HRA	0	13,736	0	0	(13,736)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	13,736	0	13,736	(13,736)
<b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	31	0	0	0	0	0	31	(31)

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

	2015/16							
	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
<b>Adjustments primarily involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,895)	(2,098)	0	0	0	0	(27,993)	27,993
Employer's pension contributions and direct payment to pensioners payable in year	10,401	888	0	0	0	0	11,289	(11,289)
<b>Adjustments involving the Collection Fund Adjustment Account (Council Tax)</b>								
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(319)	0	0	0	0	0	(319)	319
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	3,948	0	0	0	0	0	3,948	(3,948)
<b>Adjustment involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	64	(18)	0	0	0	0	46	(46)
<b>Total Adjustments</b>	<b>(20,974)</b>	<b>45,073</b>	<b>0</b>	<b>(2,512)</b>	<b>0</b>	<b>(759)</b>	<b>20,828</b>	<b>(20,828)</b>

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

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

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

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



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

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

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

**Note 8 EXPENDITURE AND INCOME ANALYSED BY NATURE**

31 March 2016 Carrying amount		31 March 2017 Carrying amount
£000		£000
	<b>Expenditure/Income</b>	
	<b>Expenditure</b>	
105,336	Employee Expenses	104,199
114,901	Third Party Payments	94,942
66,658	Other operating expenses	73,866
57,177	Housing Benefits	54,198
(31,934)	Depreciation, Amortisation and Impairment	36,927
36,475	Gains/Losses on disposal Non-Current Asset	25,188
12,736	Interest Payments	9,281
5,240	Pen Int Cost & Expect ret on Pension Asset	5,522
4,252	Transfer Payments	4,263
1050	Payments to the Housing Capital Receipts Pool	1,041
626	Precepts and Levies	670
135	Support Costs	117
<b>372,652</b>	<b>Total Expenditure</b>	<b>410,215</b>
	<b>Income</b>	
(2,290)	Investment Income	(4,670)
(1,707)	Support Services Recharges	(1,617)
(18,006)	Gains on disposals of assets and Impairments	(18,444)
(14,688)	Better Care Fund	(15,715)
(10,250)	Capital Grants and contributions	(16,178)
(35,113)	Income from business rates	(34,253)
(29,655)	Fees, Charges and Other Service Income	(43,135)
(53,781)	Dedicated Schools Grant	(54,868)
(54,217)	HRA rent and service charge income	(54,237)
(54,519)	Income from Council Tax	(57,735)
(107,720)	Revenue Grants and Contributions	(97,195)
<b>(381,946)</b>	<b>Total Income</b>	<b>(398,047)</b>
<b>(9,294)</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>12,167</b>

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

**Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT**

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

Details of the deployment of the DSG receivable for 2016/17 are as follows:

<b>Notes Schools Budget Funded By Dedicated Schools Grant (DSG)</b>				
		<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
A	Final DSG for 2016/17 before Academy Recoupment	29,632	109,541	139,173
B	Academy figure recouped for 2016/17	(3,198)	(86,178)	(89,376)
C	Total DSG after Academy Recoupment for 2016/17	-	-	49,797
D	Brought Forward from 2015/16	1,149	-	1,149
E	Carry Forward agreed to 2017/18			0
F	Agreed budgeted distribution in 2016/17	27,583	23,363	50,946
G	In Year Budget Adjustments	800	(800)	0
H	Final Budget Distribution for 2017/18	28,383	22,563	50,946
I	Actual Central Expenditures	(29,296)	-	(29,296)
J	Actual ISB deployed to schools		(22,993)	(22,993)
K	Local authority contribution 2016/17	-	-	0
L	Carry Forward to 2017/18	<b>(913)</b>	<b>(430)</b>	<b>(1,343)</b>

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

**Note 10 OTHER OPERATING EXPENDITURE**

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

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
630	Levies	672
1,050	Payments to the Government Housing Capital Receipts Pool	1,041
23,295	Gains/losses on the disposal of non current assets	14,037
<b>24,975</b>	<b>Total</b>	<b>15,750</b>

**Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

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

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
8,193	Interest payable and similar charges	9,281
5,236	Net interest on the net defined benefit liability	5,521
(2,290)	Interest receivable and similar income	(4,670)
<b>11,139</b>	<b>Total</b>	<b>10,132</b>

**Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME**

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

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
(54,519)	Council tax income	(57,735)
(30,754)	Non domestic rates	(31,363)
(31,128)	Non-ringfenced grants	(24,133)
(10,250)	Capital grants and contributions	(16,178)
<b>(126,651)</b>	<b>Total</b>	<b>(129,409)</b>

## NOTES TO THE CORE STATEMENTS

### Capital Notes

#### Note 13 MEMBERS' ALLOWANCES

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

2015/16 £000	Members' Allowances	2016/17 £000
670	Allowances	630
1	Expenses	0
<b>671</b>	<b>Total</b>	<b>630</b>

#### Note 14 REMUNERATION OF SENIOR STAFF

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

Senior Staff Emoluments 2016/17	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Lyn Carpenter		170,000	0	0	0	24,310	194,310
Corporate Director of Environment & Place		132,000	0	0	0	18,876	150,876
Corporate Director Of Children's Services		108,167	0	0	0	15,468	123,635
Corporate Director Of Children's Services (Interim)	1	31,496	0	0	0	0	31,496
Corporate Director of Adults, Housing & Health		125,502	0	0	0	17,947	143,449
Corporate Director of Commercial Services	2	32,421	0	0	0	4,636	37,057
Director Of Public Health		108,000	0	0	0	15,444	123,444
Director of Strategy, Communications and Customer Services	3	89,960	0	0	0	12,864	102,824
Director of Finance & IT		95,502	0	0	0	13,657	109,159
Director of HR, OD, & Transformation		95,502	0	0	0	13,657	109,159

- 1) There was an interim Director for Children's Services who was appointed until 29th May 2016. The interim Director was initially appointed on 19 January 2016. The post was then replaced by the new Director for Children's Services on 6th June 2016.
- 2) The Director of Commercial Services was appointed on 25th July 2016 with an annual salary of £37,057.33.
- 3) The Director of Strategy, Communications and Customer Services position was effective from 1 November 2016.

## NOTES TO THE CORE STATEMENTS

### Capital Notes

- 4) The Director of Legal is a shared post with London Borough Council of Barking & Dagenham (LBBD). Thurrock Council paid a contribution of £30,000 up until 31st March 2017 towards their remuneration.

Senior officer remuneration for 2015/16 is set out in the table below:

Senior Staff Emoluments 2015/16	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Graham Farrant		30,872	0	0	0	1,930	32,802
Chief Executive – Lyn Carpenter		93,017	0	0	0	11,628	104,645
Corporate Director of Environment & Place		105,295	0	0	0	12,004	117,299
Corporate Director Of Children's		121,000	0	0	0	13,794	134,794
Corporate Director Of Children's Services (Interim)		37,062	0	0	0	0	37,062
Corporate Director of Adults, Housing & Health		125,502	0	0	0	14,309	139,811
Director Of Public Health		81,000	0	0		9,234	90,234
Director of Planning & Transportation		119,267	0	0	67,315	7,562	194,143
Director of Finance & IT		93,626	0	0	0	9,831	103,457
Director of HR, OD, & Transformation		93,818	0	0	0	9,938	103,756
Director of Housing		51,860	0	0	0	5,912	57,772

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

Remuneration of Senior Staff	2015/16	2016/17
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	53	46
55,001 - 60,000	29	43
60,001 - 65,000	22	36
65,001 - 70,000	14	14
70,001 - 75,000	10	14
75,001 - 80,000	8	5
80,001 - 85,000	4	2
85,001 - 90,000	1	3
90,001 - 95,000	4	4
95,001 - 100,000	1	2
100,001 - 105,000	0	0
105,001 - 110,000	0	0
110,001 - 115,000	0	0
115,001 - 120,000	0	0
120,000+	1	0

## NOTES TO THE CORE STATEMENTS

### Capital 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
0 – 20,000	4	0	14	16	18	16	191,473	145,786
20,001- 40,000	5	0	6	3	11	3	325,462	84,754
40,001 – 60,000	2	0	0	2	2	2	93,801	84,215
60,001 – 80,000	0	0	1	0	1	0	67,315	0
80,001 – 100,000	1	0	0	0	1	0	96,425	0
100,001 – 250,000	0	0	1	0	1	0	163,626	0
Total	12	-	22	21	34	21	938,102	314,755

#### 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 2016/17 is shown in Note 13.

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

The current councillors who have not provided a declaration return are Councillor Coxshall, Councillor V Holloway and Councillor C Holloway.

##### Officers

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

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

Entity	Income £	Expenditure £	Debtor £	Creditor £
High House Production Park	60,176	26,516	0	0
Thurrock Asian Association	5,717	7,790	0	0
Thurrock CVS	0	760,067	0	0

**Note 16 EXTERNAL AUDIT COSTS**

In 2016/17 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2015/16 £000	External Audit Costs	2016/17 £000
	Fees Payable to Ernst & Young:	
134	External Audit Services including Statutory Inspections	134
16	Certification of Grant Claims and Returns	17
39	Non-Audit Work	19
<b>189</b>	<b>Total</b>	<b>169</b>

**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.



## NOTES TO THE CORE STATEMENTS

### Capital Notes

Balance at 1 April 2015 £000	Net Transfers (In)/Out £000	Balance at 31 March 2016 £000		Balance at 1 April 2016 £000	Net Transfers (In)/Out £000	Balance at 31 March 2017 £000
(3,884)	131	(3,753)	Balances held by Schools under a Scheme of Delegation	(3,753)	1,163	<b>(2,590)</b>
(655)	655	0	Revenue Grants Unapplied	0	0	<b>0</b>
(6,700)	6,700	0	Budget Management	0	(325)	<b>(325)</b>
(1,305)	1,305	0	Commutated Sums	0	(154)	<b>(154)</b>
(141)	141	0	DCLG DC Reserve	0	0	<b>0</b>
(1,269)	745	(524)	Grant Carried Forward	(524)	413	<b>(111)</b>
(874)	422	(452)	School Improvement Reserve	(452)	259	<b>(193)</b>
(2,906)	1,757	(1,149)	DSG	(1,149)	2,492	<b>1,343</b>
(867)	500	(367)	Public Health Grant	(367)	(58)	<b>(425)</b>
(3,117)	3,117	0	Development Reserve	0	(3,150)	<b>(3,150)</b>
0	0	0	Housing Zones	0	(1,440)	<b>(1,440)</b>
(3,445)	1,305	(2,140)	Other Earmarked Reserves	(2,140)	780	<b>(1,360)</b>
<b>(25,163)</b>	<b>16,778</b>	<b>(8,385)</b>	<b>Earmarked Reserves</b>	<b>(8,385)</b>	<b>(20)</b>	<b>(8,405)</b>

- The **Balances held by Schools under a Scheme of Delegation** comprise the working balances controlled by School Governors in the management of their annual share of DSG and other income;
- The **Revenue Grants Unapplied Reserve** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement). The reserve will be drawn down once the associated expenditure has been incurred;
- The **Budget Management Reserve** was set up to provide a contingency to meet service demand over and above that budgeted for.
- The **DCLG DC Reserve** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.
- The **Grant Carried Forward Reserve** relates to grants where the conditions have been 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** was established to fund regeneration and new development works within the Housing Revenue Account.
- The **Public Health Grant Reserve** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.

## NOTES TO THE CORE STATEMENTS

### Capital Notes

- **Other Reserves** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2015.

#### 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:

2015/16 £000		2016/17 £000
2,678	Not later than 1 year	1,553
3,831	Later than 1 year and not later than 5 years	2,097
671	Later than 5 years	64
<b>7,180</b>		<b>3,714</b>

#### Note 19 PROVISIONS

A provision has been made to reflect the likely financial impact of business rate appeals against the Council. This represents the Council's proportion of the overall provision of £11.6m.

A provision has also been made for a payment of £3.5m to fund the pension surplus on the Local Government Pension Fund arising on the termination of the strategic services contract. The amount provided was an estimate based on the advice of the Essex Pension Fund.

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

A judgement by the Supreme Court on 28 March 2012 confirmed that employers insurance liability applies to the time when employees were first exposed to asbestos as opposed to when symptoms appeared. This meant the MMI insurance cover would not be sufficient to cover all potential claims. The Councils' maximum exposure was estimated at £1.1m but officers have been advised a provision of £0.51m remains appropriate.

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

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

<b>Short Term Provisions</b>	<b>MMI Insurance £'000</b>	<b>Business Rate Appeals £000</b>	<b>Pension Provision £000</b>	<b>Total £000</b>
Balance at 01 April 2016	(106)	(2,607)	(3,500)	(6,213)
Additional Provision made in 2016/17	0	(3,060)	0	(3,060)
Amounts Used in 2016/17	0	4,104	3,500	7,604
<b>Balance at 31 March 2017</b>	<b>(106)</b>	<b>(1,563)</b>	<b>0</b>	<b>(1,669)</b>
Balance at 01 April 2015	(106)	(2,907)	0	(3,013)
Additional Provision made in 2015/16	0	0	(3,500)	0
Amounts Used in 2015/16	0	300	0	710
<b>Balance at 31 March 2016</b>	<b>(106)</b>	<b>(2,607)</b>	<b>(3,500)</b>	<b>(6,213)</b>

<b>Long Term Provisions</b>	<b>MMI Insurance £'000</b>	<b>Business Rate Appeals £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 01 April 2016	(404)	(3,060)	(126)	(3,590)
Additional Provision made in 2016/17	(124)	(4,447)	(31)	(4,602)
Amounts Used in 2016/17	254	3,060	90	3,404
<b>Balance at 31 March 2017</b>	<b>(274)</b>	<b>(4,447)</b>	<b>(67)</b>	<b>(4,788)</b>
Balance at 01 April 2015	(404)	(4,361)	(67)	(4,832)
Additional Provision made in 2015/16	0	0	(59)	(59)
Amounts Used in 2015/16	0	1,301	0	1,301
<b>Balance at 31 March 2016</b>	<b>(404)</b>	<b>(3,060)</b>	<b>(126)</b>	<b>(3,590)</b>

**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:

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
2,023	Central government bodies	5,864
66	Other local authorities	471
856	NHS bodies	868
0	Public corporations and trading funds	0
24,284	Other entities and individuals	40,978
<b>27,229</b>	<b>Total</b>	<b>48,181</b>

## NOTES TO THE CORE STATEMENTS

### Capital Notes

#### Note 21 SHORT-TERM CREDITORS

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

31 March 2016 £000		31 March 2017 £000
(6,841)	Central government bodies	(9,907)
(1,012)	Other local authorities	(1,857)
(294)	NHS bodies	(689)
(15)	Public corporations and trading funds	0
(20,600)	Other entities and individuals	(25,678)
<b>(28,762)</b>	<b>Total</b>	<b>(38,131)</b>

#### Note 22 USABLE RESERVES

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

31 March 2016 £000		Notes	31 March 2017 £000
(8,000)	General Fund Balance	(a)	(8,000)
(1,754)	Housing Revenue Account Balance	(b)	(2,176)
(8,385)	Earmarked Reserves	(c)	(3,815)
0	HRA Earmarked Reserves	(c)	(4,590)
(8,023)	Capital Receipts Reserve	(d)	(15,608)
(11,893)	Capital Grants Unapplied	(f)	(14,576)
<b>(38,055)</b>	<b>Total Usable Reserves</b>		<b>(48,765)</b>

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

##### (a) General Fund Balance

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

##### (b) Housing Revenue Account

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

##### (c) Earmarked Reserves Balance

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

##### (d) Capital Receipts Reserve

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

## NOTES TO THE CORE STATEMENTS

### Capital Notes

**(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:

<b>31 March 2016 £000</b>		<b>Notes</b>	<b>31 March 2017 £000</b>
(119,254)	Revaluation Reserve	(a)	(122,700)
(496,633)	Capital Adjustment Account	(b)	(481,949)
14,930	Financial Instruments Adjustment Account	(c)	14,899
159,466	Pensions Reserve	(d)	219,534
(1,323)	Collection Fund Adjustment Account - Council Tax		(915)
2,019	Collection Fund Adjustment Account - NNDR		(123)
(10)	Financial Instruments For Sale Account		772
851	Accumulated Absences Account		1,012
<b>(439,954)</b>	<b>Total Unusable Reserves</b>		<b>(369,470)</b>

**(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

### Capital Notes

31 March 2016 £000		31 March 2017 £000
<b>(98,019)</b>	<b>Balance at 1 April</b>	<b>(119,254)</b>
(29,102)	Upward revaluation of assets	(15,661)
2,685	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,251
<b>(26,417)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(7,410)</b>
1,218	Difference between fair value depreciation and historical cost depreciation	1,233
3,964	Accumulated gains on assets sold or scrapped	2,731
<b>5,182</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>3,964</b>
<b>(119,254)</b>	<b>Balance at 31 March</b>	<b>(122,700)</b>

#### (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

### Capital Notes

31 March 2016 £000		31 March 2017 £000
(454,056)	<b>Balance at 1 April</b>	(496,633)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
16,310	Charges for depreciation of non current assets (PPE)	16,461
15,920	Revaluation and Impairment losses on Property, Plant and Equipment	13,711
(72,941)	Revaluation gains reversing previous losses (PPE)	(13,505)
570	Amortisation of intangible assets	494
8,116	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	6,549
26,636	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,194
9,839	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	6,994
(3,964)	Accumulated gains on assets sold or scrapped	(2,731)
<b>486</b>		<b>46,167</b>
(1,218)	Adjusting amounts written out of the Revaluation Reserve	(1,233)
<b>(732)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>44,934</b>
	Capital financing applied in the year:	
(5,914)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,963)
(13,736)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,832)
(14,316)	Application of grants to capital financing from the Capital Grants Unapplied Account	(18,433)
(4,400)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	0
(3,569)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(57)
<b>0</b>	Other Adjustments	<b>0</b>
<b>(41,935)</b>		<b>(30,285)</b>
90	Movements in assets held for sale debited or credited to the CIES	36
<b>(496,633)</b>	<b>Balance at 31 March</b>	<b>(481,948)</b>

#### (c) Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains according to statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure statement when they are incurred but reversed out of the General Fund Balance to this Account in the Movements in Reserves statement. Over time the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. Usually this means writing off the balance over the unexpired term of the loans when they were redeemed. The large balance is due to the debt rescheduling undertaken in August 2010 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.

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

31 March 2016 £000		31 March 2017 £000
14,961	<b>Balance at 1 April</b>	14,930
(31)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(31)
14,930	<b>Balance at 31 March</b>	14,899

**(d) Pensions Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions about investment returns on those resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and present employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2016 £000		31 March 2017 £000
161,952	<b>Balance at 1 April</b>	159,466
(19,190)	Actuarial gains or losses on pensions assets and liabilities	54,236
27,993	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	17,876
(11,289)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,044)
159,466	<b>Balance at 31 March</b>	219,534



**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

**Note 24 ANALYSIS OF GOVERNMENT GRANTS**

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

2015/16 £000		2016/17 £000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
<b>Revenue</b>		
(54,519)	Council Tax	(58,143)
(30,754)	National Non Domestic Rates	(29,289)
(27,076)	Revenue Support Grant	(20,678)
(2,794)	New Homes Bonus	(3,380)
(951)	Education Services Grant	(870)
(75)	Other	0
<b>Capital</b>		
(3,273)	Department for Transport	(3,253)
(1,690)	Department for Education	(5,836)
(613)	Homes and Communities Agency	(331)
(4,674)	Other	(6,875)
<b>(126,419)</b>	<b>Total</b>	<b>(128,655)</b>
<b>Credited to Services:</b>		
<b>Revenue</b>		
(58,225)	Housing Benefit	(53,182)
(9,932)	Public Health Grant	(11,619)
(50,135)	Dedicated Schools Grant	(49,758)
(272)	Music Education Grant	(242)
0	Adult Learning	(32)
(15,052)	Health Authority Social Care Funding (now better care fund)	(15,714)
(1,032)	Unaccompanied Asylum Seekers Grant	(1,876)
(777)	Housing Benefit Admin Grant	(858)
(1,528)	Other	(1,054)
<b>Capital</b>		
(4,337)	DOE	(3,347)
(489)	Other	(1,591)
<b>(141,780)</b>	<b>Total</b>	<b>(139,274)</b>

## NOTES TO THE CORE STATEMENTS

### Capital 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:

<b>31 March 2016</b>		<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Grants &amp; Contributions - Receipts in Advance</b>	
(7,798)	Section 106	(9,115)
0	Department for Education	0
(133)	Department of Communities and Local Government	(133)
(38)	Environmental Trusts	0
(516)	Other Contributions	(6,275)
(706)	Port of London Authority	(686)
<b>(9,191)</b>	<b>Total</b>	<b>(16,209)</b>

#### **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 2017. There have been no events arising between the 31 March 2017 and 30 June 2017 that provides information about conditions existing at 31 March 2017 which need to be reflected in the financial statements.

#### **Note 27      EXCEPTIONAL ITEMS**

There were no exceptional items in 2016/17.

**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 2011/12 and 2016/17 with the only changes in asset values relating to revaluations.

	2013-14	2013-14	2014-15	2014-15	2015-16	2015-16	2016-17	2016-17
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Carrying Value	21,166	122	21,166	122	22,144	122	22,144	122
Revaluations	0	0	978	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
<b>Closing Carrying Value</b>	<b>21,166</b>	<b>122</b>	<b>22,144</b>	<b>122</b>	<b>22,144</b>	<b>122</b>	<b>22,144</b>	<b>122</b>

**Note 29 ASSETS HELD FOR SALE**

2015/16		2016/17
£000		£000
<b>5,695</b>	<b>Balance outstanding at start of year</b>	<b>2,399</b>
	<u>Assets newly classified as held for sale:</u>	
6,679	Property, Plant and Equipment	6,607
	<u>Revaluations and Impairments:</u>	
(137)	Revaluation losses	(122)
1	Revaluation gains	0
	<u>Assets declassified as held for sale:</u>	
0	Property, Plant and Equipment	0
(9,839)	Assets sold	(6,994)
<b>2,399</b>	<b>Balance outstanding at year-end</b>	<b>1,890</b>

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

**Note 30 PROPERTY, PLANT AND EQUIPMENT**

<b>Movement in 2016/17</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Infrastructure Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total PP&amp;E £000</b>
<b>Cost or Valuation:</b>								
At 1 April 2016	633,358	155,485	29,348	18,410	94,385	3,392	61,335	<b>995,713</b>
Additions / Donations	10,805	5,000	2,224	456	12,693	5,469	715	<b>37,362</b>
Additions - Other	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	<b>(773)</b>
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	<b>(22,270)</b>
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	<b>(12,244)</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	<b>(15,979)</b>
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	<b>(6,607)</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	<b>0</b>
<b>At 31 March 2017</b>	<b>604,450</b>	<b>153,951</b>	<b>26,673</b>	<b>18,866</b>	<b>107,037</b>	<b>3,507</b>	<b>60,718</b>	<b>975,202</b>

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2016	(25,173)	(7,279)	(17,433)	(6,164)	(23,539)	0	(73)	<b>(79,661)</b>
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	<b>(15,910)</b>
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	<b>19,189</b>
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	<b>15,773</b>
Derecognition - Disposals	0	0	324	0	17	0	0	<b>341</b>
Derecognition - Other	0	323	4,184	0	0	0	0	<b>4,507</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>(7,350)</b>	<b>(15,318)</b>	<b>(6,824)</b>	<b>(26,116)</b>	<b>0</b>	<b>(153)</b>	<b>(55,761)</b>
<b>NBV At 31 March 2016</b>	<b>608,185</b>	<b>148,206</b>	<b>11,915</b>	<b>12,246</b>	<b>70,846</b>	<b>3,392</b>	<b>61,262</b>	<b>916,052</b>
<b>NBV At 31 March 2017</b>	<b>604,450</b>	<b>146,601</b>	<b>11,355</b>	<b>12,042</b>	<b>80,921</b>	<b>3,507</b>	<b>60,565</b>	<b>919,441</b>

**NOTES TO THE CORE STATEMENTS**  
**Capital Notes**

Comparative 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Cost or Valuation</b>								
At 1 April 2015	544,632	149,368	26,406	17,663	88,423	9,001	56,122	<b>891,615</b>
Additions / Donations	19,752	12,377	2,988	747	5,962	14,139	381	<b>56,346</b>
Additions - Other	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	(46)	0	0	0	(160)	<b>(206)</b>
Derecognition - Other	(18,764)	(7,327)	0	0	0	0	(1,000)	<b>(27,091)</b>
Revaluations Recognised in Revaluation Reserve	19,473	(1,494)	0	0	0	0	5,130	<b>23,109</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	56,258	(823)	0	0	0	0	862	<b>56,297</b>
Assets reclassified (to)/from Held for Sale	(6,679)	0	0	0	0	0	0	<b>(6,679)</b>
Assets reclassified (to)/from Investment Property	0	2,322	0	0	0	0	0	<b>2,322</b>
Other movements in Cost or Valuation	18,686	1,062	0	0	0	(19,748)	0	<b>0</b>
<b>At 31 March 2016</b>	<b>633,358</b>	<b>155,485</b>	<b>29,348</b>	<b>18,410</b>	<b>94,385</b>	<b>3,392</b>	<b>61,335</b>	<b>995,713</b>

**NOTES TO THE CORE STATEMENTS**  
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Comparative 2015-16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	(18,625)	(8,074)	(14,743)	(5,554)	(21,093)	0	0	<b>(68,089)</b>
Depreciation charge	(6,805)	(2,769)	(2,707)	(610)	(2,446)	0	(73)	<b>(15,410)</b>
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	<b>0</b>
Depreciation written back to the Revaluation Reserve	53	2,400	0	0	0	0	0	<b>2,453</b>
Depreciation written back to Surplus/Deficit on Provision of Services	204	521	0	0	0	0	0	<b>725</b>
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	17	0	0	0	0	<b>17</b>
Derecognition - Other	0	643	0	0	0	0	0	<b>643</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>(25,173)</b>	<b>(7,279)</b>	<b>(17,433)</b>	<b>(6,164)</b>	<b>(23,539)</b>	<b>0</b>	<b>(73)</b>	<b>(79,661)</b>
<b>NBV At 31 March 2015</b>	<b>526,007</b>	<b>141,294</b>	<b>11,663</b>	<b>12,109</b>	<b>67,330</b>	<b>9,001</b>	<b>56,122</b>	<b>823,526</b>
<b>NBV At 31 March 2016</b>	<b>608,185</b>	<b>148,206</b>	<b>11,915</b>	<b>12,246</b>	<b>70,846</b>	<b>3,392</b>	<b>61,262</b>	<b>916,052</b>

## NOTES TO THE CORE STATEMENTS

### Capital 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 2017 by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1<sup>st</sup> April 2016 the Social Housing Factor, the amount by which the open market value is discounted for properties used for social housing was amended from 39% to 38%, in line with guidelines issued by the Department for Communities and Local Government.

A full valuation of council dwellings was undertaken at 1 April 2012 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at 31 March 2017. Five indices (Halifax, Nationwide, UK House Price Index, Right Move and Zoopla.co.uk) were referenced in order to reach a decision. The consensus from the evidence gathered is that there has been a modest increase in the UK housing market over the period 2016–2017. Based on the information gathered an increase in Council dwellings of 4.12% 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 2017. Four categories were reviewed (Retail, Offices, Development Land and Industrial) and each indicated a 0% change. A desktop review of the former Development Corporation Assets was undertaken at 31 March 2017 and based on the evidence obtained, no increase was applied.

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

#### SURPLUS ASSETS

##### Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2016 and 31 March 2017 are as follows:

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



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	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2016
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	10,078	343	10,421
Industrial properties	0	46,887	0	46,887
Other properties	0	3,658	297	3,955
<b>Total</b>	<b>0</b>	<b>60,623</b>	<b>640</b>	<b>61,263</b>

**Transfers between Levels of the Fair Value Hierarchy**

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

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

**Significant Observable Inputs – Level 2**

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

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

**Note 31 CAPITAL EXPENDITURE AND FINANCING**

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

## NOTES TO THE CORE STATEMENTS

### Capital Notes

2015/16 £000		2016/17 £000
<b>305,288</b>	<b>Opening Capital Financing Requirement</b>	<b>327,736</b>
	<b>Capital investment</b>	
56,347	Property, Plant and Equipment	37,362
(227)	Intangible Assets	387
8,116	Revenue Expenditure Funded from Capital under Statute	6,549
225	Long Term Debtors	0
<b>2015/16 £000</b>		<b>2016/17 £000</b>
	<b>Sources of finance</b>	
(5,990)	Capital receipts	(1,963)
(31,623)	Government grants and other contributions (includes REFCUS & MRA)	(28,323)
	Sums set aside from revenue:	
(4,400)	• MRP (including finance leases liabilities)	0
<b>327,736</b>	<b>Closing Capital Financing Requirement</b>	<b>341,748</b>
	<b>Explanation of movements in year</b>	
(2,261)	Decrease in underlying need to borrowing (supported by government financial assistance)	0
25,455	Increase in underlying need to borrowing (unsupported by government financial assistance)	14,012
(746)	Assets acquired / adjusted under finance leases	0
<b>22,448</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>14,012</b>

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

2015/16 £000	Balance Sheet Item	2016/17 £000
916,052	Property Plant & Equipment	919,441
0	Investment Property	0
2,399	Assets Held for Sale	1,890
1,482	Intangible Assets	1,375
22,266	Heritage Assets	22,266
1,425	Long Term Debtors	1,425
(119,255)	Revaluation Reserve	(122,701)
(496,633)	Capital Adjustment Account	(481,948)
<b>327,736</b>	<b>Total Capital Financing Requirement</b>	<b>341,748</b>

### Note 32 CAPITAL COMMITMENTS

As at 31 March 2017, the Council had authorised expenditure in future years of £20.375m. In addition a further £77.956m had been previously authorised for use in 2017/18 and 2018/19, giving a total future years' commitment of £98.331m. These commitments included contractual commitments of £1.129m

**NOTES TO THE CORE STATEMENTS**  
**Financial Instruments Notes**

**Note 33 FINANCIAL INSTRUMENTS**

**a. Categories of Financial Instrument**

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

31 March 2016			31 March 2017	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
(164,096)	(164,096)	Temporary Market Debt	(205,020)	(205,020)
(269)	(269)	Long Term Loans maturing in less than 1 year	(270)	(270)
<b>(164,365)</b>	<b>(164,365)</b>	<b>Short Term Borrowing</b>	<b>(205,290)</b>	<b>(205,290)</b>
(160,889)	(184,881)	PWLB Debt	(160,889)	(221,921)
(30,195)	(57,239)	Long Term Market Debt	(29,893)	(63,301)
(3)	0	Bonds/Annuities	(3)	(3)
<b>(191,087)</b>	<b>(242,120)</b>	<b>Long Term Borrowing</b>	<b>(190,785)</b>	<b>(285,225)</b>
(4,707)	(4,707)	Other Creditors at Contract Amounts	(7,684)	(7,684)
<b>(267)</b>	<b>(267)</b>	<b>Total Leasing Liability</b>	<b>0</b>	<b>0</b>
<b>(360,426)</b>	<b>(411,459)</b>	<b>Total Financial Liabilities</b>	<b>(403,759)</b>	<b>(498,199)</b>
51,993	51,217	CCLA Property Fund/Gloriana Equity	69,289	68,517
<b>51,993</b>	<b>51,217</b>	<b>Long Term Investments</b>	<b>69,289</b>	<b>68,517</b>
9,804	9,804	Tempoorary Investments	22,948	22,948
0	0	Fund Managers Investments	0	0
<b>9,804</b>	<b>9,804</b>	<b>Short Term Investments</b>	<b>22,948</b>	<b>22,948</b>
122	122	Cash held by the Council	88	88
2,576	2,576	Bank Current Accounts	6,248	6,248
4,999	4,999	Short term deposits with Financial	1,599	1,599
<b>7,697</b>	<b>7,697</b>	<b>Cash and Cash Equivalents</b>	<b>7,935</b>	<b>7,935</b>
23,319	23,319	Other Debtors at Contract Amounts	41,317	41,317
<b>92,813</b>	<b>92,037</b>	<b>Total Financial Assets</b>	<b>141,489</b>	<b>140,717</b>

Fair Values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields on similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness



**NOTES TO THE CORE STATEMENTS**  
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2016/17				
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	9,203			9,203
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,203</b>	<b>0</b>	<b>0</b>	<b>9,203</b>
Interest income		(1,086)	(3,506)	(4,592)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(1,086)</b>	<b>(3,506)</b>	<b>(4,592)</b>
<b>Net gain/(loss) for the year</b>	<b>9,203</b>	<b>(1,086)</b>	<b>(3,506)</b>	<b>4,611</b>

2015/16				
	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	8,193	0	0	8,193
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8,193</b>	<b>0</b>	<b>0</b>	<b>8,193</b>
Interest income	0	(403)	(1,887)	(2,290)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(403)</b>	<b>(1,887)</b>	<b>(2,290)</b>
<b>Net gain/(loss) for the year</b>	<b>8,193</b>	<b>(403)</b>	<b>(1,887)</b>	<b>5,903</b>

**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:

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31 March 2016 £000	Maturity Profile of Financial Liabilities	31 March 2017 £000
(169,307)	Less than 1 year	(213,184)
(1,200)	Between 2 and 5 years	(900)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 30 and 35 years	
(11,000)	Between 35 and 40 years	(11,000)
(125,000)	Between 40 and 45 years	(160,889)
(35,889)	Over 45 years	
<b>(360,396)</b>	<b>Total Financial Liabilities</b>	<b>(403,973)</b>

31 March 2016 £000	Maturity Profile of Financial Assets	31 March 2017 £000
88,119	Less than 1 year	113,917
0	Between 1 and 2 years	0
0	Between 2 and 5 years	0
0	Between 5 and 10 years	15,000
0	Between 10 and 15 years	4,289
1,982	Between 15 and 20 years	0
0	Between 25 and 30 years	0
0	Between 30 and 35 years	0
0	Between 35 and 40 years	0
0	Between 40 and 45 years	0
0	Over 45 years	0
<b>90,101</b>	<b>Total Financial Assets</b>	<b>133,206</b>

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of LOBO loans have been increased by the value of the embedded options. Lenders options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrowers contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- No early repayment or impairment is recognised;
- The fair values of other long term loans and investments have been discounted at the market rates of similar instruments with similar remaining terms to maturity on 31 March 2017;

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- The fair value of short term investments/loans, including trade payables and receivables is assumed to approximate the carrying amount;

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

#### Note 34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### Key Risks

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

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

##### Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:
  1. The Council's overall borrowing. For 2016/17 the Operational Limit was £453.7m and the Authorised Limit was £483.7m;
  2. Its maximum and minimum exposures to fixed and variable rates. For 2016/17 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 2016/17 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 2016/17 this limit was set at £65m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual Council Tax and budget setting meeting. They are reported with the

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Notes

annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

#### Credit Risk

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

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2016	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure
	£000	£000	%	%	£000
Gloriana Equity	1,982	4,289	0	0	0
CCLA Property Fund	50,000	50,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	0	0	0	0	0
Banks Rates A Long Term	6,000	2,600	0	0	0
Solar Deal	0	34,000	0	0	0
Un-rated Building Societies	6,000	1,000	0	0	0
Local Authorities	2,800	0	0	0	0
Cash	0	0	0	0	0
	<b>66,782</b>	<b>91,889</b>	<b>0</b>	<b>0</b>	<b>0</b>

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2017 and therefore not comparable to the balance sheet.

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

The Council does not generally allow credit for its trade debtors, and effectively £2.2m of the total balance was past its due date for payment at 31<sup>st</sup> March 2017. Therefore the provision for bad debts of £1.03m has been calculated with reference to estimated default rates.



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#### Liquidity Risk

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

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

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

#### Refinancing Risk

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

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

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

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31<sup>st</sup> March 2017 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

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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 2017 would have been:

2015/16 £000	Sensitivity Analysis	2016/17 £000
(43,718)	Decrease in fair value of fixed rate borrowings liabilities	(47,476)

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

**Price Risk**

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

**Foreign Exchange Risk**

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

**Note 35 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME**

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

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

In 2016/17 the Council paid a total of £2.798m, including £1.019m actual teachers’ contributions, (£1.257m in 2015/16) in respect of teachers’ retirement benefits. The employer’s contribution rate remained at 16.48%.

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

**Note 36      DEFINED BENEFIT PENSION SCHEMES**

**Participation in Pension Schemes**

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

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

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2017 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

**Discretionary Post-retirement Benefits**

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

**Transactions Relating to Post-Employment Benefits**

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

**NOTES TO THE CORE STATEMENTS**  
**Pensions Notes**

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
• current service costs	22,615	12,219	0	0
• administration costs	142	136	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	5,236	5,521	320	320
<b>Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>27,993</b>	<b>17,876</b>	<b>320</b>	<b>320</b>
<b>Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
• return on plan assets (excluding the amount included in the net interest expense)	(6,698)	51,819	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	0	9,186	0	453
• actuarial (gains) and losses arising on changes in financial assumptions	25,674	(122,943)	266	(1,017)
• experience loss (gain) on defined benefit obligation	214	691		
• other	0	7,011	(214)	(107)
<b>Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>47,183</b>	<b>(36,360)</b>	<b>372</b>	<b>(351)</b>
	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £000
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(27,993)	(17,876)	(320)	(320)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
• Employers' contributions payable to scheme	11,289	12,044		
• Retirement benefits payable to pensioners			661	640

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2017 is a £9.067m loss.

#### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Unfunded Benefits 2015/16 £000	Unfunded Benefits 2016/17 £000
<b>Present value of defined benefit obligation</b>	474,356	605,235	9,210	9,347
Fair Value of plan assets	(324,100)	(395,048)	0	0
<b>Sub-total</b>	150,256	210,187	9,210	9,347
<b>Net liability arising from defined benefit obligation</b>	150,256	210,187	9,210	9,347

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

	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000	Discretionary Benefits Arrangements 2015/16 £000	Discretionary Benefits Arrangements 2016/17 £000
<b>Opening fair value of scheme assets</b>	<b>291,273</b>	<b>324,100</b>	<b>0</b>	<b>0</b>
Opening adjustment	0		-	-
Interest income	9,942	11,712	0	0
Remeasurement gain/(loss)	0	7,011	0	0
- The return on plan assets, excluding the amount included in the net interest expense	(6,698)	51,819	0	0
- Other	(142)	(136)	0	0
Contributions from employer	11,289	12,044	0	0
Contributions from employees into the scheme	3,119	3,665	0	0
Benefits paid	(14,699)	(14,481)	0	0
Settlements Received/(Paid)	30,016	(686)	0	0
<b>Closing fair value of scheme assets</b>	<b>324,100</b>	<b>395,048</b>	<b>0</b>	<b>0</b>

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

**NOTES TO THE CORE STATEMENTS**  
**Pensions Notes**

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening balance at 1 April	453,225	483,566	(10,031)	(9,210)
Current service cost	12,374	13,407	0	0
Interest cost	15,178	17,233	(320)	(320)
Contributions by scheme participants	3,119	3,665	0	0
Liabilities assumed/(extinguished) on settlements	39,179	(1,903)	0	0
Remeasurement (gains) and losses:			214	107
- Actuarial (gains) and losses arising from changes in demographic assumptions		(9,186)	0	453
- Experience loss/(gain) on defined benefit obligation	(214)	(691)		
- Actuarial (gains) and losses arising from in financial assumptions	(25,674)	122,943	266	(1,017)
Estimated Benefits Paid Net of Transfers In	(14,038)	(13,841)	0	0
Curtailments & Settlements	1,078	29	0	0
Unfunded Pension Payments	(661)	(640)	661	640
Closing balance at 31 March	483,566	614,582	(9,210)	(9,347)

**Local Government Pension Scheme assets comprised:**

	Fair Value of Scheme Assets 2015/16 %	Fair Value of Scheme Assets 2016/17 %
<b>Cash and Cash Equivalents</b>	<b>3</b>	<b>4</b>
<b>Equity Instruments</b>	<b>68</b>	<b>68</b>
<b>Bonds</b>		
- Corporate	5	4
- Government	3	3
<b>Sub-total Bonds</b>	<b>8</b>	<b>7</b>
<b>Property</b>	<b>12</b>	<b>10</b>
Alternative Assets	4	7
Other Managed Funds	5	4
Total assets	100	100

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

	Fair Value of Scheme Assets 2015/16 %	Fair Value of Scheme Assets 2016/17 %
Equity instruments:	68	68

#### 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-16	Local Government Pension Scheme 31-Mar-17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.9 yrs	22.1 yrs
* Women	25.3 yrs	24.6 yrs
Longevity at 65 for future pensioners:		
* Men	25.2 yrs	24.3 yrs
* Women	27.7 yrs	26.9 yrs
Rate of inflation	2.30%	2.70%
Rate of increase in salaries	4.10%	4.20%
Rate of increase in pensions	2.30%	2.70%
Rate for discounting scheme liabilities	3.60%	2.70%
Take-up of option to convert annual pension into retirement lump sum	60.00%	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## NOTES TO THE CORE STATEMENTS

### Pensions Notes

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	637,854	592,187
Rate of increase in salaries (increase or decrease by 0.1%)	615,940	613,236
Rate of increase in pensions (increase or decrease by 0.1%)	624,623	604,728
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	603,392	625,991
	2,481,809	2,436,142

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The expected employer contribution to the plan for the year to 31 March 2017 is £10.02m.

### 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 2016 £000		31 March 2017 £000
122	Cash held by the Council and in transit	88
2,576	Bank current accounts	6,248
4,999	Short-term deposits in UK banks & investments in money market funds	1,599
<b>7,697</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,935</b>

### Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2015/16 £'000		2016/17 £'000
2,121	Interest Received	3,635
140	Interest Received Opening Debtor	(4)
(4)	Interest Received Closing Debtor	948
(2,575)	Interest paid	(3,419)
0	Adjustments for differences between EIR and actual interest payable	0
(454)	Interest Paid Opening Creditor	562
562	Interest Paid Closing Creditor	(586)
(210)	Total Operating Activities	1,136



**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:

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
(52,874)	Purchase of property, plant and equipment, investment property and intangible assets	(36,748)
(271,282)	Purchase of short-term and long-term investments	(354,506)
(225)	Other payments for investing activities	(2,167)
13,124	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,029
262,000	Proceeds from short-term and long-term investments	325,000
17,129	Other receipts from investing activities (including capital grants)	30,350
<b>(32,128)</b>	<b>Net cash flows from investing activities</b>	<b>(27,042)</b>

**Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT**

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

<b>2015/16</b>		<b>2016/17</b>
<b>£'000</b>		<b>£'000</b>
308,250	Cash receipts of short and long-term borrowing	207,980
(477)	Other receipts from financing activities	0
(269)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(267)
(262,950)	Repayments of short- and long-term borrowing	(167,380)
2,547	Other payments for financing activities	2,623
<b>47,101</b>	<b>Net cash flows from financing activities</b>	<b>42,956</b>

**Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT**

## NOTES TO THE CORE STATEMENTS

### Cash Flow Notes

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

2015/16		2016/17
£'000		£'000
<b>9,294</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(12,167)</b>
	Adjust net surplus or deficit on the provision of services for non cash movements:	
16,310	Depreciation	16,461
(56,931)	Impairment and downward valuation	242
570	Amortisation	494
0	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	0
0	Financial Guarantee Adjustments	0
0	Increase/Decrease in Interest Creditors	0
(691)	Increase/Decrease in Creditors	4,875
0	Increase/Decrease in Interest and Dividend Debtors	0
(10,654)	Increase/Decrease in Debtors	(20,863)
(7)	Increase/Decrease in Inventories	(245)
16,704	Movement in Pension Liability	5,832
1,959	Contributions to/(from) Provisions	(3,348)
36,475	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,188
0	Movement in Investment Property Values	0
<b>3,735</b>		<b>28,636</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(15,348)	Capital Grants credited to surplus or deficit on the provision of services	(21,116)
0	Net adjustment from the sale of short and long term investments	0
(13,124)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,029)
<b>(28,472)</b>		<b>(32,145)</b>
<b>(15,443)</b>	<b>Net Cash Flows for Operating Activities</b>	<b>(15,676)</b>

## NOTES TO THE CORE STATEMENTS

### NOTE 42 BETTER CARE FUND

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

The total value of the pool was £27.64m which includes the Council contribution of £11.9m. At the end of 2016-17 the pool had an underspend of £0.13m which is held in an earmarked reserve by the Council.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2015/16		2016/17
£'000	Notes	£'000
<b>EXPENDITURE</b>		
11,162	Repairs and Maintenance	12,158
24,937	Supervision and Management	21,340
184	Rents, rates, Taxes and Other Charges	143
(48,492)	Depreciation and Impairment of Non Current Assets	8,374
112	Debt Management Costs	140
36	Movement in the Allowance for Bad Debts	206
<b>(12,061)</b>	<b>Total Expenditure</b>	<b>42,361</b>
<b>INCOME</b>		
(45,490)	Gross Rent from Dwellings	(44,696)
497	Less Voids	0
<b>(44,993)</b>	<b>Net Rent from Dwellings (sub total)</b>	<b>(44,696)</b>
	Non Dwelling Rents:	
(10)	Shop Rents	(21)
(796)	Garage Rents	(795)
(163)	Premises Income	(200)
<b>(969)</b>	<b>Non Dwelling Rents (sub-total)</b>	<b>(1,016)</b>
	Charges for Services and Facilities:	
(5,342)	Water Charges	(5,433)
(40)	Central Heating Charges	(41)
<b>(5,382)</b>	<b>Charges for Services and Facilities (sub total)</b>	<b>(5,474)</b>
	Contributions Towards Expenditure:	
(602)	Leaseholder Charges	(683)
(2,271)	Tenants Service Charges	(2,368)
<b>(2,873)</b>	<b>Contributions Towards Expenditure (sub total)</b>	<b>(3,051)</b>
0	Micellaneous Income	0
<b>(54,217)</b>	<b>Total Income</b>	<b>(54,237)</b>
<b>(66,278)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(11,876)</b>
<b>(66,278)</b>	<b>Net Expenditure for HRA Services</b>	<b>(11,876)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
15,927	(Gain) or loss on sale of HRA non-current assets	6,978
5,727	Interest payable and similar charges (Deferred Purchase Interest)	5,760
0	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	0
(34)	Interest and Investment Income	(13)
310	Pensions interest cost and expected return on Pension Assets	495
0	Capital Grants and Contributions Receivable	0
<b>(44,348)</b>	<b>(Surplus)/ Deficit for the Year on HRA Services</b>	<b>1,344</b>

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### MOVEMENT ON HRA BALANCE

2015/16		2016/17
£'000		£'000
(2,654)	<b>Balance on HRA at 1 April</b>	<b>(1,754)</b>
(44,348)	(Surplus)/Deficit for the Year on HRA Services	1,344
45,074	Adjustments Between Accounting Basis and Funding Basis under Statute:	(6,356)
<b>(1,928)</b>	<b>Total</b>	<b>(6,766)</b>
174	<b>Transfer to/(from) Reserves:</b>	<b>4,590</b>
<b>(1,754)</b>	<b>Balance on HRA at 31 March</b>	<b>(2,176)</b>

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

2015/16		2016/17
£'000		£'000
	<b>Reversal of Items debited or credited to the HRA Income and Expenditure Account</b>	
(7,850)	Depreciation of non-current assets	(7,990)
(14,209)	Revaluation and Impairment losses on Property, Plant and Equipment	(12,959)
70,642	Revaluation gains reversing previous losses	12,611
0	Movement in Market Value on Investment Property	0
(90)	Movement in value of Held for Sale Assets	(36)
0	Revenue expenditure funded from capital under statute (REFCUS)	0
(25,033)	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	(17,279)
9,106	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	10,301
<b>32,566</b>		<b>(15,352)</b>
	<b>Insertion of items not debited or credited to the HRA Income and Expenditure Account</b>	
13,736	Reversal of Major Repairs Allowance credited to the HRA	9,832
(2,098)	Reversal of items relating to requirement benefits debited or credited to the CIES	(1,601)
888	Employer's pension contributions and direct payment to pensioners payable in year	762
(18)	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	3
<b>12,508</b>		<b>8,996</b>
<b>45,074</b>	<b>Total</b>	<b>(6,356)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2015/16	Rent Arrears	2016/17
£'000		£'000
808	Gross Current Arrears at 31 March	1,462
1.51%	As a Proportion of Gross Rent Income Collectable in the Year	2.74%

There have been no amounts written off in 2016/17. There is a provision of £0.494m for the potential write-off of irrecoverable debts.

### Note 2 DEPRECIATION

Depreciation of £7.45m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. There were further charges in respect of impairments of £0.92m.

2015/16	Analysis of Depreciation and Impairment Charges	2016/17
£'000		£'000
	Depreciation:	
6,805	Dwellings	7,273
131	Other Land and Buildings	138
45	Plant and Equipment	0
5	Non-Operational Property, Plant and Equipment	46
(55,478)	Impairment of Property, Plant and Equipment	917
(48,492)	<b>Total for Year</b>	<b>8,374</b>

### Note 3 PENSION RESERVE MOVEMENT

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

### Note 4 HOUSING STOCK

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

31 March 2016	Number and Types of Properties at 31 March	31 March 2017
5,334	Number of Houses and Bungalows	5,282
3,540	Number of Flats and Maisonettes	3,510
1,222	Number of Aged Person Dwellings	1,222
<b>10,096</b>	<b>Total</b>	<b>10,014</b>

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

2015/16	Change in Stock of Properties	2016/17
10,122	Stock at 1 April	10,096
(105)	Less Sales	(94)
79	Additions	12
<b>10,096</b>	<b>Total</b>	<b>10,014</b>

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

31 March 2016 £'000	Balance Sheet Value of HRA Properties	31 March 2017 £'000
619,611	Operational Non-Current Assets: Dwellings and other land and buildings	616,879
15,448	Non-Operational Non-Current Assets	12,604
<b>635,059</b>	<b>Total</b>	<b>629,483</b>

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

### Note 5 MAJOR REPAIRS RESERVE

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

2015/16 £'000	Major Repair Reserve	2016/17 £'000
0	Balance as at 1 April	0
(13,736)	Transfer to HRA	(9,832)
13,736	Financing of Capital Expenditure	9,832
<b>0</b>	<b>Total</b>	<b>0</b>

### Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2016/17 was financed as follows:

2015/16 £'000	Financing of Capital Expenditure	2016/17 £'000
13,736	Major Repairs Reserve	9,832
674	Grants	406
5,926	Capital Receipts	1,085
14,031	Prudential Borrowing	2,026
3,117	Development Reserve	0
<b>37,484</b>	<b>Total</b>	<b>13,349</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Note 7 CAPITAL RECEIPTS

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

2015/16 £'000	Capital Receipts	2016/17 £'000
(9,106)	Sales of Dwellings	(10,301)
(9,106)	<b>Total</b>	(10,301)

### Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2015/16 £'000	Debt Management Cost	2016/17 £'000
112	Debt Management Costs	140
112	<b>Totals</b>	140



## THE COLLECTION FUND STATEMENT COUNCIL TAX

Notes		2015/16	2016/17	
		£'000	£'000	£'000
<b>INCOME</b>				
2	Council Tax	(65,212)	(68,985)	
<b>Total Income</b>		<b>(65,212)</b>		<b>(68,985)</b>
<b>EXPENDITURE</b>				
Precepts and Demands:				
	Essex Police Authority	7,047	7,431	
	Essex Fire Authority	3,181	3,307	
	Thurrock Borough Council	53,858	57,135	
	<b>Precepts and Demands (sub-total)</b>	<b>64,086</b>		<b>67,873</b>
Provision for Bad Debts:				
	Change in Provision	150	(16)	
	Write offs	197	416	
	<b>Provision for Bad Debts (sub-total)</b>	<b>347</b>		<b>400</b>
<b>CONTRIBUTIONS</b>				
	Essex Police Authority	126	132	
	Essex Fire Authority	58	60	
	Thurrock Borough Council	980	1,008	
	<b>Contributions (sub-total)</b>	<b>1,164</b>		<b>1,199</b>
<b>Total Expenditure</b>		<b>65,597</b>		<b>69,472</b>
<b>(Surplus)/ Deficit for Year</b>		<b>385</b>		<b>487</b>
<b>Fund Balance Brought Forward</b>		<b>(1,481)</b>		<b>(1,096)</b>
<b>Fund Balance Carried Forward</b>		<b>(1,096)</b>		<b>(609)</b>
<b>Share of Collection Fund (Council Tax) Balance:</b>				
	Thurrock Council	(923)		(514)
	Essex Police Authority	(120)		(66)
	Essex Fire Authority	(53)		(29)
<b>Total</b>		<b>(1,096)</b>		<b>(609)</b>

## THE COLLECTION FUND STATEMENT NATIONAL NON-DOMESTIC RATES

Notes	2015/16 £'000	2016/17 £'000	£'000
<b>INCOME</b>			
3	Income Collectable from Non-Domestic Ratepayers	(105,926)	(112,184)
	Transitional Protection Payments	452	443
	<b>Total Income</b>	<b>(105,474)</b>	<b>(111,741)</b>
<b>EXPENDITURE</b>			
Share of Business Rates:			
	Essex Fire Authority	1,091	1,118
	Thurrock Borough Council	53,450	54,783
	<b>Share of Non-Domestic Rates (sub-total)</b>	<b>54,541</b>	<b>55,901</b>
	<b>Payment of the Central Share of the Non-Domestic Rating Income to Central Government</b>	<b>54,541</b>	<b>55,901</b>
Provision for Bad Debts:			
	Change in Provision	(35)	181
	Write Offs	296	216
	<b>Provision for Bad Debts (sub-total)</b>	<b>261</b>	<b>397</b>
Provision for Appeals:			
	Change in Provision	(3,264)	700
	Costs of Collection	235	234
<b>CONTRIBUTIONS</b>			
	Essex Fire Authority	(89)	(58)
	Thurrock Borough Council	(4,359)	(2,823)
	Central Government	(4,448)	(2,881)
	<b>Contributions (sub-total)</b>	<b>(8,896)</b>	<b>(5,761)</b>
	<b>Total Expenditure</b>	<b>97,418</b>	<b>107,372</b>
	<b>(Surplus)/ Deficit for Year</b>	<b>(8,056)</b>	<b>(4,369)</b>
	<b>Fund Balance Brought Forward</b>	<b>12,176</b>	<b>4,120</b>
	<b>Fund Balance Carried Forward</b>	<b>4,120</b>	<b>(249)</b>
<b>Share of Collection Fund (NDR) Balance:</b>			
	Thurrock Council	2,019	(122)
	Essex Fire Authority	41	(2)
	Central Government	2,060	(125)
	<b>Total</b>	<b>4,120</b>	<b>(249)</b>

## Notes to the Collection Fund

### Note 1 GENERAL

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the Code. The balance on the account attributable to Thurrock Council is consolidated into the Council's Balance Sheet as an Unusable Reserve, the remainder is consolidated into debtors or creditors on the Balance Sheet as amounts owed to or owing by the other preceptors on the Fund (i.e. Police and Fire Authorities).

### Note 2 COUNCIL TAX

For 2016/17 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*	7	5:9	4
A	4,407	6:9	2,938
B	9,732	7:9	7,569
C	22,000	8:9	19,556
D	10,267	9:9	10,267
E	4,119	11:9	5,034
F	1,974	13:9	2,851
G	736	15:9	1,226
H	15	18:9	30
	<b>53,257</b>		<b>49,475</b>
Less adjustment for collection rate and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.			(618)
<b>Council Tax Base</b>			<b>48,857</b>

## Notes to the Collection Fund

### **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 2016/17 48.4p was the small business multiplier and 49.7p the large business multiplier (48.0p small business multiplier and 49.3p large business multiplier in 2015/16). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £54.8m was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure statement. Overall amount collected from NNDR Rate payers was £111.8m.

The total Non-Domestic rateable value at the 31 March 2017 was £252,586,303 (£263,567,417 as at 31 March 2016).

# **Group Accounts**

## **2016/17**

## GROUP ACCOUNTS

### STATEMENT OF ACCOUNTS- GROUP ACCOUNTS

#### ■ Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Gloriana Thurrock Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Expenditure Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement

These statements, together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages, as detailed below.

Contents	Page
Group Expenditure Funding Analysis	113
Group Comprehensive Income and Expenditure Statement	114
Group Movement in Reserves Statement	115
Group Balance Sheet	117
Group Cash Flow Statement	118
Notes to the Group Accounts	119

## GROUP EXPENDITURE FUNDING ANALYSIS

2015/16			2016/17		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
31,448	1,785	<b>33,233</b>	34,095	1,001	<b>35,096</b>
34,943	7,196	<b>42,138</b>	37,687	3,281	<b>40,968</b>
305	52	<b>358</b>	644	16	<b>660</b>
918	(444)	<b>474</b>	2,000	(9,726)	<b>(7,726)</b>
1,609	272	<b>1,882</b>	2,311	171	<b>2,481</b>
45,895	8,166	<b>54,061</b>	23,814	8,386	<b>32,200</b>
4,774	456	<b>5,230</b>	7,687	313	<b>8,000</b>
2,128	247	<b>2,375</b>	2,974	147	<b>3,121</b>
1,931	163	<b>2,094</b>	1,646	62	<b>1,708</b>
2,538	3,855	<b>6,393</b>	3,664	699	<b>4,364</b>
<b>126,490</b>	<b>21,748</b>	<b>148,239</b>	<b>116,522</b>	<b>4,349</b>	<b>120,871</b>
(1,855)	(64,423)	(66,278)	(10,759)	(1,116)	(11,875)
124,635	(42,675)	81,961	105,763	3,233	108,995
(106,092)	15,702	<b>(90,390)</b>	(105,337)	9,376	<b>(95,961)</b>
<b>18,543</b>	<b>(26,973)</b>	<b>(8,429)</b>	<b>426</b>	12,609	<b>13,035</b>
(35,818)		Opening General Fund and HRA Balance at 31 March 2016	(17,275)		
18,543		Less Deficit on General Fund and HRA Balance in Year	426		
(17,275)		<b>Closing General Fund and HRA Balance at 31 March 2017</b>	<b>(16,849)</b>		

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Core Statement

2015/16			2016/17		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
70,574	(37,340)	<b>33,234</b>	74,339	(39,243)	<b>35,096</b>
80,407	(38,269)	<b>42,138</b>	82,642	(41,674)	<b>40,968</b>
778	(421)	<b>357</b>	628	32	<b>660</b>
61,454	(60,979)	<b>474</b>	54,922	(55,960)	<b>(1,038)</b>
2,050	(169)	<b>1,882</b>	3,650	(1,168)	<b>2,481</b>
63,138	(9,271)	<b>53,867</b>	43,543	(11,343)	<b>32,200</b>
6,771	(1,346)	<b>5,425</b>	11,286	(3,286)	<b>8,000</b>
(12,052)	(54,226)	<b>(66,278)</b>	51,570	(63,445)	<b>(11,875)</b>
2,710	(335)	<b>2,375</b>	3,752	(631)	<b>3,121</b>
2,588	(493)	<b>2,094</b>	3,118	(1,411)	<b>1,708</b>
38,653	(32,259)	<b>6,393</b>	35,012	(30,649)	<b>4,364</b>
<b>317,070</b>	<b>(235,109)</b>	<b>81,961</b>	<b>364,462</b>	<b>(248,777)</b>	<b>115,684</b>
38,215	(13,180)	25,035	26,901	(11,151)	15,750
13,429	(2,203)	<b>11,226</b>	14,802	(3,792)	11,010
4,359	(131,010)	<b>(126,651)</b>	3,920	(133,328)	(129,408)
<b>373,074</b>	<b>(381,502)</b>	<b>(8,428)</b>	<b>410,085</b>	<b>(397,049)</b>	<b>13,037</b>
0	(26,417)	<b>(26,417)</b>	0	(7,410)	<b>(7,410)</b>
0	(19,190)	<b>(19,190)</b>	0	54,236	<b>54,236</b>
0	(41)	<b>(41)</b>	0	782	<b>782</b>
<b>0</b>	<b>(45,648)</b>	<b>(45,648)</b>	<b>0</b>	<b>47,608</b>	<b>47,608</b>
<b>373,074</b>	<b>(427,150)</b>	<b>(54,076)</b>	<b>410,085</b>	<b>(349,441)</b>	<b>60,645</b>



## GROUP MOVEMENT IN RESERVES STATEMENT

### Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015</b>	<b>(33,164)</b>	<b>(2,654)</b>	<b>(5,510)</b>	<b>0</b>	<b>(11,830)</b>	<b>(53,158)</b>	<b>(369,910)</b>	<b>(423,068)</b>
<b>Movement in reserves during 2015/16</b>								
Total Comprehensive Income and Expenditure	35,919	(44,348)	0	0	0	(8,429)	(45,648)	(54,077)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(20,974)	45,074	(2,513)	0	(759)	20,828	(20,828)	0
Transfers to/from Other Reserves	2,699	174	0	0	696	3,569	(3,569)	0
<b>Increase or (Decrease) in 2015/16</b>	<b>17,644</b>	<b>900</b>	<b>(2,513)</b>	<b>0</b>	<b>(63)</b>	<b>15,968</b>	<b>(70,045)</b>	<b>(54,077)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(15,520)</b>	<b>(1,754)</b>	<b>(8,023)</b>	<b>0</b>	<b>(11,893)</b>	<b>(37,190)</b>	<b>(439,955)</b>	<b>(477,145)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

### Core Statement

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

## GROUP BALANCE SHEET

### Core Statement

31 March 2016		Notes	31 March 2017
£000			£000
927,877	Property, Plant & Equipment	9	942,252
0	Investment Property		0
1,482	Intangible Assets		1,374
22,266	Heritage Assets		22,266
50,011	Long Term Investments		63,718
1,950	Long Term Debtors		1,802
<b>1,003,586</b>	<b>Long Term Assets</b>		<b>1,031,412</b>
9,804	Short Term Investments		22,948
2,399	Assets Held for Sale		1,890
267	Inventories	5	9,804
19,253	Short Term Debtors	6	21,056
7,697	Cash and Cash Equivalents		8,396
<b>39,420</b>	<b>Current Assets</b>		<b>64,094</b>
(164,365)	Short Term Borrowing		(205,290)
(30,707)	Short Term Creditors	7	(40,504)
(267)	Leasing Liability		0
(6,213)	Short Term Provisions		(1,669)
<b>(201,552)</b>	<b>Current Liabilities</b>		<b>(247,463)</b>
(3,590)	Long Term Provisions		(4,788)
(191,874)	Long Term Borrowing		(190,785)
0	Deferred Discounts		0
(159,466)	Pension Liability		(219,534)
0	Leasing Liability		0
(187)	Long Term Creditors		(225)
(9,191)	Capital Grants Receipts in Advance		(16,209)
<b>(364,308)</b>	<b>Long Term Liabilities</b>		<b>(431,541)</b>
<b>477,146</b>	<b>Net Assets</b>		<b>416,502</b>
0	Share Capital		0
0	Profit and Loss		0
(37,190)	Usable reserves	8	(47,032)
(439,956)	Unusable Reserves		(369,470)
<b>(477,146)</b>	<b>Total Reserves</b>		<b>(416,502)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

## GROUP CASH FLOW

### Core Statement

2015/16 £'000	Notes	2016/17 £'000
8,576	Net surplus or (deficit) on the provision of services	(12,131)
3,809	Adjustment to surplus or deficit on the provision of services for non cash movements	28,198
(28,472)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,282)
<b>(16,087)</b>	<b>Net Cash flows from operating activities</b>	<b>(15,215)</b>
(31,623)	Investing Activities	(27,042)
47,241	Financing Activities	42,956
<b>(469)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>699</b>
8,166	Cash and cash equivalents at the beginning of the reporting period	7,697
<b>7,697</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,396</b>

## **GROUP STATEMENTS**

### **Notes to the Accounts**

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

The Council has one material subsidiary company – Gloriana Thurrock Ltd which has been consolidated into the group financial statements. Gloriana Thurrock Ltd set up a further subsidiary company – Gloriana Thurrock (Homes) Ltd in March 2017. This has not been consolidated into the group financial statements as there was no trading activity in the Council's municipal year.

#### **Note 2 ACCOUNTING POLICIES**

In preparing the Group Accounts the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 3 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2016 Carrying amount £000		31 March 2017 Carrying amount £000
	<b>Expenditure/Income</b>	
	<b>Expenditure</b>	
105,336	Employee Expenses	104,199
114,901	Third Party Payments	94,942
67,019	Other operating expenses	73,814
57,177	Housing Benefits	54,198
(31,934)	Depreciation, Amortisation and Impairment	36,927
36,475	Gains/Losses on disposal Non-Current Asset	25,188
12,736	Interest Payments	9,281
5,240	Pen Int Cost & Expect ret on Pension Asset	5,522
4,252	Transfer Payments	4,263
1050	Payments to the Housing Capital Receipts Pool	1,041
626	Precepts and Levies	670
135	Support Costs	117
<b>373,013</b>	<b>Total Expenditure</b>	<b>410,163</b>
	<b>Income</b>	
(2,143)	Investment Income	(3,792)
(1,707)	Support Services Recharges	(1,617)
(18,006)	Revaluations	(18,444)
(14,688)	Better Care Fund	(15,715)
(10,250)	Capital Grants and contributions	(16,178)
(35,113)	Income from business rates	(34,253)
(29,298)	Fees, Charges and Other Service Income	(43,135)
(53,781)	Dedicated Schools Grant	(54,868)
(54,217)	HRA rent and service charge income	(54,195)
(54,519)	Income from Council Tax	(57,735)
(107,720)	Revenue Grants and Contributions	(97,195)
<b>(381,442)</b>	<b>Total Income</b>	<b>(397,127)</b>
<b>(8,429)</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>13,036</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 4 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2015/16		2016/17
£000		£000
8,193	Interest payable and similar charges	9,203
5,236	Net interest on the net defined benefit liability	5,521
(2,203)	Interest receivable and similar income	(3,714)
<b>11,226</b>	<b>Total</b>	<b>11,010</b>

#### Note 5 INVENTORIES

31 March		31 March
2016		2017
£000		£000
267	Materials	512
0	Residential Property	9,292
<b>267</b>	<b>Total</b>	<b>9,804</b>

#### Note 6 SHORT-TERM DEBTORS

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

31 March		31 March
2016		2017
£000		£000
2,023	Central government bodies	6,195
66	Other local authorities	471
856	NHS bodies	868
0	Public corporations and trading funds	0
16,308	Other entities and individuals	13,522
<b>19,253</b>	<b>Total</b>	<b>21,056</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 7 SHORT-TERM CREDITORS

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

<b>31 March</b>		<b>31 March</b>
<b>2016</b>		<b>2017</b>
<b>£000</b>		<b>£000</b>
(6,841)	Central government bodies	(9,907)
(1,012)	Other local authorities	(1,857)
(294)	NHS bodies	(689)
(15)	Public corporations and trading funds	0
(22,545)	Other entities and individuals	(28,051)
<b>(30,707)</b>	<b>Total</b>	<b>(40,504)</b>

#### Note 8 USABLE RESERVES

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

<b>31 March</b>			<b>31 March</b>
<b>2016</b>			<b>2017</b>
<b>£000</b>		<b>Notes</b>	<b>£000</b>
(7,135)	General Fund Balance	(a)	(6,267)
(1,754)	Housing Revenue Account Balance	(b)	(2,176)
(8,385)	Earmarked Reserves	(c)	(8,405)
(8,023)	Capital Receipts Reserve	(d)	(15,608)
(11,893)	Capital Grants Unapplied	(f)	(14,576)
<b>(37,190)</b>	<b>Total Usable Reserves</b>		<b>(47,032)</b>



## GROUP STATEMENTS

### Notes to the Accounts

#### Note 9 PROPERTY, PLANT AND EQUIPMENT

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

## GROUP STATEMENTS

### Notes to the Accounts

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

## GROUP STATEMENTS

### Notes to the Accounts

Comparative 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Cost or Valuation</b>								
At 1 April 2015	544,632	149,368	26,406	17,663	88,423	9,001	56,122	<b>891,615</b>
Additions / Donations	19,752	12,377	2,988	747	5,962	25,964	381	<b>68,171</b>
Additions - Other	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	(46)	0	0	0	(160)	<b>(206)</b>
Derecognition - Other	(18,764)	(7,327)	0	0	0	0	(1,000)	<b>(27,091)</b>
Revaluations Recognised in Revaluation Reserve	19,473	(1,494)	0	0	0	0	5,130	<b>23,109</b>
Revaluations Recognised in Surplus/Deficit on Provision of Services	56,258	(823)	0	0	0	0	862	<b>56,297</b>
Assets reclassified (to)/from Held for Sale	(6,679)	0	0	0	0	0	0	<b>(6,679)</b>
Assets reclassified (to)/from Investment Property	0	2,322	0	0	0	0	0	<b>2,322</b>
Other movements in Cost or Valuation	18,686	1,062	0	0	0	(19,748)	0	<b>0</b>
<b>At 31 March 2016</b>	<b>633,358</b>	<b>155,485</b>	<b>29,348</b>	<b>18,410</b>	<b>94,385</b>	<b>15,217</b>	<b>61,335</b>	<b>1,007,538</b>

## GROUP STATEMENTS

### Notes to the Accounts

Comparative 2015-16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	(18,625)	(8,074)	(14,743)	(5,554)	(21,093)	0	0	<b>(68,089)</b>
Depreciation charge	(6,805)	(2,769)	(2,707)	(610)	(2,446)	0	(73)	<b>(15,410)</b>
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	<b>0</b>
Depreciation written back to the Revaluation Reserve	53	2,400	0	0	0	0	0	<b>2,453</b>
Depreciation written back to Surplus/Deficit on Provision of Services	204	521	0	0	0	0	0	<b>725</b>
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	17	0	0	0	0	<b>17</b>
Derecognition - Other	0	643	0	0	0	0	0	<b>643</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	<b>0</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>(25,173)</b>	<b>(7,279)</b>	<b>(17,433)</b>	<b>(6,164)</b>	<b>(23,539)</b>	<b>0</b>	<b>(73)</b>	<b>(79,661)</b>
<b>NBV At 31 March 2015</b>	<b>526,007</b>	<b>141,294</b>	<b>11,663</b>	<b>12,109</b>	<b>67,330</b>	<b>9,001</b>	<b>56,122</b>	<b>823,526</b>
<b>NBV At 31 March 2016</b>	<b>608,185</b>	<b>148,206</b>	<b>11,915</b>	<b>12,246</b>	<b>70,846</b>	<b>15,217</b>	<b>61,262</b>	<b>927,877</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 10 NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2015/16	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	334	1,453	(3)	1,785
Children's Services	5,014	2,208	(27)	7,196
Commercial Services	0	54	(3)	52
Corporate Costs	0	80	(524)	(444)
Corporate Strategy & Communications	16	250	6	272
Environment & Place	6,364	1,801	1	8,166
Finance and Information Technology	0	457	(0)	456
HR; OD and Transformation	0	243	4	247
Legal	0	166	(4)	163
Schools	0	3,855	0	3,855
<b>Net Cost of Services</b>	<b>11,728</b>	<b>10,568</b>	<b>(548)</b>	<b>21,748</b>
Housing Revenue Account	(48,492)	900	(16,831)	(64,423)
Other Income and Expenditure	13,045	5,236	(2,579)	15,702
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(23,719)</b>	<b>16,704</b>	<b>(19,959)</b>	<b>(26,973)</b>

## GROUP STATEMENTS

### Notes to the Accounts

#### Note 10b NOTE TO THE EXPENDITURE FUNDING ANALYSIS

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

## 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

## GLOSSARY OF TERMS

activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services.

### **Corporate Governance**

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

### **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.

### **Curtailed Costs (Pensions)**

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

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

### **Defined Benefit Scheme (Pensions)**

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

### **Depreciation**

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

### **Discretionary Benefits**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instrument**

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

### **General Fund**

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

### **Government Grants**



## GLOSSARY OF TERMS

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

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

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

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

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

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

### **Investments (Pensions)**

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

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

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

### **Levies**

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

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

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

### **Net Worth**

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

### **Non-Current Assets**

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

## GLOSSARY OF TERMS

### **Non-Distributed Costs**

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

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

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

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

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

### **Post Balance Sheet Events**

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

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

### **Precept**

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

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

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

### **Provisions**

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

### **Reserves**

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

### **Revaluation Reserve**

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

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

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

## GLOSSARY OF TERMS

### **Settlement Costs (Pensions)**

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

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

### **Support Services**

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

### **Supported Capital Expenditure**

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

### **Unsupported Borrowing**

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

### **Useful Life**

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

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21 September 2017

Suresh Patel  
Ernst & Young  
1 More London Place  
London  
SE1 2AF

Dear Suresh,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Thurrock Council (“the Group and Council”) for the year ended 31 March 2017. 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 consolidated and council financial statements give a true and fair view of the Group and Council financial position of Thurrock Council as of 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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, for the Group and Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have 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 2016/17 for the Group and for the Council 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 consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the items are not material to the Council's financial statements, there is minimal impact on useable reserves and, where applicable, corrections have been made in the subsequent period. The items are listed in Appendix 1.

## **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 consolidated and council 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 significant role in the Group or 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 consolidated or council financial statements. We have no knowledge of any allegations or 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 consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - 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 consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, and 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 on the following date: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 year 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 consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council 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 consolidated and council 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 recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

#### **F. Subsequent Events**

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

#### **G. Group Audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

#### **H. Expenditure Funding Analysis**

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all

required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

#### **I. Other Information**

1. We acknowledge our responsibility for the preparation of the other information, the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **J. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

#### **K. Reserves**

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

#### **L. Contingent Liabilities**

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
  - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, etc., none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

#### **M. Purchase and Sales Commitments and Sales Terms**

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the 31 March 2017, the Authority had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have a material adverse effect upon the Authority (e.g.,



contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

#### **N. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists 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 specialists 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 specialists.

#### **O. Accounting Estimates (property, plant and equipment and pensions valuations)**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

## **P. Retirement Benefits**

1. 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.

Yours sincerely,

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(Director of Finance and IT)

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(Chairman of the Standards and Audit Committee)

## **Appendix 1 – Uncorrected Misstatements.**

The following items have not been corrected in the 2016/17 financial statements:

1. £7.03m understatement of Property, Plant and Equipment due to an incorrect Gross Internal Area being applied in the valuation of the Blackshots Leisure Centre.
2. £6.382m understatement of council dwellings due to the incorrect calculation of the index applied.
3. £0.625m overstatement of capital additions and corresponding understatement of Revenue Expenditure Funded by Capital under Statute (REFCUS) due to item being incorrectly classified.
4. £0.406m of capital expenditure that should have been recorded in 2015/16 but was recorded in 2016/17.
5. £1.574m projected overstatement of REFCUS due to one item of expenditure (value £77,952) being incorrectly recorded as REFCUS.
6. £0.627m projected overstatement of creditor balances based on insufficient supporting documentation for three items (value £35,298).

Items 1, 2 and 6 will be corrected in 2017/18. Item 4 is correctly stated in 2016/17. The Council disagrees with the proposed treatment of item 3. Item 5 has no ongoing impact in subsequent periods and the Council has reviewed the remaining REFCUS population and is satisfied the issue relates specifically to the one item selected.

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