Thurrock - An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future

Standards and Audit Committee

The meeting will be held at **7.00 pm** on **24 November 2020**

Due to current government guidance on social-distancing and the COVID-19 virus the Standards and Audit Committee on 24 November 2020 will be held virtually online. The press and public will be able to watch the meeting live via the Council's online webcast channel: www.thurrock.gov.uk/webcast

Membership:

Councillors Gerard Rice (Chair), David Potter (Vice-Chair), Gary Collins, Cathy Kent and Luke Spillman

Lisa Laybourn
Vani Thuvaragan

Substitutes:

Councillors Abbie Akinbohun, Garry Hague, Tom Kelly and Lynn Worrall

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Agenda

Open to Public and Press

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Queries regarding this Agenda or notification of apologies:

Please contact Jenny Shade, Senior Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

Agenda published on: **16 November 2020**

Information for members of the public and councillors

Access to Information and Meetings

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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.

Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay

   - High quality, consistent and accessible public services which are right first time
   - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
   - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future

   - Roads, houses and public spaces that connect people and places
   - Clean environments that everyone has reason to take pride in
   - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations

   - Attractive opportunities for businesses and investors to enhance the local economy
   - Vocational and academic education, skills and job opportunities for all
   - Commercial, entrepreneurial and connected public services

Minutes of the Meeting of the Standards and Audit Committee held on 10 September 2020 at 7.00 pm

Present:	Councillors Gerard Rice (Chair), Gary Collins, Cathy Kent and Luke Spillman
Apologies:	Councillor David Potter (Vice-Chair)
In attendance:	Sean Clark, Director of Finance, Governance and Property Andrew Millard, Director of Place Lisa Clampin, Binder Dijke Otte (BDO) Representative Gary Clifford, Chief Internal Auditor Anna Eastgate, Assistant Director of Lower Thames Crossing and Transport Infrastructure Projects Lee Henley, Strategic Lead, Information Management David Kleinberg, Assistant Director for Counter Fraud & Investigations Andy Owen, Corporate Risk and Insurance Manager Jenny Shade, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting was being streamed on the Council's on-line webcast channel.

51. Minutes

The minutes of the Standards and Audit Committee held on the 9 July 2020 were approved as a correct record.

52. Items of Urgent Business

There were no items of urgent business.

53. Declaration of Interests

There were no declarations of interest.

54. Annual Complaints & Enquiries Report - 2019/2020

Lee Henley, Strategic Lead Information Management, presented the report that set out the Council's complaints statistics for the period 1 April 2019 to 31 March 2020. The number of complaints received for the reporting period was 1393 and compared to the same period last year had represented a reduction in the number of complaints received. During this reporting period 40% of the complaints had been upheld which had been an improvement when compared with the same period last year. Lee Henley directed Members to Appendix 1 of the report which detailed the Top Ten Complaint Themes and to Appendices 2 and 3 of the report which detailed the Adult and Children Social Care Dashboards.

Councillor Collins asked for some clarification on the “Maladministration Causing Justice” on the Ombudsman Enquiries as detailed in the report. Lee Henley referred Members to page 24, paragraph 2.9 of the report that recorded the financial compensation payments made by the Council and confirmed the £5675 payment referred to delays in getting an education health care plan in place for a resident’s son and the payment of £100 was a data protection breach of disclosing landlord’s details.

Councillor C Kent referred to the high associated costs relating to the complaint investigation costs and asked how this could be prevented and to ensure the plans that were already in place were working to avoid such costs in the future. Lee Henley stated that the number of complaints had gone down and the figure was an indicative estimate on the cost to investigate complaints.

RESOLVED

That the Standards and Audit Committee noted the statistics and performance for the reporting period.

55. Internal Audit Charter 2020

Gary Clifford, Chief Internal Auditor, presented the Internal Audit Charter which was the formal document that defined the internal audit services purpose, authority and responsibility. The Internal Audit Charter established the internal audit’s position within the Council. Members were informed that changes had been made to the Charter to reflect new senior management roles and responsibilities, consequent change of job titles and the move of the Counter Fraud and Investigation Team to the Environment and Highways directorate.

The Chair, Councillor Rice, signed the Charter on behalf of the Standard and Audit Committee.

RESOLVED

That the Standards and Audit Committee approved the Internal Audit Charter 2020 and the Chair of the Standards and Audit Committee signed the Charter on behalf of the Committee.

56. Counter Fraud & Investigation Quarterly Update (Q1)

David Kleinberg, Assistant Director for Counter Fraud, Investigation and Enforcement, presented the report that outlined the performance of the Counter Fraud and Investigation Department over the last quarter for Thurrock Council as a whole as well as the work the team had delivered nationally for other public bodies. Members were informed that this period had been affected by the COVID 19 pandemic and changes had been made to the service so the team could respond appropriately. A £85,000 fraud incident that had affected the COVID 19 grant scheme had been identified and this money had now been recovered following the arrest of an individual. Members were referred to Appendix 1 that would now include “post assurance work” for the COVID grants paid, where work would be undertaken with the Internal Audit Service to look at payments made by the Council and apply controls to identify whether there were any other fraud activities taking place. A pilot was to be introduced that would look at Customer Gateways to enhance the customers knowledge to prevent fraud in the systems provided by the council.

Councillor Collins thanked Officers for the good result of the £85,000 fraud recovery and this was echoed by the Chair.

Councillor Spillman questioned whether there were any new risks of fraud or specific new opportunities that had come about because of the COVID 19 pandemic. David Kleinberg stated that some known offenders were still committing offences just applying it differently or against different schemes provided during the pandemic. That there had been no new frauds, no increase in the number of fraud cases we would ordinarily see and the Council were not losing more money. This meant that resources had to be transferred to those schemes so that action could be taken appropriately.

Councillor Spillman asked for an update on the projections of any potential losses in revenue following on from the last report. David Kleinberg stated the biggest impact on Council’s fraud work was with the housing tenancy fraud where the Government had allowed a further six month extension to any proceeds in the civil courts to recover any properties lost through Section 21 notices and investigations of these were still continuing with work being undertaken differently and would continue to work with the services affected and prevent where possible.

RESOLVED

That the Standards and Audit Committee commented on the performance of the Counter Fraud and Investigation Department.

57. Refresh of the Strategic/Corporate Risk and Opportunity Register

Andy Owen, Corporate Risk and Insurance Manager, presented the report that provided the Standards and Audit Committee with the key risks and opportunities identified by the review and the revised Strategic/Corporate Risk and Opportunity Register. Members were referred to the dashboard as part of Appendix 1 and the “In Focus” as part of Appendix 2.

Councillor Collins referred to the risk “Impact of UK Withdrawal from EU” and questioned whether following recent events would the priority still be green. Andy Owen stated the rating had gone up from the previous review and were working towards the transition stage up to the 31 December 2020 and potentially a No Deal scenario which was why there had been increases. That a lot of work had been undertaken and would continue to be reviewed and plans were in place for either a Deal or No Deal. That any adjustments would be picked up in the next quarterly reports if required.

Councillor Collins referred to the risk “Impact of Coronavirus” and questioned whether this had been factored in for the rest of the year. Andy Owen stated this risk would not be classed as a short term fix and having looked at reports that had been presented to overview and scrutiny on its impact and financial implications the forecast rating should be 16 by the end of the year. That this risk, as seen as a longer term issue, would be refreshed at the end of the year with the forecast changing to a 16 due to the impacts the Council were facing.

Councillor C Kent questioned where in the report it referred to a risk that related to the savings that would need to be made to balance the budget next year and that this risk was being undertaken in the right way. Andy Owen stated that previously there had been an MTFS risk and further discussions would take place with Finance on whether to keep as a separate item or to have a new risk for the MTFS. Sean Clark stated that this was an earlier version of the risk register with the real impact becoming known since the end of that quarter and would be going in as a risk on the next risk register. This was discussed at Corporate Overview and Scrutiny Committee and Cabinet last week and that further reports would be presented following discussions on the best approach.

The Chair questioned whether the Council would be borrowing more money to finance this over a number of years. Sean Clark stated the Council could not just borrow money to pay for revenue expenditure but could borrow money under capital circumstances which had been undertaken on the previous investment strategy to create revenue income but the Council could not go out to borrow as this was not under the legal remit of a local authority.

Councillor Spillman asked for clarification on how the numbers shown on the risk register were reached, the process and what happened next especially those risks that had been red flagged. Andy Owen referred Members to Appendix 3 of the report that set out the criteria guide on how the risk and opportunities were rated and under the In Focus report as Appendix 2 each risk would be rated with an inherit rating. That no actions or controls in place would not be taken into consideration which gave the feel for what the inherit rating would be. That for residual risk the current actions in place would be looked into which again would give the feel for what the residual risk could be. For each review there would be a revised residual risk to look at the further actions in place, revised the effectiveness of those actions which would give the feel for the actual residual risk. As part of this the action planning and those actions in place were looked into and the timescales and then a forecast rating would be where the items would be assessed.

Councillor Spillman asked for clarification on how the numbers shown on the risk register were reached, the process and what happened next especially those risks that had been red flagged. Andy Owen referred Members to

Appendix 3 of the report that set out the criteria guide on how the risk/ opportunities were rated and under the In Focus report as Appendix 2. It was explained that each item would be assessed and given an inherent, residual, and forecast rating. For the inherent rating assessment no actions or controls are considered for the evaluation. For the residual ratings evaluation the existing action/controls were considered for the assessment. Revised residual ratings were judged following consideration of the existing and further actions /controls undertaken and the forecast rating evaluated assuming all the action/controls had been completed and working.

Councillor Spillman questioned where a risk had been identified and looked at the provision in place and noticed that one department of the review was not meeting that risk, what was undertaken from the Auditors. Sean Clark stated that a cross service performance board looked at all the risks as part of the overall performance management of the Council. Should a risk be manageable but not being managed this would go through the relevant directors.

The Chair asked whether there were any further updates on Impulse Leisure. Sean Clark stated that a number of discussions were still taking place.

Lisa Laybourn questioned those risks on the register that had remained at the same rating across a period of time and referred to the A13 widening project which had an inherit risk of 16, the residual risk after mitigating actions had been applied at 16 and the forecast figure of 16. Officers were asked whether this risk was being managed effectively and if so, was there a future date when this would be returned to a more palatable risk rating. Andy Owen referred Members to page 116 of the report “Corporate Risk No 9” and stated that this had been judged as to the current controls in place with the ratings still at 16 with additional actions in place to manage the risk. That it had been accepted that the risk would still be with the Council until 31 March 2021 as a rate of 16 but stated continued monitoring and reviewing would be undertaken of the programme until the project was delivered. Anna Eastgate referred to the information that had been presented to this committee and the Planning Transport and Regeneration Overview and Scrutiny Committee in July that referenced the contracts in place for the A13 and how difficult it was to control programme. That a project improvement plan had been carried out and those improvements had been implemented, the team had been strengthened, and the expertise of the team improved and the Council would continue to review and challenge everything possible to make sure that all contractors and parties were held to account so that the Council could demonstrate that the monies expended on this project had been spent in an appropriate and proper manner. That there would be inherit risks with this project right through to completion and that was why the rating was very hard to mitigate.

RESOLVED

1. That the Standards and Audit Committee noted the items and details contained in the Dashboard.

2 That the Standards and Audit Committee noted the "In Focus" report which highlighted the higher priority items identified by the review.

58. Investment Briefing

Sean Clark, Corporate Director of Finance, Governance and Property, presented the report that provided Members with a brief update on the Council's investments and borrowing as at 31 March 2020 and following the Standard and Audit Committee meeting held on the 9 July 2020. That following Corporate Overview and Scrutiny Committee and Council in July to improve the democratic oversight of investments, Members were informed that a meeting has been called by Councillor Hebb to Leaders and this would take place next Tuesday and look at how this would go forward. This may result in changes to the constitution to bring forward a committee of some form. Members were informed that no further investments had been and this would be the avenue of report investments in more detail to the proposed new committee. Members were referred to page 142, paragraph 2.5, of the report that set out the key financial information and noted the increase in the Net Debt which had increased since 31 March 2020 due to the capital programme expenditure and the timing of council tax and business rate collections and saw this as a deferment rather than a loss.

Councillor Collins referred to paragraph 2.11 of the report that stated there had been no adverse impact from the start of COVID on the Council's investment and the income streams had remained stable. Sean Clark confirmed the Council's renewable energy investments had not been affected over this time and at this stage there had been no adverse due to COVID.

Councillor C Kent questioned what would happen if bond issues repaid their money earlier. Sean Clark confirmed that where people who had borrowed money from the Council have the ability to pay that back early. If this was the case the investment would finish early, the Council would get the funding back, the Council would then back to pay that back. The Council would therefore save on interest but lose on investment. Councillor C Kent questioned how this impact with the budget and should this be included on the risk register. Sean Clark confirmed that investments were already on the risk register and if anyone who the Council holds investments with came forward to repay early this would have an adverse impact on the MTFS with the positions already quoted would get worse unless further investments were made to counter those.

Councillor Spillman asked what the rough market value for the bonds if there were to be sold today. Sean Clark stated the market value bonds for the Council was at the price that the Council paid and that the level of debt was not linked to any increase or decreases in the valuation of the asset. If it was decided to dispose of the bonds it would depend on who was on the market and would want to purchase them.

Councillor Spillman questioned whether the Council would provide a programme of investments to support business and job growth in Thurrock. Sean Clark stated that if Councillor Spillman was referring to the nature of the types investments within this report this had not been done yet but possible requests could be possible but at this stage this was not the case and that no further investments were being progressed until the democratic overview had been looked into within the new proposed committee. Sean Clark stated that any other investments within Thurrock, the Planning Transport and Regeneration Overview and Scrutiny Committee had received reports on the Local Plan and the Economic Strategy which was a focus and drive from the Council on those areas which would support the investment and growth within the borough. Andy Millard stated that the Economic Strategy would be presented to Cabinet on the 16 September looking for approval to start a consultation. This would be a long term strategy with a series of implication plans which could deliver through the necessary phases. A short period would focus on recovery and then periods of growth and prosperity that would drive alongside the Local Plan.

RESOLVED

That the Standards and Audit Committee noted the report.

59. A13 Widening Project

Anna Eastgate, Assistant Director for Lower Thames Crossing and Transport Infrastructure Project, presented the report that provided Members with an update on the A13 project. The report focused on the latest progress made on the delivery of the scheme, the current programme and current out turn forecast.

The Chair referred to the forecast funding gap of £26.9 million as referred to on page 149, paragraph 3.12 of the report and asked for some clarification on this amount. Anna Eastgate stated the figures in the report had not changed since the last meeting in July 2020. The Chair stated he wanted clarification on whether this figure was £41 million, £35 million or £29.4 million as these figures had been quoted before by the portfolio holder. Anna Eastgate stated that on the current outturn forecast the figures had not changed with a level of stability on the project since January 2020. That there may be financial impacts due to COVID 19 with the contractor making a claim for a compensation event because of COVID 19 and at this time were unable to quantify the true extend of the COVID 19 impacts. That the team were reporting and identifying the distinction between any additional costs on the project and any additional costs as a consequence of COVID 19.

The Chair asked whether money would have to be borrowed to pay back this overspend. Sean Clark stated that his response would be the same as stated at the Standard and Audit Committee and the Planning Transport and Regeneration Overview and Scrutiny Committee in July that there was a contractual obligation to meet the overall costs of this project. That a workshop had commenced following a commitment from the previous reports to try and identify other funding sources either from government or private sector contributions to be able to close that gap and clear completely but reminded Members that if that could not be achieved any balance would be a contractual obligation to the Council which could be met from Council resources which could be borrowing or capital receipts.

Councillor Spillman questioned whether there had been any development in thinking how the gap could be bridged. Anna Eastgate stated a workshop had been undertaken with a range of officers from different disciplines including the SELEP team dealing with the local growth partnership, highways, finance to look at all potential revenue sources that could contribute to the scheme. That a long list had been created and work would now be undertaken to see what was possible and explore more before a short list of recommendations that would then go through the decision making process.

RESOLVED

That the Standards and Audit Committee noted and commented on the report content.

60. Stanford Le Hope Transport Project

Anna Eastgate, Assistant Director for Lower Thames Crossing and Transport Infrastructure Project, presented the report that provided Members with an update on the Stanford Le Hope Transport Project. The report focused on the latest progress made on the delivery of the scheme, the current programme and current estimated out turn forecast.

The chair questioned whether the planning permission would be obtained quickly so that the scheme can progress and be on target. Anna Eastgate stated there would be no need for a legal agreement for the planning consent for this scheme. This would be a planning application to the Planning Department who had statutory timescales to determine planning applications and would not be envisaging any problems as the substantial paperwork was already in place. It had been identified that the site of the station building would be on the footprint of the existing building which could result in less time on construction.

Councillor C Kent asked whether there was a timetable available for the new planning application, when this project would be completed, whether there was any additional costs and whether there was a deadline to use the monies that had all been given to this project. Anna Eastgate stated there was approximately £800,000 of SELEP funding that needed to be spent before the end of March 2021 and was confident as a team that money would be spent. That conversations had been undertaken with SELEP on projects that may have slipped due to COVID 19 but was confident that the funding would be spent in the time available to the Council. Anna Eastgate stated there would be a fee charge to submit the planning application and discussions were taking place with Planners on a pre-application basis and had received positive feedback but did not envisage there being any problems or delays on planning. That the project may be hit by the impacts of COVID 19 once the physical works had started on site.

RESOLVED

That the Standards and Audit Committee noted and commented on the report content.

61. Work Programme

Members noted the work programme.

The meeting finished at 8.01 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

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24 November 2020	ITEM: 5
Standards and Audit Committee	
Audit Completion Report for the Year Ended 31 March 2020	
Wards and communities affected: All	**Key Decision:** Key
Report of: Sean Clark, Corporate Director of Finance, Governance & Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director, Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is Public	

Executive Summary

This report details the findings of the external auditors from their audit of the 2019/20 financial statements.

External audit work is substantially complete and the remaining outstanding matters are the audit completion procedures and the finalisation of the audit file and statement of accounts review. External audit anticipate issuing an unmodified audit opinion on the consolidated group financial statements and the Council financial statements. The audit identified one material issue relating to an asset reclassification which has been agreed and amended with no impact on the General Fund. External audit also anticipate issuing an unmodified conclusion on the Council's use of resources and there are no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Audit have no matters to report in relation to the Annual Governance Statement as it is consistent with external audit's knowledge of the Council

The Audit Completion Report summaries the audit work, findings and conclusions, which is appended to this report.

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 work is substantially complete with final review and audit completion procedures pending. The financial statements further developed in 2019/20 to include the updated requirements of the CIPFA Code of Practice on Local Authority Accounting (The Code) and incorporate the group financial statements which include the financial results of both Thurrock Regeneration Ltd and Thurrock Regeneration Homes Ltd.

2.2 External audit are anticipating issuing an unmodified audit opinion on the 2019/20 financial statements and an unmodified conclusion on the Council's use of resources. It is expected the audit will conclude in line with statutory deadlines. The deadline for publication of the Statement of Accounts has been moved to 30 November owing to the impact of the Covid-19 pandemic.

2.3 Another consequence of Covid-19 is the financial statements include disclosures about a material valuation uncertainty in respect of Property, Plant and Equipment (PPE), and 'Property' assets within the Local Government Pension Scheme Assets. Consequently external audit have included an 'Emphasis of matter' paragraph in the audit report referring to material valuation uncertainty. This does not represent a qualification of the opinion but directs the reader to certain disclosures in the financial statements.

2.4 The Audit Completion Report sets out the external auditor findings from the work undertaken in relation to the significant risks identified in the audit plan.

2.5 There was one identified material error which required a reclassification between short term and long terms debtors. The financial statements have been amended to update the balance sheet with no impact on the general fund. There were unadjusted errors identified which have not been adjusted as either they have been incorporated in the current year results or they will be amended in the forthcoming year. The net impact of these may increase the general fund by £0.325m. In terms of the adjusted items there were 4 reclassifications between categories and two non-material amendments to Property Plant and Equipment.

2.6 The use of resources work has considered the Medium Term Financial Strategy and the assumptions which underpin this. The assumptions have been deemed to be reasonable with a prudent approach taken to addressing the identified budget gaps. The conclusion notes the Council had appropriate arrangements to manage the budget gap.

2.7 The work on use of resources was expanded to include an additional risk in respect of the Purfleet Centre Regeneration project. No issues have been identified that impact on the proposed conclusion.

2.8 The audit of the financial statements has taken place in the context of Covid-19 which has made it particularly challenging both producing and auditing the financial statements. In this context the quality of the financial statements remained high and after final agreed amendments the useable reserves of the Council are unchanged. Officers have worked hard to support the audit process and resolve queries quickly and effectively.

3. Issues, Options and Analysis of Options

3.1 The External Audit Completion Report included in Appendix 1 sets out the detailed findings. There have been no issues identified which impact on the useable reserves of the Council and the General Fund reserve balance remains at £11m.

3.2 The detailed audit report will be presented by BDO.

3.3 There was one identified material change identified which required a reclassification between long term and short terms debtors. The financial statements have been amended for this with no impact on the useable reserves of the Council.

3.4 The financial statements have been further amended for the six items identified by audit work. Four of these differences relate to reclassifications of balance, of which one material as mentioned above, and with no impact on net assets or useable reserves. The remaining amendments relate to Property. Plant and Equipment of which two arise from small differences on the valuation calculations and assumptions, which impact the relevant asset value and the revaluation reserve only.

3.5 There are five unadjusted items. The most significant in value terms relates to a change in the pension valuation change following the 'McCloud judgement' – this was not amended in the prior year as the impact remained under assessment and there was clarity that the item was not material. This has now been valued and is included in the year-end pension valuation.

3.6 From the remaining items three have not been adjusted as it has been agreed they are not material and there is no impact on the Council's useable reserves and the final item will be re-evaluated in the current year and there is a potential benefit to the Council of £0.325m.

3.7 The external auditors are also required to report to members on any identified significant deficiencies in internal control. There were none identified but there are 4 other recommendations which the Council will consider going forwards.

3.8 The report continues the positive work from the previous year and officers continue to work to maintain the high standard of the financial accounts. The finance team has worked effectively with external audit to enable completion of the work within the statutory timescales and in the context of the challenges of an off-site audit.

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 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**

Corporate Director of Finance, Governance & Property

The statements are largely governed by the Code. The proposed unmodified opinion sets out independent confirmation of the Council's financial position as at 31 March 2020 and provides assurance over the Council's use of resources.

7.2 **Legal**

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

There are no specific implications from this report.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead Community Development & Equalities

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 Completion Report

Report Author:

Sean Clark

Director of Finance, Governance & Property

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APPENDIX 1

Report to the Standards and Audit Committee

THURROCK COUNCIL

Audit Completion Report: year ended 31 March 2020

IDEAS | PEOPLE | TRUST

BDO

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WELCOME

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We have pleasure in presenting our Audit Completion Report to the Standards and Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Standards and Audit Committee. At the completion stage of the audit it is essential that we engage with the Standards and Audit Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Standards and Audit Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Standards and Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Lisa Clampin

11 November 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Standards and Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW
Executive summary

Contents

This summary provides an overview of the audit matters that we believe are important to the Standards and Audit Committee in reviewing the results of the audit of the financial statements of the Group and use of resources of the Council for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the Group's financial statements and the Council's use of resources for the year ended 31 March 2020 in line with the agreed timetable.

Outstanding matters are listed on page 56 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the Council's single entity financial statements as set out on page 49.

The financial statements include disclosures about a material valuation uncertainty in respect of Property, Plant and Equipment, and 'Property' assets within the Local Government Pension Scheme Assets, due to the impact of Coronavirus (Covid-19). We anticipate including an Emphasis of Matter paragraph in our audit report, referring to this material valuation uncertainty. This does not represent a qualification of the opinion, but sign-posts the reader to certain disclosures in the financial statements that we consider are key to understanding the financial statements. We have no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Contents

Final materiality

Group final materiality was determined based on gross expenditure.

Changes were made to planning triviality as a result of our discussion with management to reflect the expectations of those charged with governance.

Material misstatements

Our audit identified a misclassification between long term debtors and short term debtors. Management has amended the financial statements for this issue, which has no impact on the deficit on the provision of services for the year or the general fund.

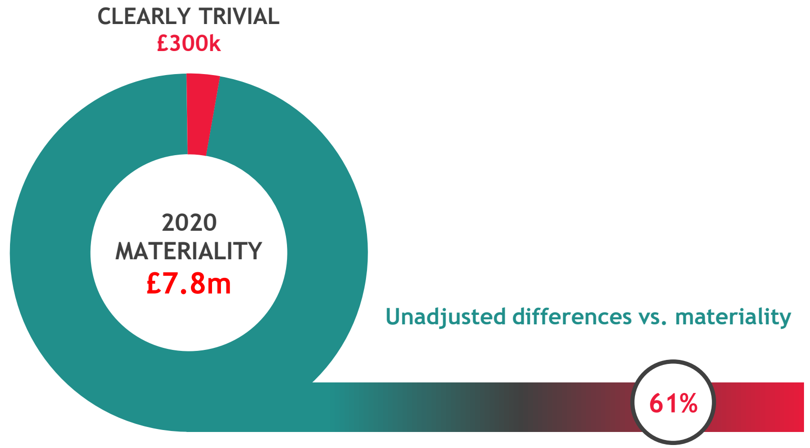
Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the Council's deficit on the provision of services for the year by £4.78 million.

Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.

We have audited the Council's financial statements under the NAO Code of Audit Practice. We have undertaken analytical review procedures for the two subsidiaries.



OTHER MATTERS
Executive summary

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Financial reporting

- We have not identified any non-compliance with Group accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements. We do not expect to issue our opinion on the consistency of the DCT return with the audited financial statements before the deadline of 4 December 2020.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

One of our colleagues at BDO has declared that they have family employed by the Council. The individual is not involved in the audit and they've been advised that they cannot provide any services to the Council.

CORONAVIRUS

The effects on year-end reporting and auditing

Contents

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, directors are required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging from directors, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern directors are required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the directors consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, the directors' assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of directors' assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

CORONAVIRUS

The effects on year-end reporting and auditing

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Financial reporting implications

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities:

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Leases:

IFRS 16 Leases will be effective from 1 April 2021 (a further one year deferral).

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas:

- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure.

In each section of the guide, the NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

CORONAVIRUS

The effects on year-end reporting and auditing

Contents

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Implications for auditors

Risk assessment:

- The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations. In summary there may be a heightened risk of misstatement for:
  - The valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), intangibles, investments and accounts receivable
  - The valuation and disclosure of financial obligations and any lending covenants
  - Going concern and/or working capital assessment and disclosure
  - Risk disclosures
  - Subsequent event disclosures
  - As noted above, Local Authorities need to consider their reporting of principal risks and uncertainties and we then need to consider this detail as part of our ‘review and consider’ of the Narrative Report and Annual Governance Statement, in particular where we believe there are risks missing from the detail.

Sufficient and appropriate audit evidence:

- Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team. We need to:
  - Consider the impact on the audited entity
  - Consider alternative ways of working including the use of our technology tools
  - Consider implications for the quality of audit evidence and reporting.
- In undertaking audit work on the valuation of property, particularly specialised property valued using the Depreciated Replacement Cost method and Modern Equivalent Assets assumptions (including alternative site models), auditors are able to draw upon relevant information and indices collated, assessed and reported on by a firm of valuers, Gerald Eve, as commissioned on behalf of local public auditors by the NAO.
- Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the Council’s financial statements and may be referred to by the auditor in their opinion/report.

OUR METHODOLOGY

Summary

Page 30

We obtain the vast majority of our audit evidence through substantive testing

As part of our risk assessment procedures we documented the systems and controls in place insofar as they are relevant to the preparation of the financial statements. With the exception of non-payroll expenditure in the Comprehensive Income and Expenditure Statement (CIES), we determined that substantive testing to directly verify items in the CIES and Balance Sheet would be the most effective approach for our audit. This is consistent with the approach we took in the prior year.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 12 February 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team. During the course of the fieldwork stage of our audit, we identified an additional use of resources risk with respect to the Purfleet centre regeneration project.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue recognition	Significant	No	No	No	No	No
Expenditure cut-off	Significant	No	No	No	No	No
Valuation of non-current assets	Significant	Yes	Yes	Yes, adjusted	No	Yes
Valuation of pension liability	Significant	Yes	Yes	No	No	Yes
Valuation of financial instruments	Normal	Yes	Yes	Yes, unadjusted	No	Yes
Allowance for non collection of receivables	Normal	Yes	No	No	No	No
Sustainable finances (use of resources)	Significant	No	No	No	No	No
Purfleet centre regeneration project (use of resources)	Normal	No	No	No	No	No

Areas requiring your attention

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MANAGEMENT OVERRIDE OF CONTROLS

Contents

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Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

We have used our data analytics tools to inspect journals processed throughout the year and as part of the financial reporting closing process for any unusual transactions.

We identified a number of unusual journal entries posted during the year, having reviewed the journals population for any of the following:

- Entries where the debit is PPE and the credit is to the CIES (other than revaluations adjustments which are expected), e.g. expenditure entries where amounts are being removed from expenditure and posted to capital additions
- Prepayments posted close to the year end which remove amounts from expenditure
- Manual entries posted to debtors or prepayments
- Manual entries posted to cash and bank
- Any unusual trends in the monthly expenditure
- Material journals posted to the least used CIES TB codes
- Journal lines with a blank general ledger account number
- Unbalanced journal entries
- Journals with blank creator field
- Journals with blank journal type field
- Journals with blank entry date field
- Journals with blank journal ID lines
- Journals posted by generic user IDs

Where journals meeting any of the above were identified, they were agreed to supporting documentation, with appropriate explanations obtained for all journals identified.

MANAGEMENT OVERRIDE OF CONTROLS
Continued

Contents

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

We have assessed and corroborated significant management estimates and judgements in the following key areas:

- Depreciation
- Accruals and accrued income
- Valuation of property, plant and equipment and heritage assets
- Pension liability
- Bad debt provision
- Valuation of financial instruments
- Going concern assumptions

We have found no evidence of management override or bias for these estimates.

Two adjusted misstatements have been posted in respect of property valuations and one unadjusted misstatement has been identified in respect of financial instruments valuations as outlined on pages 34, 35 and 30 respectively. These misstatements were not indicative of management override or bias.

Discussion and conclusion

Our audit work did not identify any matters to report.

REVENUE RECOGNITION

Contents

Page 34

Auditing standards presume that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of grant income subject to conditions.

Work performed

We tested an increased sample of revenue grants included in income to documentation from grant paying bodies and checked whether the income recognition criteria had been met.

Results

Our sample testing of revenue and capital grants confirmed that these were appropriately recognised when performance conditions attached to them had been satisfied.

Discussion and conclusion

Our audit work did not identify any issues.

EXPENDITURE CUT-OFF

Page 35

For public sector bodies the risk of fraud related to expenditure is also relevant.

- Significant risk
- Normal risk
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant control findings to be reported
- Letter of representation point

Risk description

For net-spending bodies in the public sector there is also a risk of fraud related to expenditure. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

Work performed

We tested an increased sample of expenditure either side of the year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Our sample testing of expenditure either side of year end confirmed that the expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Discussion and conclusion

Our audit work did not identify any issues.

VALUATION OF NON-CURRENT ASSETS

Contents

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The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and followed up valuation movements that appeared unusual; and
- Confirmed that assets not specifically valued in the year had been assessed to ensure their reported values remained materially correct.

Results

The Council used its internal valuer to value a total of 55 land and buildings assets, which were due for valuation in line with the rolling revaluation programme during the 2019/20 year. The valuer confirmed that there was not a material movement in valuation since the previous valuation date, with the total net movement across all 55 land and buildings assets being £3.4 million. A net revaluation gain has been recognised in respect of this.

We identified a small number of assets which had not been subject to formal re-valuation within the last five years and are not therefore compliant with the requirements of the Code. The valuation movement on these assets has been assessed every year using indices to ensure they are stated at fair value. A recommendation was been raised in respect of this on page 45.

Our review of the instructions to the valuer did not identify any issues. We assessed the valuer's competence, independence and objectivity and determined we could rely on the expert.

We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on the requirements of the Code.

Our work on the accuracy and completeness of asset information used as the basis of valuation, and our review of the valuation calculations, identified errors in 7 of the 23 assets tested with a total net understatement of £1.617 million identified. The

VALUATION OF NON-CURRENT ASSETS

Contents

Page 37

The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Council has adjusted for 2 of these misstatements resulting in a net increase in asset valuations of £1.748 million. The remaining misstatements are individually and cumulatively below our triviality threshold.

The valuer has included the following statement within their report:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review"

Our work on the assets not specifically valued in the year to confirm they have been assessed to ensure their reported values remain materially correct did not identify any issues.

The results of our review of the assumptions and estimates used by the valuer for classes of assets is reported on the following pages.

Discussion and conclusion

We identified misstatements in respect of the input data used and management has adjusted the financial statements for the most significant differences. We have reported as adjusted audit differences.

The details of the caveat issued by the valuer have been included within the narrative disclosure within Note 4 to the financial statements. An emphasis of matter paragraph will be included in our auditors report as a result of this statement.

VALUATION OF NON-CURRENT ASSETS 2

Significant estimate – Council Dwellings

Contents

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Council dwellings at open Market Value Social Housing (£720 million)

Council dwellings are valued at open market value and adjusted to 38% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG (now MHCLG) in 2016 for regional differences between market rents and social rents.

A flat rate 0.4% increase in valuations has been applied to each property for 2019/20. The 0.4% increase applied to the HRA stock has been calculated based on the average movement in 31 archetypal properties per land registry data for 2019/20. Where none have taken place, transactions for comparative properties have been searched on the land registry database and the most relevant price used to inform the valuation, if they are appropriate.

We have compared this to house price indices, which show movements ranging from a decrease of -0.86% to an increase of 0.46% over the same period. The 0.4% increase applied by the Council is therefore within this expected range. The Council’s uplift is based on recent sales and we consider the valuation uplift applied to be reasonable. We are satisfied that the Council dwellings valuations are based on reasonable assumptions and not materially misstated.

< lower | **Impact of assumptions on the estimate** | higher >

VALUATION OF NON-CURRENT ASSETS 2

Significant estimate – Schools and leisure centres

Contents

Council buildings at Depreciated Replacement Cost

Council owned schools and leisure centres are valued at depreciated replacement cost on the basis of gross internal area and estimated rebuild costs. This valuation is reduced to reflect the age and remaining useful economic life of the building.

The valuer has used tender rebuild prices provided by RICS (using the lower end prices) with a Thurrock location cost adjustment, using an appropriate rebuild cost per square foot for each type of property. The valuer has applied an aging adjustment using the original build date of the property and standard useful economic lives for each type of property to reflect the percentage of the remaining economic live in years.

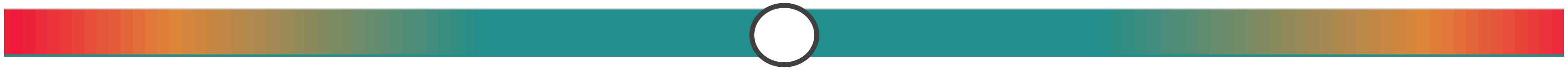
For a sample of properties we confirmed that the size (square metre) agrees to estates records and that the tender price used agrees to the RICS tender prices. Appropriate evidence was obtained for all assets.

We compared the percentage movement of revalued assets to general market data from the BCIS tender price index with local pricing adjustments using information provided by Gerald Eve LLP and RICS, and challenged the valuer for any valuations that were outside of an acceptable range.

We are satisfied that the Council buildings asset valuations are based on reasonable assumptions and not materially misstated.

We identified one misstatement where the Council used an incorrect percentage for ageing and management adjusted for the error.

< lower | Impact of assumptions on the estimate | higher >



VALUATION OF NON-CURRENT ASSETS 2

Significant estimate – Other land and buildings

Council’s other land and buildings at Existing Use Value

Other land and buildings (industrial, retail and office) valued at existing use current value have been indexed by 0% for the current year. The Council has indicated that this has been mainly due to stagnating investment as a result of Brexit, the undesirability of many of the units due to either their location or condition and the fact that rentals have either not increased at all or have moved negligibly for several years.

We have looked at management’s assertions on the movement on the value of other land and buildings.

INDUSTRIAL

Our review of four ‘archetypal’ vacant industrial units at the Council and the proposed rents charged on them seems to agree with the above analysis, in that there has been very little movement on the rents since 2016, 2017 or 2018, which are either just above or occasionally slightly below market rent, due to a combination of the factors above. This points to the 0% increase being reasonable. However, the external market research used and further research by BDO suggests that there has been movements in the capital values in the South East from Q1 2019 to Q1 2020, being an increase of 1.4%. We are satisfied that the industrial asset valuations are based on reasonable assumptions and not materially misstated.

RETAIL

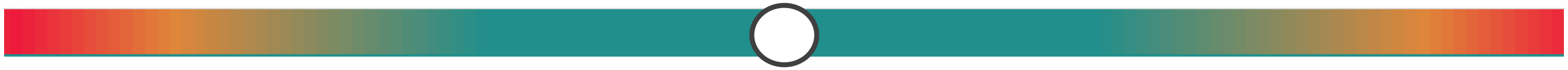
The market conditions for retail are much more consistent across the external research, describing a changing but stagnant market, which is particularly appropriate to Thurrock where the majority are small shops where the market rent struggles to be charged and rents have not moved for several years.

Our review of four ‘archetypal’ retail units and other market research suggests a stagnation in market rents and a particular struggle in Thurrock to be able to charge above the market rent. These have either shown no rental movements over the last few years of rent reviews or have only had notional, minimal rent increases to account for the passing of time since the last rent review, but nothing material. We are satisfied that the retail asset valuations are based on reasonable assumptions and not materially misstated.

OFFICE

There are only a few office spaces and the two archetypal properties that we viewed had no changes in the value of the rent for several years. The majority of office space is not in a prime location and a significant portion of the office portfolio is the Council’s renting out of the Civic Offices and the Thameside Complex to NHS Thurrock CCG and Thurrock Lifestyle Solutions, both of which have seen no rent increases. The market research and Council’s portfolio both seem to suggest no appreciable increase in rents/capital values both historically and in 2019/20 movements. We are satisfied that the office asset valuations are based on reasonable assumptions and not materially misstated.

< lower | Impact of assumptions on the estimate | higher >



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VALUATION OF PENSION LIABILITY

Page 41

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls in place for providing accurate membership data to the actuary;
- Contacted the pension fund auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Checked that any significant changes in membership data have been communicated to the actuary.

Results

Our review of skills and expertise of the actuary, alongside the assurance from PwC consulting actuary, confirmed that we can rely on the management expert.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted on page 23.

Essex Pension Fund has established controls and procedures to ensure completeness and accuracy of membership data provided to the actuary. The pension fund auditor, on our behalf, has reviewed these controls and confirmed that their review of the controls to ensure data provided to the actuary is complete and accurate did not identify any issues.

We obtained a letter of assurance from the pension fund auditor which confirmed that the auditor has obtained the final data return submitted to the actuary in respect of the triennial valuation and agreed the number of members to the member administration system. The pension fund auditor has reconciled the number of members by each category (active members, deferred members and pensioners) per the final data return to the membership data reported in the final

VALUATION OF PENSION LIABILITY

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

triennial valuation report. The pension fund auditor has also selected a sample of 40 members across the whole pension fund, split between active members, deferred members and pensioners, and has tested the key data points such as date of birth, gender, pensionable salary and qualifying service period etc. to underlying supporting documents. This audit work has not identified any issues.

In respect of the share of pension fund assets attributable to the Council, we obtained assurance from the pension fund auditor, who, on our behalf, has performed detailed testing over investment assets and confirmed that no material issues have been identified.

The pension fund auditor has confirmed in their assurance letter that the valuation of property assets has been reported on the basis of 'material valuation uncertainty' due to Covid-19, and this is in line with guidance from Royal Institute of Chartered Surveyors (RICS). As reported in the IAS 19 report, the Council's share of property assets within the gross pension assets is £39.033 million. Management has included additional disclosures about this matter.

We anticipate including an Emphasis of Matter paragraph within our audit opinion to refer to this.

From discussions with management, and from our audit procedures performed on the payroll expenses, we have not identified any significant changes in membership data during the year. This data is subjected to data confirmation with individual employers to ensure that they are reasonable. We are therefore satisfied that there were no significant changes in membership data during the year.

We agreed disclosures in Note 28 to the financial statements to the information provided by the actuary and have not identified any issues.

Following the ruling on age discrimination on the McCloud case and gender discrimination on a Lloyds case in the prior year, the actuary made an allowance at the last accounting date and this. The Council chose not to amend their the pension fund liability in their statement of accounts for this in the prior year, and this was not therefore, included in the opening liability for this year. This allowance was therefore incorporated into the in-year movements on the pension fund in 2019/20. The actuary has confirmed that this was re-measured at 31 March 2020. The approach adopted by the actuary is considered to be reasonable.

Discussion and conclusion

Our audit work did not identify any issues.

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VALUATION OF PENSION LIABILITY 2

Significant estimate – Pension liabilities

Council's pension liabilities (£151,458k LGPS Funded Scheme and £7,436k Unfunded benefits)

The Council's pension liability has decreased from £614 million to £585.5 million and it's share of the scheme assets decreased from £459.5 million to £434.1 million. The net deficit decreased by £3.7 million to £158.9 million. The decreased liability arose from changes to demographic and financial assumptions stated below.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	2.70%	2.65 - 2.80%	Reasonable
- CPI increase	1.90%	1.85 - 1.95%	Reasonable
- Salary increase	2.90%	2.85 - 2.95%	Reasonable - short term CPI to 2020 and long term: CPI plus 1.0%
- Pension increase	1.90%	1.85 - 1.95%	Reasonable
- Discount rate	2.35%	2.35	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	23.2 years	22.8 - 24.7	Reasonable
- Female current	25.2 years	25.2 - 26.2	Reasonable
- Male retired	21.8 years	21.4 - 23.3	Reasonable
- Female retired	23.7 years	23.7 - 24.7	Reasonable
Mortality gains	CMI 2018 (7.0-7.5 smoothing factor and additional initial rate of o-o.5% and 1.25-1,50% pa long term rate		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

< lower **Impact of assumptions on the estimate** higher >

ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES

Contents

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There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied. IFRS 9's Expected Credit Loss model applies to financial assets but does not include amounts receivable under statute such as council tax and business rates receivables.

Work performed

We reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears and, for receivables classified as financial instruments, includes appropriate assumptions for expected credit losses.

Results

The Council has applied the 'simplified approach' to calculate the expected credit loss on trade receivables that fall within the scope of IFRS 9. Government (and the Code of Practice in Local Authority Accounting in the UK) has stated that Government debt and public authorities are deemed not to present any risk of non-collection and should not be included in the expected credit loss model or impaired. We identified that management doesn't use historic recovery rates to assess the provision required for it debtors. We assessed management assumptions and we did not find any evidence of bias. We have included a recommendation to management on the use of historic recovery rates to calculate the required provision. We did not identify any issues with IFRS 9 disclosures.

Discussion and conclusion

We have included a recommendation to management on the use of historic recovery rates to calculate the required provision. We did not identify any issues with IFRS 9 disclosures.

VALUATION OF FINANCIAL INSTRUMENTS

Page 45

The valuation of financial instruments involves a degree of estimation uncertainty.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

There is a risk over the valuation of the financial instruments designated at fair value through profit and loss, these are valued using techniques which have a high level of estimation uncertainty.

Work performed

We engaged our valuations team to assess the reasonableness of the assumptions applied and agree input data to source documentations.

Results

We have assessed the reasonableness of the assumptions applied and agreed input data to source documentations. We found the assumptions to be reasonable.

Discussion and conclusion

Our audit work identified an error of £817,000 on the valuation of financial instruments. This value represents the movement in valuation between 31 March 2019 and 31 March 2020, which the Council has chosen not to adjust for in the financial statements. This has been recorded as an unadjusted audit difference on page 30.

GOING CONCERN

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We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

Management's assessment of going concern

Management has made an assessment of the ability of the Council to continue as a going concern, which is as follows:

"As stated in CIPFA Bulletin 5, …As authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. Paragraph 3.4.2.23 of the Code therefore confirms as a matter of fact that local authority accounts must be prepared on a going concern basis…

..The requirements to use the going concern basis of accounting means that authorities therefore cannot apply paragraph 25 of IAS 1 mandating management to make an assessment of the authority's ability to continue as a going concern..

The going concern assumption under the Code is therefore drawn up to assume that a local authority's services will continue to operate for the foreseeable future. This is despite the impact of COVID-19 on local authority financial sustainability because the going concern basis of reporting in the Code and the rationale behind it remains unchanged.

Separate to this is the need for local authorities to report on the impact of financial pressures in the narrative report. This has been reported in the Statement of Accounts - narrative report, there is a section which covers Cash flow Management as a result of COVID 19. The relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures, needs to have considered in light of COVID 19. Investment has been in simple deposits, bonds or investment in Solar Farms and renewables. Generally COVID 19 has not adversely affected this sector in terms of Solar Farms/renewables and therefore the ECL has not significantly changed from PY."

Discussion and conclusion

The financial outturn for 2019/20 reported a positive financial position with the Council able to increase usable reserves held as a result. Total general fund and housing revenue account (HRA) balances have increased to £38.2 million compared to £35.2 million as at 31 March 2019 and £22.0 million as at 31 March 2018.

The quarter 1 finance report for 2020/21 was presented to Cabinet on 16 September 2020, showing that the Council is projecting to overspend against the budget for 2020/21 by £6.295 million. Additional costs and lost income arising as a result of COVID-19 are reported as £12.964 million, with additional funding received for this being £10.757 million, meaning that of the £6.295 million projected overspend, only £2.207 million is as a direct result of COVID-19.

Of the remaining projected net overspend, the majority of this (£3.480 million) is the anticipated lost income from placing the investment strategy on hold.

The original budget assumed that more investments would be purchased in 2020/21 and income would be generated from these. In response to COVID-19 and in order to ensure that the Council has adequate cash available to cover any additional costs arising, no further investments will be made and associated receipts are forfeited. This is therefore indirectly related to COVID-19.

GOING CONCERN

Contents

Page 47

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

As part of the quarter 1 finance report detailed above, revisions have also been made to the Medium Term Financial Strategy (MTFS). This was initially produced in February 2020 and covered a 4 year period, with a total budget gap of £5.595 million over the 4 years.

The budget gap for this period has now been revised to £33.673 million, including a gap of £19.3 million in 2021/22. This is as a result of a combination of factors including: projected decreases in council tax and NNDR income, increased costs in areas such as social care, and loss of income from fees and charges as a result of venues being shut. The biggest proportion of this decline is the loss of investment income due to the freeze on the investment strategy (as detailed above), which contributes £11.973 million of the deterioration.

There is, however, no expectation for a significant worsening of the financial position in the short term. All non-essential expenditure (both capital and revenue) was frozen in the early stages of the pandemic. The Council's concerns are in the medium to longer term, when the additional assistance from central government ends.

The revised budget presented to September 2020 Cabinet lists out the following factors as potential financial risks:

- The impact of covid-19 on adult social care costs
- The potential for non-HRA housing benefit claims to go up once landlords have the ability to evict tenants unable to pay their rent
- Any potential costs from ensuring social distancing rules are in place in school transport systems such as buses
- The potential loss of theatre income if the Christmas pantomime season is unable to go ahead.

The impact of the above four factors is not fully understood at the point of writing. The Council's best estimate, is net additional expenditure of £1.5 million from these 4 factors. These factors may have a significantly lower impact however, so the position could be up to £1.5 million better than currently predicted. They could also equally have a much greater impact than the predicted £1.5 million.

The initial MTFS included surpluses of £5.8 million and £4.1 million for 2020/21 and 2021/22 respectively. The Council expects these previously planned surpluses to be sufficient to allow it to maintain a balanced budget in 2020/21, but there is an expectation that the impact of COVID-19 may create a budget gap from 2021/22, which wasn't present in the initial MTFS.

Reserves have been increased over the last few years, with the general fund increased by 40% since 2016/17, the creation of a £6 million financial resilience reserve and a £1.5 million social services reserve. There is an expectation that reserves will need to be utilised in 2020/21. The Council then plan to find schemes to close the budget gap from 2021/22, and plan to get reserves back to the levels held at 31 March 2020 within 5 years. We have reviewed the plans and conclude them to be ambitious but not unrealistic.

Overall, the Council is concluded to remain a going concern. However there are significant budget gaps which need to be addressed in the medium term.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 12 March 2020.

Internal audit

We reviewed the audit work of the Group's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any significant matters in connection with related parties.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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We are required to bring to your attention unadjusted differences and we request that you correct them.

There are five unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services for the year of £10.086 million by £4.780 million and would increase net assets of £687.288 million by £476,000.

The general fund balance would increase by £325,000 if these audit differences were adjusted.

You consider these differences to be immaterial in the context of the financial statements as a whole.

In addition, an adjustment of £1.155 million has been posted in-year in the group movement in reserves statement (MiRS) to correct the subsidiary amounts consolidated into the group accounts in the prior year. Group usable reserves in the prior period financial statements are understated by £1.155 million, with the surplus in the prior period group CIES therefore understated by £1.155 million. This adjustment has been posted in the current year on the face of the MiRS and has not been posted to the CIES. As a result of this, there is a difference of £1.155 million between the movement in opening and closing reserves in the balance sheet and the total comprehensive income and expenditure reported in the CIES. This has no impact on the cumulative position as at 31 March 2020.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	CR £'000	DR £'000	CR £'000
Retained deficit on the provision of services for the year before adjustments	10,086				
Adjustment 1: Fair value of financial instrument not updated (judgemental)					
DR Long Term Debtors				817	
CR Fair value gain (CIES)	(817)		817		
Adjustment 2: VAT Debtor recorded as both debtor and provision (factual)					
DR Provisions				1,120	
CR Short Term Debtors					1,120

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Impact of adjustments brought forward from prior year

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	Income and expenditure			Balance Sheet	
Unadjusted audit differences	**NET DR/(CR) £'000**	**DR £'000**	**CR £'000**	**DR £'000**	**CR £'000**
Adjustment 3: Changes in net defined benefit liability as a result of the McCloud judgement on pension funds - this should have been recognised in 2018/19, and was instead posted in 2019/20. The adjustment therefore shows the in-year impact on the CIES, the cumulative position is correct					
DR Pension reserve				3,979	
CR Current service cost (CIES)	(3,979)		3,979		
Adjustment 4: Value of an asset entered on fixed asset register as £598,560. The valuer's assessment of the asset was £437,000. Therefore the asset is overstated by £161,560. This error was extrapolated to £341,000					
DR Revaluation gain (CIES)	341	341			
CR Property, Plant and Equipment					341
Adjustment 5: Unreconciled differences between housing benefit claim form and expenditure in the general ledger from 2018/19 - impact on 2019/20 CIES					
DR General fund				325	
CR Housing benefit expenditure (CIES)	(325)		325		
Total unadjusted audit differences	**(4,780)**	**341**	**5,121**	**6,241**	**1,461**
Deficit on the provision of services for the year if above issues adjusted	5,306				

UNADJUSTED AUDIT DIFFERENCES: DETAIL 1

Details for the current year

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Impact on the General Fund balance	General Fund balance £'000
Balance before unadjusted audit differences	11,000
Impact on deficit on the provision of services above	4,780
Adjustments that would be reversed from the General Fund through the Movement in Reserves Statement	(4,455)
Balances after the above adjustments	**11,325**

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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There were six audit differences identified by our audit work that were adjusted by management. This increased draft net assets of £687.288 million by £1.748 million.

There was no impact on the deficit on the provision of services for the year or the general fund balance.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Income and expenditure			Balance Sheet	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	CR £'000	DR £'000	CR £'000
Retained deficit on the provision of services for the year before adjustments	10,086				
Adjustment 1: Misclassification of short term debtor as long term debtor					
DR Short term debtors				30,000	
CR Long term debtors					30,000
Adjustment 2: Misclassification of short term loan as long term loan					
DR Long term borrowings				5,000	
CR Short term borrowings					5,000
Adjustment 3: Inaccurate data used on valuation of PPE					
DR Property, plant and equipment				1,976	
CR Revaluation gain (Other Comprehensive Income)			1,976		

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

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	Income and expenditure			Balance Sheet	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	CR £'000	DR £'000	CR £'000
Adjustment 4: Reduction in HRA Expenditure included as income in CIES					
DR HRA Income	728	728			
CR HRA expenditure	(728)		728		
Adjustment 5: Overstatement of accrual for PPE additions					
DR Creditors				284	
CR Property, Plant and Equipment					284
Adjustment 6: Adjustment for misstatement in PPE valuation calculation					
DR Revaluation gain (Other Comprehensive Income)		228			
CR Property, Plant and Equipment					228
Total Adjusted audit differences	0	956	2,704	37,260	35,512
Adjusted retained deficit on the provision of services for the year	10,086				

REPORTING ON OTHER INFORMATION

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

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Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. The Council submitted this on 10 November 2020. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements. We do not expect to issue our opinion on the consistency of the DCT return with the audited financial statements before the 4 December 2020 deadline.

OVERVIEW

Contents

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources. We have subsequently included a further risk relating to the Purfleet centre regeneration project.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No
Purfleet centre regeneration project	Informed decision making	Normal	No

SUSTAINABLE FINANCES (USE OF RESOURCES)

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Page 59

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	■

Risk description from Audit Plan

The Medium Term Financial Strategy (MTFS) covering the period from 2020/21 to 2024/25 forecasts further revenue reductions in Government funding from grants and that will continue into the future. The MTFS also acknowledges pressures from inflation, increasing pay awards and other demographic and economical pressures.

The Council has set a balanced budget (surplus) for three of the five years of the MTFS period. Delivery of the Council's commercial investment strategy is key to the achievement of the MTFS. The Council has reported a number of service pressures on the General Fund and expected delays on the achievement of investment income for 2019/20 as at the end of September 2019. The current MTFS has identified savings of £0.9m for 2020/21 to produce a balanced budget.

The financial and commercial management challenges faced by the Council are notable, in particular the dependence upon delivery of material commercial investment income in 2019/20. As a result we conclude that there is a significant risk in respect of sustainable resource deployment.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the MTFS and assessed the reasonableness of the cost pressures and the amount of Government grant reductions applied;
- Reviewed the monitoring of the delivery of the budgeted savings;
- Reviewed the investment plans and the adequacy of those plans; and
- Sampled a number of savings schemes and plans for detailed review.

Results

We reviewed the latest Medium Term Financial Strategy (MTFS) which covers the five year period to 2024/25. Prior to the coronavirus pandemic, the Council budgeted for a surplus of £4,074 million in 2020/21. The MTFS forecast a budget gap totalling £1.5m over the remaining four years which will need to be funded through either savings or additional revenue in order to maintain the current general fund position.

The MTFS was revised following the coronavirus pandemic, and now includes budget gaps of £19.318 million in 2021/22, £7.437 million in 2022/23, £6.918 million in 2023/24 and £3.483 million in 2024/25.

Although the current budget gap is significant the Council is aware of the importance of finding sustainable savings or new revenue streams.

SUSTAINABLE FINANCES (USE OF RESOURCES)
Continued

Page 60

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	■

We have reviewed the assumptions used in developing the MTFS and have found these to be reasonable. A prudent approach to expectations of future government funding has been adopted by the Council.

Whilst the Council has identified a significant funding gap, action is being taken to ensure the matter is addressed and this is largely as a result of the coronavirus pandemic. Based on in-year arrangements alone, there would be limited concerns regarding future budget gaps. The Council has a track record of achieving its financial plans.

Sufficient reserves and balances are available to support the Council's services in the short term.

A total savings plan of £2.225 million was set for 2019/20. The Council does not monitor performance against individual savings targets, but instead notes for each service area, where the overall performance is above or below budget. Some services incurred overspends against the budget, whilst others were underspent. There is an overall underspend for 2019/20, which allowed the Council to increase its level of earmarked reserves.

The Council initially budgeted for savings of £900,000 for 2020/21. Given the coronavirus pandemic, the expectation is that the majority of this will not be achieved, the August 2020 projection being only £130,000. As part of the revisions to the MTFS issued to Cabinet in September 2020, all savings targets in the MTFS period have been removed, and delivery of savings will not therefore be monitored in the short to medium term.

Without factoring in the changes arising due to COVID-19, while there was a recognised funding gap in the MTFS, we are satisfied that the Council had sufficient reserves available in the short to medium term and was undertaking appropriate arrangements to manage the budget gap in a way that would ensure it remained financially sustainable over the period of the MTFS.

As at the time of writing, the Council has not produced a plan for closing the budget gaps identified from the revised MTFS. Our VFM conclusion is based on in-year arrangements and we conclude that the Council had proper arrangements to ensure that in 2019/20 it deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

PURFLEET CENTRE REGENERATION PROJECT (USE OF RESOURCES)

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Purfleet centre regeneration project

Significant risk	
Normal risk	■
Sustainable resource deployment	
Informed decision making	■
Working with partners and other third parties	
Significant control findings to be reported	

Risk description

During the period of the audit, information was brought to our attention regarding progress with the Purfleet Centre Regeneration project and the Council's associated decision making and monitoring processes.

Risk indicators included:

- The project aimed to build 3,000 new homes, with work due to commence in 2018 but no work has yet started
- One of the original major investors in the project has withdrawn

The total cost of this project is expected to be between £700 million and £800 million, although this is only partially funded by the Council. This is therefore a significant project which the Council will be investing in, and any concerns over the value for money of this project lead to a risk regarding informed decision making. A risk has therefore been raised in this respect.

Work performed

We reviewed:

- The history of the project and the reasons resulting in delays to it starting
- The actions taken by the Council in light of the withdrawal of a major investor
- The amount of public money being spent on the project, and whether the Council has appropriate arrangements in place to secure value for money.

Results

The key reasons for delay are due to objections received with respect to the project. An objection was received from the Environment Agency and related to the potential for a future Thames barrier which would need to be located within the site being developed.

The objection relates specifically to two hectares of land which represent a potential future site for this barrier. The environment agency wants to safeguard this land now, in order to avoid issuing a compulsory purchase order in 30 years' time to acquire the residential properties which were planned to be built on the land.

A second objection was also received from Highways England. This related to the potential impact building a large volume of new homes would have on junction 30 of the M25.

The most recent report to Cabinet on the project, as at the time of writing, was presented on 11 March 2020. This report relates to the revised planning proposals after adjustments had been made for objections received, and was a proposal put forward to approve the appropriation of the land for the first 61 residential properties within the project. The plans for the remainder of the project are to be presented to Cabinet at a later date.

PURFLEET CENTRE REGENERATION PROJECT (USE OF RESOURCES)

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Purfleet centre regeneration project

Significant risk	
Normal risk	■
Sustainable resource deployment	
Informed decision making	■
Working with partners and other third parties	
Significant control findings to be reported	

The Council brought the planning applications to the January 2018 planning committee meeting with the intention of starting construction that year. As a result of delays in agreeing contracts with Purfleet Centre Regeneration Limited (PCRL) and their initial inability to evidence that full funding for the project is available, there have been delays to the project. The plans for the first phase of land appropriation were brought to Cabinet in March 2020.

The investor dropping out of the project was London and Quadrant Housing Trust, who were replaced by Swan Housing Association. Swan have taken over the role that London and Quadrant had been providing, and there are no implications to the project overall of this change. This change occurred in 2017 and was as a result of an internal restructure within PCRL.

The costs to the Council of this project to date are approximately £8.76 million, of which £5 million has been spent on land and £3.76 million on professional fees and associated costs. The land invested came to the Council from the former Thames Gateway Development Corporation. The total cost of the project is expected to be between £700 million and £800 million, with the Council expected to incur around £74 million as its share of this total cost, consisting of £60 million of land, a £9 million contribution towards a proposed school included within the project and £5 million of capital. It was confirmed that no land has been committed to the project to date.

When the project was first entered into, there was an expectation for the Council to generate some level of return from it. There will also be additional return as a result of the improvements to the infrastructure in the area and potentially from future increases in property valuations.

There have, however, been a number of major obstacles which were not foreseen when the project was started, the most significant of which being the Thames Barrier plans detailed above. Other issues include the development planned on the land alongside the Thames river having to be further revised due to the land not being high enough to meet flood requirements, and the need to replace a train level cross with a bridge over the railway line.

Any additional costs arising from changes to the project will be borne by PCRL. The Council's exposure is limited to the £74 million referenced above. This amount has not changed and so inflationary and other costs associated with these issues do not impact the Council. There will however be ongoing legal costs and business planning costs as the Council finalises the agreements, which could lead to additional costs to the Council.

The remainder of the financial exposure lies with Purfleet Centre Regeneration Limited (PCRL), and therefore if the project were to fail, the Council's only potential loss would be the £74 million, and any income which could have been generated from alternative uses made of the land. No land has so far been committed to the project. The Council is still performing its own reviews in respect of whether this project achieves value for money for the taxpayer. The Council is not inextricably committed to continuing with the project and we understand from our discussions with the Corporate Director of Finance, Governance and Property that the Council will not invest the remainder of the land unless satisfied that the project will be value for money and will provide a positive return.

PURFLEET CENTRE REGENERATION PROJECT (USE OF RESOURCES)

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Purfleet centre regeneration project

Significant risk	
Normal risk	■
Sustainable resource deployment	
Informed decision making	■
Working with partners and other third parties	
Significant control findings to be reported	

The Council is working with CBRE in order to ensure that the cash, infrastructure improvements and housing equate to a reasonable return to the Council. This includes an assessment of the financial viability of the entire scheme in order to ensure that the Council does not pick up a failed project at a later date. The Council expect to conclude on this exercise in early December 2020 and report to Cabinet.

Based on the documentation provided and the observations above, we have not identified any issues with regards to the Council's arrangements to ensure there is appropriately informed decision making. The Council is concluded to have taken appropriate and reasonably timely action in response to changes to the project as and when they arose, and is taking appropriate action to limit its financial risk exposure in light of those changes.

The Council is also concluded to have appropriate plans for the assessment of the value for money of the project.

SIGNIFICANT DEFICIENCIES

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Standards and Audit Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Our audit to date has not identified any significant deficiencies in internal controls not previously reported. The deficiency raised in the prior year regarding journals as detailed on page 47, is considered to be significant.

OTHER DEFICIENCIES

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Area	Observation & implication	Recommendation	Management response
Assets not revalued within five years	It was noted that there are at least three assets which had not been subject to valuation for more than 5 years. There is a risk that the asset values have changed significantly since their last valuation. This approach is also inconsistent with the requirements of the Code.	A review is undertaken for any assets not revalued within the last 5 years, with all assets identified subject to valuation in the next financial year.	The relevant assets will be incorporated into the cyclical review in 2020/21
Review of system access rights	For all IT systems, the access rights are reviewed on a periodic basis, but this review is not always documented to evidence that it has taken place. If the review did not take place in a given month, it is unlikely that this failure in the control process would be identified.	Fully document each review of user access rights to evidence that it has been performed, whether or not any changes are identified from this review.	Separate systems are subject to periodic reviews of access - work will be undertaken to review this and consider the implementation of an agreed systematic review process.
Allowance for non-collection of receivables	Management does not use historical recovery rates to assess the recoverability of its debtors. The percentages used to calculate the bad debt provision may not be reflective of the actual expected recovery rates.	Revise the basis of provision calculation to take into account historical collection rate data.	The use of historical data will be considered in the calculation of the bad debt provision going forwards.

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Payroll contracts	Employment contracts could not be located for 7 of the 40 individuals within our selected payroll sample. Of the 33 that were obtained, 6 had not been signed. We understand from management that some of these contracts are paper based and the ongoing pandemic has made it more challenging to obtain these. The contract which confirms the starting salary and terms or conditions of employment, is an important document which protects both the employer, and the employee if ever a dispute arose. It also confirms the employee is a valid employee. If there was ever a dispute over pay or performance the employer would not have evidence or supporting documentation to back up their claims against the employee.	Ensure that easily obtainable signed contracts are in place for all employees.	This issue will be superseded by an electronic sign off process which is being implemented in the Oracle system.

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FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
Journals	Our audit has identified that journals are not being reviewed by another person other than the one raising it.	The Council should update their journal approval procedures to include a threshold for which journals should go through to a second approver.	There has been no change from the prior year.	<u>2018/19 response</u> The current process has been in place for a number of years. The corporate finance team are the only staff authorised to raise journals in the system. Effectively their role is an oversight/control on the proposed journals from budget holders in the service. Journal requests are initiated from the service and corporate finance then ensure these requests are appropriate, accurate and supported by relevant evidence. There is then the wider oversight arising from the levels of budget management review in place which identifies unexpected balance movements on a monthly basis. The external audit analytics process means all journals are reviewed and subject to audit testing annually. There have been no specific issues raised. Notwithstanding this management will review the process in 2019/20

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
HRA	The preparation of the HRA notes in the financial statements, which include a disclosure of the number and type of properties in the Council's housing stock, is based on the Council's fixed asset register. This means that the fixed asset register is kept up to date with disposals, additions and other changes to the housing stock. However, during the audit we requested a reconciliation of the number/type of properties held in the asset register to the system used to administer the council housing stock, Northgate. This proved difficult and there were numerous differences between the data in the fixed asset register/financial statements and the data on the Northgate system. This means that there are data integrity issues which could have an impact on the way that the Council accounts for its properties based on incorrect information between the two systems. It also means that decisions that Council makes regarding its housing stock could be impacted by inaccurate and/or inconsistent data between the financial statements and the day-to-day records held on Northgate.	We recommend that the Council conducts the following: • A full one-off review to reconcile the fixed asset register and Northgate, ensuring to correct any differences and maintaining an accurate record in both systems; and • A quarterly reconciliation of the properties held in both systems based on the records held by finance and the records held by the housing team; The second recommendation could be superseded by the introduction of a process whereby any changes to the housing stock on Northgate/the fixed asset register must be signed off by both finance and the housing team, ensuring that records are simultaneously updated in the fixed asset register/financial statements and Northgate.	The reconciliation of the HRA disclosures to the fixed asset register was successfully performed in the current year.	Not applicable.

OVERVIEW

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the Group and the Council financial statements.

The financial statements include disclosures about a material valuation uncertainty in respect of Property, Plant and Equipment, and 'Property' assets within the Local Government Pension Scheme Assets, due to the impact of Coronavirus (Covid-19). We anticipate including an Emphasis of Matter paragraph in our audit report, referring to this material valuation uncertainty. This does not represent a qualification of the opinion, but sign-posts the reader to certain disclosures in the financial statements that we consider are key to understanding the financial statements.

Conclusion on use of resources

We are proposing to issue an unmodified conclusion on the Council's use of resources.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Standards and Audit Committee in advance in accordance with the Group's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

One of our colleagues at BDO has declared that they have family employed by the Council. The individual is not involved in the audit and they've been advised that they cannot provide any services to the Council.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

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Fees summary	2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee			
• Code audit fee: consolidated Group and single-entity financial statements and use of resources	(3)TBC	107,967	102,967
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	(2)TBC	(1)14,900	14,900
• Pooling of housing capital receipts return	(2)TBC	3,500	3,500
• Teachers' pensions return	7,000	7,000	7,000
Fees for other non-audit services	TBC	25,400	25,400
Total fees	**TBC**	**133,367**	**128,367**

(1) The certification fee for housing benefit subsidy is on the basis that the Council performs the initial testing and we will re-perform. This also assumes three or less 40+ detailed testing during the year.

(2) Work on 2019/20 housing benefit subsidy claim and pooling of housing capital receipts return has not yet been undertaken.

(3) The 2019/20 planned Code audit fee is the PSAA-published level. The Scale is based on the historical position from 2012/13 and so does not reflect any of the changes in audit scope and depth linked to current audit requirements for property, plant and equipment or pensions liability valuation work. Discussions on the total fee impact will be held initially with officers in the context of detailed operational planning and interim audit scope so as to best mitigate increases.

APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and Council financial statements. We report our opinion on the financial statements to the directors of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Standards and Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.
	Group matters	
6	Limitations on the audit where information was restricted.	No exceptions to note.
7	Any issues with the quality of component auditors work.	No exceptions to note.
8	Any fraud or suspected fraud at group or component level.	No exceptions to note.

COMMUNICATION WITH YOU

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Standards and Audit Committee.

In communicating with TCWG of the Council and the Group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	12 March 2020	Standards and Audit Committee
Audit Completion Report	24 November 2020	Standards and Audit Committee
Annual Audit Letter	11 March 2021	Standards and Audit Committee

OUTSTANDING MATTERS

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We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Standards and Audit Committee meeting at which this report is considered:

- Final Manager and Partner review and clearance of review points within our file
- Final review and approval by you of the Statement of Accounts
- Completion procedures:
  - Checks on approved Statement of Accounts
  - Subsequent events review up to the date of signing
  - Management letter of representation, as attached on pages 64 to 66 to be approved and signed

LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

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A number of corporate governance, financial reporting and audit failures since the 'financial crises' have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
BEIS Select Committee	'Carillion' report issued 5/2018	'Future of audit' report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
'Report of the Independent Review in to the quality and Effectiveness of Audit' - Sir Donald Brydon		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
'Independent Review of the FRC' by Sir John Kingman	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

LATEST REGULATORY DEVELOPMENTS 2

Continued

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Report	Topic	Key points
'Independent Review of the FRC' by Sir John Kingman	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	• Highlighted deficiencies in FRC and its operating effectiveness • New regulator to replace FRC 'Audit, Reporting and Governance Authority' • Reconsideration of which entities are classed as 'public interest' A number of changes require legislation changes but the FRC is working on implementation where possible.
Related BEIS consultation	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	The proposals being classed as: • FRC and BEIS will implement as soon as possible • Can be implemented once considered, in advance of legislation • Primary legislation required Further consultations are expected and will form part of the 2020 suite of consultations undertaken.
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	April 2019 - Future of market competition	Report 18 April 2019 – suggestions include • Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality • Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews • An operational split between the audit and non audit practices of the big 4 • A 5 year review of progress by the new regulator Further consultations are expected and will form part of the 2020 suite of consultations undertaken.

LATEST REGULATORY DEVELOPMENTS 3

Continued

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Report	Topic	Key points
BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April	Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework	This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular: • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGA - deal with failures more quickly and more stringently Published June 2019.

LATEST REGULATORY DEVELOPMENTS 4

Brydon

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In December 2019 Sir Donald Brydon published his "Report of the Independent Review in to the quality and Effectiveness of Audit" . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors' Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA - the new regulator.

Key considerations for Audit Firms

- A new definition of audit: " The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements."
- Recognition of other stakeholders alongside the company's shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for 'professional suspicion' alongside 'professional scepticism';
- Replace 'true and fair' with 'present fairly, in all material respects';
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors' statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company's internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

LATEST REGULATORY DEVELOPMENTS 5

Redmond

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On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

FRC ETHICAL STANDARD

Issued in December 2019

Contents

In December 2019 the FRC published the Revised Ethical Standard 2019 (‘ES’), which is applicable from 15 March 2020. There are some transitionary provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to ‘work around’ the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a “white-list” of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest (‘OEPI’)	OEPI is a new term in the Ethical Standard. The FRC have imposed the ‘white-list’ applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an *SME listed entity* - generally those with a market cap of more than €200m; Lloyd’s syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: – Have more than 2000 employees; and / or – Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

FRC PRACTICE AID FOR AUDIT COMMITTEES

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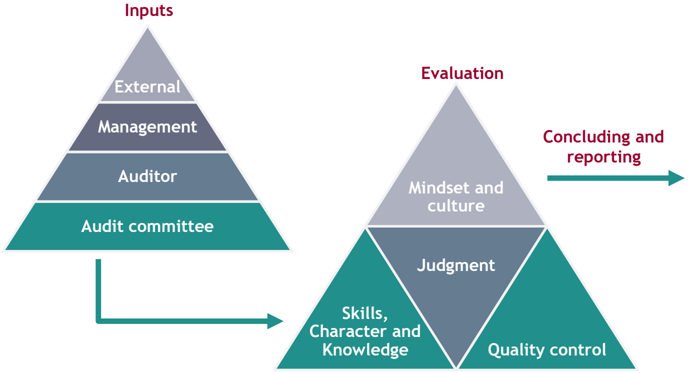
The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the **FRC website**. In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.’

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the **FRC website**.

Letter of representation

Contents

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Thurrock Council for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council' financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1.3 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between any Group entity and the Council’s members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Rate of inflation (CPI):	1.90%
Rate of increase in salaries:	2.90%
Rate of increase in pensions:	1.90%
Rate of discounting scheme liabilities:	2.35%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing stock and other land and buildings

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that surplus assets have been appropriately assessed as level 2 and 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

d) Valuation of long term debtors

We confirm that the valuations applied to long term debtors as at year-end, accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Sean Clark

Chief Finance Officer

[date]

Councillor Gerald Rice

Chair of the Audit Committee

[date]

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Lisa Clampin

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e: lisa.clampin@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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24 November 2020	ITEM: 6
Standards and Audit Committee	
Financial Statements and Annual Governance Statement 2019/20	
Wards and communities affected: All	**Key Decision:** Key
Report of: Sean Clark, Corporate Director of Finance, Governance & Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director, Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is Public	

Executive Summary

The financial statements have been subject to external audit. External audit work is substantially complete with outstanding matters covering completion procedures and audit file and statement of accounts review. Financial statements have been updated with audit amendments and are included as an appendix to this report. Members will have already considered the external auditor's opinion earlier on this agenda that both the Financial Statements and the Use of Resources conclusions will be unmodified. The Annual Governance statement is also included as an appendix to this report and the review by external audit has concluded that it's consistent with external audit's knowledge of the Council.

1. Recommendation(s)

That the Standards and Audit Committee:

1.1 Having consideration to the comments within the Audit Completion Report considered earlier on the agenda, approve the Group Financial Statements;

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 2019/20 financial year and both the Council's financial position and the Group's financial position as at 31 March 2020.

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 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 as amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 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: **Jonathan Wilson**

Assistant Director - Finance

The financial statements confirm the final financial position for 2019/20 and the associated usable reserves. The position is underpinned by detailed supporting working papers which have been subject to review by external audit.

7.2 Legal

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

There are no direct legal implications arising from this report.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

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:

Jonathan Wilson

Assistant Director - Finance

Corporate Finance

THURROCK COUNCIL
Annual Governance Statement 2019/20

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.

The code was updated in 2017/18 to reflect the council's new vision and priorities which were adopted at a meeting of the Full Council on 31st January 2018. This statement explains how the council has complied with the revised code in 2019/20 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 to the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2016).*

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 31st March 2020 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 being 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. Counter – Fraud, Bribery & Corruption and Counter- Money Laundering guidance documents which were presented to the Standards & Audit Committee in November 2017 following discussion and approval by Directors Board. These documents advise staff and suppliers of what fraud, bribery, corruption and money laundering is, how to identify and report it and how the council will respond to any reported incidents. Whistleblowing Policy and Procedures which were introduced in August 2015 and reviewed and updated in January 2019. These are available to all staff through the council's intranet site. Processes for considering any complaints that come into the council. These cover member complaints which are dealt with by the Monitoring Officer and officer or service complaints which are dealt with by the Information Management team. The Chief Finance Officer (Director of Finance, Governance & Property), 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. The vision and priorities were consulted upon with stakeholders and the community. They were also written taking account of the extensive feedback from residents and other members of the Thurrock community through the Fairness Commission, Local Plan engagement and via the Health and Well Being Strategy consultation, which, in themselves, had extensive consultation exercises. 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. The council uses Bang the Table – Community Engagement Portal for all its consultation and engagement activity. The same portal is used by Thurrock CVS.

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 it should define and plan outcomes and 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:
A number of key strategic documents, including the Joint Health and Well Being Strategy and Local Plan. A corporate priorities project list identified what the council will do to achieve its vision and priorities in 2019/20. The plan is supported by the Corporate KPI (Key Performance Indicator) Framework which details the statistical evidence the council will use to monitor progress and performance against those priority activities. Service plans show how each part of the council is delivering against the vision and priorities of the council. 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 8 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 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 and reported to Directors and Portfolio Holders monthly. This is then scrutinised on a quarterly basis at Corporate Overview and Scrutiny Committee before being presented to Cabinet. A Local Plan (Local Development Framework) which sets out the land use policies of the council as the Local Planning Authority.

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 – Finance, Governance & Property (Section 151 Officer), Corporate Director - Adults, Housing and Health, Director of Place, Director of HR, OD and Transformation, Director of Strategy, Communications and Customer Services, Director of Environment, Highways and Counter Fraud, Assistant Director – Legal (Monitoring Officer), Strategic Lead – Transformation and Chief Executive' s Business Manager.

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 which report annually to the council. Scrutiny committees provide constructive challenge to the executive on policies and performance. In addition, task forces have been developed to discuss the Lower Thames Crossing; Local Development Plan; Orsett Hospital and there are Governance and Constitution working groups. The Director of Finance, Governance & Property is the Section 151 Officer responsible for the overall management of the financial affairs of the council. The Director of Finance, Governance & Property 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, Governance & Property before implementation. Supported the principle of trading services with other local authorities. The Counter Fraud & Investigation Service supplies services to the Ministry of Justice and a number of other central government bodies. In addition, other services trade with other local authorities and schools including Payroll, HR, Legal and Planning.

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.

IMPACT OF CORONAVIRUS COVID-19 ON GOVERNANCE

During the latter part of March 2020, how services worked changed significantly at Thurrock Council, with the spread of Coronavirus COVID-19. This will have had a limited impact on governance during 2019/20 but is likely to have a far more significant impact in 2020/21. As a consequence, working practice and governance arrangements have had to be modified to meet these new ways of working. This is detailed below:

Impact on business as usual in the delivery of services

The majority of staff are now working remotely. The IT service have successfully accelerated their program for the implementation of Windows 365 and Microsoft Teams to assist with these changes. This has allowed staff working remotely to continue to communicate through virtual meetings with both other staff and customers.

Updates from the Chief Executive and HR to make staff aware of what is happening and to promote personal health and wellbeing, are sent to all staff on a regular basis.

New areas of activity as part of the national response to coronavirus and any governance issues arising

The council reacted swiftly to the coronavirus outbreak by setting up the Thurrock Community Coronavirus Action (TCCA) centre. This voluntary team helps to identify, and then provide services to, those vulnerable residents within the Borough who may be shielding. Services provided include undertaking shopping trips, wellbeing calls and medicine drops. To date, no significant governance issues have arisen.

The funding and logistical consequences of delivering the local government response

The council have developed a COVID Policy Change Tracker which is updated on a weekly basis and shared with members of the Leadership Group. The Tracker identifies various funding streams to assist local business. This is supplemented through the council's various communications channels including Business Buzz and the council's website.

Assessment of the longer term disruption and consequences arising from the coronavirus pandemic.

The Council have developed a COVID Policy Change Tracker which is updated on a weekly basis and shared with members of the Leadership Group. This identifies not only the latest advice from the government but also looks at the longer term implications and consequences of the pandemic.

REVIEW OF OBJECTIVES

During 2019/20, the council did not have an annual Corporate Plan. This is currently being developed but is still awaiting a definitive decision on the Lower Thames Crossing (LTC) which is the subject of further consultation. The LTC will have an impact on the Plan.

A new vision and priorities were adopted at Full Council on 31st January 2018. Whilst the council did not have a Corporate Plan, it did have a Corporate Priorities Project Plan which set out the key projects being undertaken during 2019/20 to help the council meet its vision and priorities. The MTFS addresses how the council will meet the financial challenges in delivering the priorities and is regularly reported to members and updated on a rolling basis. The Corporate Priorities Project Plan, together with the MTFS, sets out the strategic direction of the council and how they contribute to the delivery of the vision and priorities.

INSPECTIONS

ADULT SERVICES

Following visits by the Care Quality Commission (CQC) to Collins House on 5th February 2019, the Extra Care Service on the 31st July and 1st August 2018 and the Homecare Reablement Team on the 2nd to 4th and 10th October 2017, where all these services received an overall rating of Good, no further visits were undertaken in 2019/20.

However, following an announced visit and comprehensive inspection by the CQC to inspect the Thurrock are at Home service on 28th, 29th June and 3rd July 2018, which resulted in an overall opinion that the service requires improvement, a further planned visit took place on the 20th and 21st November 2019. The overall evaluation was that the service was now good. In respect of the individual areas inspected, the results were as follows:

- Is the service safe? Good (previously Requires Improvement)
- Is the service effective? Good (previously Requires Improvement)
- Is the service caring? Good (previously Good)
- Is the service responsive? Good (previously Requires Improvement)
- Is the service well-led? Good (previously Requires Improvement)

CHILDREN'S SERVICES

From 11th to 22nd November 2019, OFSTED carried out an inspection of children's social care services. At their last inspection in 2016, children's services were judged to require improvement. The 2019 inspection commented that an experienced senior leadership team has driven a sustained pace of improvement in most areas and as a result, services for vulnerable children and their families in Thurrock are now good. The specific judgements against each area were as follows:

- The impact of leaders on social work practice with children and families – Good
- The experiences and progress of children who need help and protection – Good
- The experiences and progress of children in care and care leavers – Good
- Overall effectiveness – Good

With most schools in Thurrock now having converted to Academy status, there was only 1 OFSTED inspection carried out at locally maintained Thurrock Schools in 2019/20. This was at the Warren Primary School and the inspection shows the school continues to be good. Results across specific areas were as follows:

- The quality of education - Good
- Behaviour and attitudes - Outstanding
- Personal development - Outstanding
- Leadership and management - Good
- Early years provision - Good

LEGAL FRAMEWORK

The Authority approved changes to the Senior Management Structure in 2018 to ensure the council became, and remained, more focussed on service outcomes and on delivering quality services to all the communities in Thurrock.

Thurrock Council input significant extra budget resources to fund permanent growth in its legal service to build centres of legal excellence in both governance and regeneration law (including contracts, procurement planning, highways and property law) to match the Authority's significant regeneration agenda.

These teams have been successfully recruited to and staffed with highly experienced and specialist lawyers almost completely eliminating the use of agency lawyers.

The Constitution has been regularly reviewed during the year by the Monitoring Officer in conjunction with the General Services Committee and Full Council to ensure it remains up to date and appropriately addresses legislative changes together with changes to Scrutiny and Full Council questions. Consequential amendments have been included as they occur including changes to 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 Legal Service generally attends all formal decision-making meetings.

The Assistant Director, Legal (Monitoring Officer) is a member of the weekly Directors' 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's Whistleblowing 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 Act **(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 & 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 training events – some of which have been attended by a wide range of other authorities through the Public Law Partnership network..

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

BUDGET MONITORING

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. Corporate Finance complete the annual budget for consideration by Cabinet in 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 and ongoing discussion with Members.

There is a formal budget monitoring framework in place for monitoring both revenue and capital income and expenditure. The year to date revenue position is reported to Directors Board on a monthly basis and on a quarterly basis to Cabinet.

Corporate Finance officers meet with Budget Holders regularly during the year (monthly for high risk budgets) to discuss performance against budget and actions to be taken. Corporate Finance report the position in the budget monitoring report. This highlights the key variances enabling both management and members to review and challenge the financial position throughout the year.

As appropriate this also enables resources to be realigned to ensure the overall delivery of the annual budget is managed effectively.

The Chief Finance Officer presents an outturn report to Cabinet annually reflecting the outturn position and impact on reserves.

In addition 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 of Corporate Finance and the financial implications are considered as part of the wider budget monitoring.

FINANCIAL REPORTING

The Statement of Accounts is produced annually in accordance with statutory deadlines. Currently this means the draft financial statements are required to be published by 31 May each year with the final audited set published by 31 July. These deadlines have been extended for the 2019/20 Statement due to the on-going impact of the Coronavirus COVID-19 pandemic.

Corporate Finance officers keep up to date with the latest developments in accounting practice to support the preparation and presentation of the financial statements. Staff support the completion of the financial accounts by attending appropriate external training days including specific CIPFA events.

A timetable is in place to support the delivery of the financial statements and the process is managed throughout the year by the Corporate Finance team.

The Statement of Accounts and Annual Audit letter are made available to the public and are published on the council’s web site. They can be made available in accessible formats. To assist the public in understanding the accounts, an explanatory foreword is included in the Statement of Accounts. This explains their purpose and summarises the key messages arising from them. There is also a glossary of terms to aid understanding.

CAPITAL STRATEGY (Incorporating the Treasury Management Strategy)

The council’s Capital Strategy, which the Council agrees annually, sets out the strategic framework underpinning capital expenditure and the associated financing at the Council. This also includes the Treasury Management Strategy which was previously considered in isolation up to 2018/19. It is also intrinsically linked to the council’s ambitions of becoming a more commercially focused borough; one where sensible transactions are completed which create revenue returns.

The Treasury Management Strategy 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, which were revised and updated in December 2017.

Cabinet take responsibility for ensuring effective scrutiny of the Capital strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code.

FINANCIAL SYSTEM

The financial reporting of the Council is underpinned by the Oracle financial system which generates all financial information required by stakeholders.

From April 2019, the council moved to Oracle Cloud which became the council's corporate system to provide the Human Resources, Payroll, Finance and Procurement functions.

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) has a number of statutory duties and powers intended to ensure that Members are acting on sound information, and are fulfilling their obligations to balance the budget and make decisions which support the long-term interests of the authority and its local community. Some of these powers are routine, others are only used in extreme circumstances.

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. The council's CFO and Section 151 Officer is the Director of Finance, Governance & Property.

Section 25 of the Local Government Act 2003 requires the S151 officer to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.

The Section 25 statements are important. They give the CFO the opportunity to articulate their professional judgment of the authority's financial plans and direction and the risks it faces.

In commenting on the sufficiency of reserves a realistic assessment of those available needs to be set out, projected over the medium term.

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

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

The Section 151 Officer 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.

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.

Internal audit is an independent assurance function that 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 will be included in the Internal Audit Annual Report for the year ended 31st March 2020 which will be submitted to the Standards & Audit Committee in July 2020. In 2019/20, the overall Risk Management environment was given a Green opinion which was the same as the previous year. The Internal Control and Corporate Governance environments were given an Amber/Green opinion. This showed a downward direction of travel from Green in the previous year due to issues identified around contract management of some major projects.

The External Auditor issued an unqualified audit opinion and unqualified value for money statement for 2018/19.

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 2019/20 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 2019/20 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 Council retained a Level 4 rating of Embedded and Integrated against the model.

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 March 2020.

In addition, a review of the council's risk maturity was undertaken by the internal audit team in 2018 and resulted in a rating of Risk Managed which was in line with the annual review against the ALARM/CIPFA Model.

The challenge facing the council is to ensure that adequate ROM arrangements remain in place and form part of the decision making process both at operational and strategic levels.

ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

Counter – Fraud, Bribery & Corruption and Counter- Money Laundering Guidance documents were presented to the Standards & Audit Committee in November 2017 following discussion and approval through Directors Board. These documents advise staff and suppliers of what fraud, bribery, corruption and money laundering is, how to identify and report it and how the council will respond to any reported incidents. 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.

Whistleblowing Policy and Procedures were introduced in August 2015 and reviewed and updated in January 2019. The policy is available to staff on the council's intranet site, or through the Thurrock Council website.

BUSINESS CONTINUITY

During 2019/20 it was decided that, to provide members and senior management with the assurances they required around the business continuity processes, it would operate more effectively if it was led by the subject experts within the Emergency Planning team, rather than by individual managers. 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 in respect of IT, an arrangement has been agreed with Southend Council 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

Thurrock Regeneration Limited (TRL) is the council's wholly owned development and 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.

TRL is funded from loans granted via the council, and any land considerations from the Council are sold to TRL at market value in return for shares/equity. The sale of the Council land and the agreement of the loan facility has delegated authority to the Section 151 Officer of the council. Projects undertaken by TRL are overseen by the TRL Board which meets bi-monthly and is made up of senior council officers from Regeneration, Housing and Finance and also includes an external director from Homes England. TRL are currently considering the long term board structure. The shareholder group which represents the council made up of the Leaders and Deputy Leaders of the 3 main political parties in Thurrock who meet bi-annually with members of the TRL Board to discuss current and future projects.

Thurrock Regeneration Homes Ltd provides the estate management and lettings for the properties built by TRL and retained in the group. This is overseen by the board which has the same members as the TRL board but does not include the external director from Homes England.

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 concluded no complaints during 2019/20 which passed the council's agreed threshold criteria requiring a formal investigation and 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 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 the scrutiny committees 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 September 2019 and reported that:

- The council was issued with an unmodified Audit Opinion on the 3rd September 2019;
- An unmodified Value for Money assessment was issued on the 3rd September 2019; and
- There were no identified areas of concern with respect to the Annual Governance Statement.

The Housing Benefit Subsidy Claim audit was completed in November 2019 with only minor issues identified and confirmation that the overall processing accuracy was good and remained significantly below the DWP's threshold for error.

INFORMATION GOVERNANCE

The Data Protection Act 2018 and the General Data Protection Regulation (GDPR) came into effect in May 2018 and introduced a range of new requirements regarding the processing of personal data.

Organisations will always have on-going work to achieve compliance with Data Protection Legislation and work programmes will be fluid due to this. The council has robust actions plans in place to ensure it complies with the new Data Protection Act and this work forms part of the corporate wide information governance group work programme.

The council has to comply with the provisions of the Freedom of Information Act (FOI) 2000 and the Environmental Information Regulations 2004, as relevant, when considering its arrangements around information governance. The Strategic Lead for Information Management provided an annual Information Governance Report to the Standards & Audit Committee in July 2019. This report covered the council's compliance in relation to FOI and Data Protection legislation.

LOCAL GOVERNMENT AND HOUSING OMBUDSMAN

The Local Government and Social Care Ombudsman (LGSCO) 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. The Strategic Lead for Information Management provides regular reports (six monthly in March and September) to the Standards & Audit Committee which gives a summarised breakdown of all complaints that were dealt with by the LGSCO/HO Ombudsman and the outcomes of their findings.

5.0 Significant governance issues

During 2019/20, we addressed the following issues to improve the council's governance arrangements:

Significant Governance Issues from 2019/20				
Source	**Issue**	**Description**	**Responsible Officer (s)**	**Progress**
Central Govt	Troubled Families Programme	A check of the council's claims by the Ministry of Housing, Communities and Local Government (MHCLG) identified a number of concerns around the claims submitted under the Troubled Families Programme. As a result, the council have developed an action plan to address these concerns. This action plan has been agreed by the MHCLG, thereby allowing additional claims to be submitted. Working with the service area, Internal Audit will provide independent verification of a sample of the claims to provide assurance around their accuracy to ensure the council is able to evidence that the claims are correct. It is anticipated that in 2019/20, the level of checks could reduce due to better systems and assurances that can be provided by the service.	Director of Children's Services, Strategic Lead Prevention and Chief Internal Auditor.	Internal Audit continued to undertake 20% random checks on claims to ensure they meet the relevant criteria. This will reduce to the recommended level of 10% when any further spot, or arranged, check by the Ministry of Housing, Communities and Local Government (MHCLG) identifies minimal or no errors. This work is on-going.

Significant Governance Issues from 2019/20				
Source	**Issue**	**Description**	**Responsible Officer (s)**	**Progress**
National & Risk Register	OFSTED	It is likely that the council will be subjected to an unannounced OFSTED visit in 2019/20. During 2018/19, there was a targeted visit and a joint visit which identified some issues that are being addressed. However, it is more likely than not, that OFSTED will undertake an Inspection of Local Authority Children's Services (ILACS) using the new framework developed in 2017 and updated in 2019. This will require a significant input of time and resources, particularly for front line staff who will be subjected to interview.	Director of Children's Services and Strategic Lead Transformation	An inspection was undertaken by OFSTED in November 2019. The inspection commented that an experienced senior leadership team has driven a sustained pace of improvement in most areas and as a result, services for vulnerable children and their families in Thurrock are now good. This is a significant improvement on the 2016 inspection which reported that the service required improvement.
Central Govt	Local Plan	The Government has legislated through the Neighbourhood Planning Act 2017 the requirement for all areas to be covered by a Local Plan. Where a local authority fails to meet this requirement the Secretary of State has the power to intervene and direct the review and/or preparation of a Local Plan which depending on the circumstances, could be undertaken by another authority or jointly in partnership with surrounding authorities. In all	Director of Place, Assistant Director of Planning, Transportation and Public Protection, Strategic Planning Officers	The requirement for a Local Plan is accepted and understood by the council and work is on-going to develop a new plan. However, the challenges still being encountered around the Lower Thames Crossing (LTC) which would have a clear impact on any Local Plan, are continuing. Therefore, the issue of adopting a Local Plan is on-going and has been repeated for 2020/21. There is to be a further consultation on LTC later in 2020/21 which

Significant Governance Issues from 2019/20				
Source	**Issue**	**Description**	**Responsible Officer (s)**	**Progress**
		instances the failing authority could be liable to pay the full or a proportion of the costs involved in producing the local plan.		it is hoped will help to clarify the position moving forward.
Internal Audit	Commissioning & Contracts (including compliance with procurement rules)	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.	Director of Commercial Services, Corporate Procurement, Strategy and Special Projects Lead and Chief Internal Auditor	As a result of work undertaken by the Procurement team, Internal Audit's work has identified that compliance with contract procedure rules has improved.
External and Internal Audit	Oracle access arrangements	From April 2019, the council has implemented Oracle Cloud as its corporate financial, HR, Payroll and Procurement system. Utilising the Cloud allows staff to access and submit claims for overtime, expenses etc. through their	Corporate Director of Finance, Governance & Property, Director of HR,	The council moved to Oracle Cloud during 2019/20. The reporting functionality continues to develop. There are still risks associated with staff having to submit their own claims which are then authorised by their managers. Due to these risks, internal

Significant Governance Issues from 2019/20				
Source	**Issue**	**Description**	**Responsible Officer (s)**	**Progress**
		own devices once they have downloaded the mobile app. However, it has been identified in a number of internal audit reviews that the process for authorising payments to staff who use the system is reliant on managers checking details and receipts where applicable before auto approving payments. This checking is not always robust and has resulted in duplicate payments being made. As a result, further work needs to be undertaken on Oracle's reporting capability to determine if reports can be generated which would help to identify these duplicate payments.	OD & Transformation, Managers and Chief Internal Auditor	audit will work with HR to provide assurance that the system is being used correctly and there are controls in place to minimise the risks of overpayments or fraudulent claims.

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

Significant Governance Issues for 2020/21			
Source	**Issue**	**Description**	**Responsible Officer (s)**
Coronavirus COVID-19 Pandemic	Governance and Management of Finances, Operations & Resources	In March 2020, on the advice of central government and medical experts, the council moved the majority of its operations out of the Civic Offices, with those staff who could, being encouraged to work from home. To enable this to happen, the IT team had to ensure there was sufficient IT resources and access to systems and move forward the timetable for the rollout of Microsoft Teams to assist with virtual meetings. In addition, there has been significant changes to working practices for a large number of staff which has been supported by regular updates from HR. The impact on businesses has had to be addressed with the government providing emergency grants to help them through the current crisis. Vulnerable adults, children and families have also had to be identified and supported which led to the setting up of the Thurrock Coronavirus Community Action centre to deliver essentials, including food and medicines, to those shielding and unable to leave their premises. These are just a few of the actions that have been taken but it is important that moving forward, the council learns from the changes that the pandemic has resulted in, and identifies what worked well and what didn't. It is unlikely that the council will fully move back to how it previously worked, with more staff being encouraged to work from home and carry out virtual meetings using the technology now available to them, so identifying improvements will benefit the council and community in the short to long term. In addition, the council will need to review its medium to long term financial planning, once the full impact of the pandemic has been determined. Internal audit will be involved in helping	Chief Executive and all Directors, Assistant Directors, Senior Management and staff.

Significant Governance Issues for 2020/21			
Source	**Issue**	**Description**	**Responsible Officer (s)**
		to provide challenge and assurance around the “new ways of working” to ensure the risks associated with changes to practices do not compromise controls or the community.	
Internal Audit	Major Projects – Contract Governance & Management	With a number of major projects currently being undertaken within Thurrock, it is essential that contract procurement is undertaken in line with relevant laws and regulations and the governance and contract management arrangements are robust and ensure the council is getting value for money. During 2019/20, concerns were expressed around the management of some of these contracts at an operational level. If these contracts and not managed in line with best practice, the council could end up having to fund any overpayments. As a result of these concerns, the council procured the services of a consultant to look at the processes and procedures around one of these major projects and they raised a number of significant issues around the contract formation, governance and on-going management. The council is currently looking at its whole contract management processes to develop a program to ensure any managers who are responsible for procuring and managing contracts have the necessary skills and knowledge to do so. It has been agreed that Internal Audit will become far more involved in the project management process during 2020/21. Internal Audit will also continue to undertake ad hoc reviews of the management of existing contracts and Procurement Services will monitor on contract and off contract spend.	All Directors and Assistant Directors, Corporate Procurement and Chief Internal Auditor
Central Government	Local Plan	Continuation of the previous year. The Government has legislated through the Neighbourhood Planning Act 2017 the requirement for all areas to be covered by a Local Plan. Where a local	Director of Place, Assistant Director of Planning, Transportation and

Significant Governance Issues for 2020/21			
Source	**Issue**	**Description**	**Responsible Officer (s)**
		authority fails to meet this requirement the Secretary of State has the power to intervene and direct the review and/or preparation of a Local Plan which depending on the circumstances, could be undertaken by another authority or jointly in partnership with surrounding authorities. In all instances the failing authority could be liable to pay the full or a proportion of the costs involved in producing the local plan. In addition to the threat of intervention and possible sanctions from Government (as has been seen locally and elsewhere in the country – including Castle Point), an ongoing failure to adopt a sound and deliverable Local Plan would also: · Lead to a whole generation of local people being put at risk of not being able to find decent or affordable housing in the Borough; · Undermine efforts by the Council to boost the supply of affordable housing through a lack of viable and deliverable sites for development; · Undermine opportunities to support the future regeneration and renewal of existing local centres and communities; · Prevent the provision of new community infrastructure which requires large sites including primary and secondary schools to meet existing and future needs due to the constraining nature of the Green Belt boundaries in Thurrock and a lack of suitable sites in the urban area · Raise a serious risk that, without an adequate supply of housing to meet workers needs locally, firms could relocate or switch investment to other locations as workforce availability declines.	Public Protection, Strategic Planning Officers

Significant Governance Issues for 2020/21			
Source	**Issue**	**Description**	**Responsible Officer (s)**
External and Internal Audit	Oracle Cloud	Continuation of the previous year. From April 2019, the council implemented Oracle Cloud as its corporate financial, HR, Payroll and Procurement system. Utilising the Cloud allows staff to access and submit claims for overtime, expenses etc. through their own devices once they have downloaded the mobile app. However, it has been identified in a number of internal audit reviews that the process for authorising payments to staff who use the system is reliant on managers checking details and receipts where applicable before auto approving payments. This checking is not always robust and has resulted in duplicate payments being made. As a result, further work needs to be undertaken on Oracle's reporting capability to determine if reports can be generated which would help to identify these duplicate payments. If not, other solutions need to be investigated including the use of specialist auditing software such as Auditware IDEA data analytics.	Director of Finance, Governance & Property, Head of IT, Oracle Improvement team
Central Government	Troubled Families Programme	A check of the council's claims by the Ministry of Housing, Communities and Local Government (MHCLG) identified a number of concerns around the claims submitted under the Troubled Families Programme. As a result, the council developed an action plan to address these concerns. This action plan was agreed by the MHCLG. Working with the service area, Internal Audit continue to provide independent verification of a sample of the claims to provide assurance around their accuracy to ensure the council is able to evidence that the claims are correct. It is anticipated that in 2020/21, the level of checks will reduce from 20% to 10% due to better systems and assurances that can be provided by the service.	Corporate Director of Children's Services, Strategic Lead – Youth Offending Service and Prevention and Chief Internal Auditor

6.0 Conclusion

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.

Signature

Date: 2020

Lyn Carpenter, Chief Executive

Signature

Date: 2020

Cllr Robert Gledhill, Leader of the Council

Thurrock Council

Statement of Accounts

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NARRATIVE REPORT

BACKGROUND AND CONTEXT

1. Context

Situated on the north side of the River Thames bordering Essex, Kent and east London, Thurrock is an area of great contrast and unique opportunities.

Thurrock has a well-balanced mix of beauty and business, with major investment planned for homes, jobs and infrastructure and including private sector jobs.

The borough is a mix of green belt interspersed with rural villages and market towns. Nature reserves, heritage locations and sites of special scientific interest abound. Three major ports punctuate the 18 miles of riverfront with associated cranes and gigantic container ships, while industrial parks line the A13.

Thurrock also has a growing population – predicted to rise by approximately 10% every decade. The ethnic profile of Thurrock has become increasing diverse over the last decade. Both the age and ethnic profiles change significantly between the 20 wards.

Under the banner People, Place, Prosperity, the Council is creating a place where people and businesses want to stay and thrive, and developers and investors want to invest.

Investment in infrastructure for the benefit of residents and local businesses is key. Good roads, health services, schools and leisure facilities are all required to enable people to live and work, play and stay in the borough.

There has been a lot of talk about plans in the past but there is now a step-change to actual delivery – masterplans are agreed with contractors on-site and work is beginning.

Together with partners, Thurrock Council is delivering a half a billion pound capital programme, investing in schools, health, community facilities, transport and regeneration. Our refreshed Local Plan will provide our plan to meet the needs of local people and ensure that growth is high quality, community led and infrastructure first.

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

Thurrock is a place with a rich cultural heritage, which is often overlooked. With our cultural partners we are developing plans which will enable all Thurrock residents to enjoy and benefit from high quality arts and heritage activity, creating a strong pride in place, better well-being and economic prosperity.

2. Vision and Priorities

The vision and priorities of the Council are set out below:

Our Vision

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

Our Priorities

People – a borough where people of all ages are proud to work and play, live and stay.

This means:

- high quality, consistent and accessible public services which are right first time
- build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
- communities are empowered to make choices and be safer and stronger together

Place – a heritage-rich borough which is ambitious for its future.

This means:

- roads, houses and public spaces that connect people and places
- clean environments that everyone has reason to take pride in
- fewer public buildings with better services

Prosperity – a borough which enables everyone to achieve their aspirations.

This means:

- attractive opportunities for businesses and investors to enhance the local economy
- vocational and academic education, skills and job opportunities for all
- commercial, entrepreneurial and connected public services

3. Location and place

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

Geography	Extent
Area	165 square km
Riverfront	29 km
Green Belt land	70%

4. Population

Thurrock has a diverse population that is increasing by over 10% every decade.

In 2001 the population was 143,300. In 2011 our population was 158,300. The Office of National Statistics (ONS) currently estimates the population at 170,400 (as at time of publication), and to 175,000 by the time of the next national census, in 2021.

Population estimates are produced by the ONS and are updated periodically. For the latest Thurrock population, go to NOMIS: local authority profile for Thurrock.

The website also provides the latest available information on the labour market profile of Thurrock, including employment, income and benefits statistics.

5. Age and gender

The ONS usually provides new population predictions once a year. For the latest mid-year estimate reports by single age group and by gender, go to ONS: Population estimates for UK, England and Wales, Scotland and Northern Ireland.

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

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

6. Homes and Houses

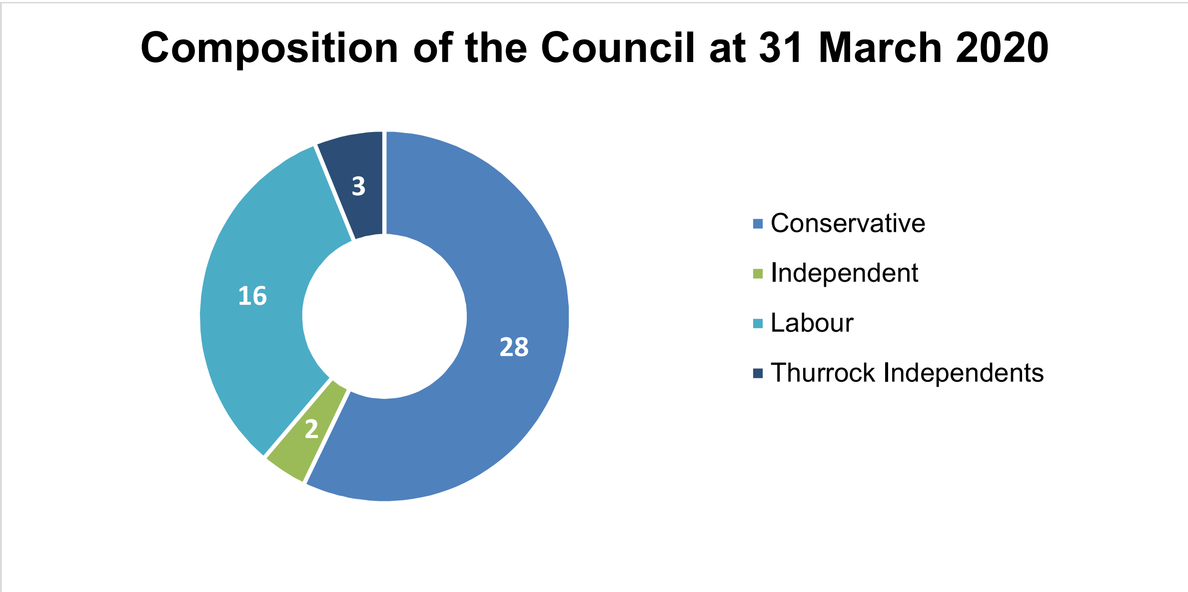
According to the Valuation Office, March 2020, there are 68,648 dwellings in Thurrock. The borough has a target to build 30,000 new homes by 2037 to meet the demand expected from people wanting to live here.

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

House price information below is from the Land Registry Housing Price Index, March 2020. Housing status information is from the national census of 2011.

Housing status	Thurrock	East region	England
Owner-occupier	66.20%	67.60%	63.40%
Rented from the Council or housing association	18.40%	15.70%	17.70%
Rented privately	14.10%	14.80%	16.80%
Average house prices	£268,143	£291,415	£240,949

7. Political Structure



Thurrock is made up of 20 electoral wards. There are 49 Councillors. Residents elect either 2 or 3 Councillors per ward to represent them, depending on the size of population in their ward.

Councillors are elected to serve for 4 years, after which a new election must be held. Thurrock holds elections in 3 out of every 4 years, with a third of all Councillors being elected or re-elected during an election year. There are no elections during the fourth year – this is called a 'fallow year'.

8. The Cabinet

The Cabinet includes the Leader of the Council and 9 other Councillors. Each Cabinet Member is responsible for a policy area, known as a portfolio.

The Cabinet is responsible for:

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

Members of the Cabinet

The members of the Cabinet and their portfolios are listed below as at the 31 March 2020:

Cabinet Member	Role	Portfolio
Councillor Rob Gledhill	Leader of the Council	Protection and Anti-Social Behaviour
Councillor Shane Hebb	Deputy Leader of the Council	Finance and Transformation
Councillor Deborah Huelin		Central Services and Communities
Councillor James Halden		Children and Adult Social Care
Councillor Andrew Jefferies		Education
Councillor Aaron Watkins		Environment and Sports and Leisure
Councillor Allen Mayes		Health and Air Quality
Councillor Ben Maney		Highways and Transport
Councillor Barry Johnson		Housing
Councillor Mark Coxshall		Regeneration and Strategic Planning

9. Risk Management

Risk management involves:

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

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

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

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

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

The Council also has a Corporate Risk Management Group, which considers the whole range of business risks facing the Council. For details of this service contact the Senior Risk Management Officer, Audit Department.
The Corporate Risks are set out below priority (rating) and then reference number order.

- **Adult Social Care Stability and Market Failure - Risk 6** (Rating: 12 Critical/Likely)

Adult Social Care has received additional funding in recent years – through a precept as part of the Council Tax and also through the Improved Better Care Fund. A significant proportion of this money has been used to stabilise the market place and deliver sustainability for care providers. This has included increasing the capacity of the contract and brokerage team to ensure contract compliance visits and monitoring to take place in a timely manner – reducing or aiding early identification of risks. The introduction of a Brokerage function has also meant that more realistic costs and fees are negotiated. In addition uplifts have been provided (as described in the risk description) to improve stability and domiciliary care has been retendered. Through the Better Care Fund, we have also been able to enhance capacity through investment in a Bridging Service and through enhancing existing services to ensure that people can come out of hospital when medically fit to do so – even when they are unable to return home. This has helped to reduce Delayed Transfers of Care and Waiting Lists.

Work is progressing to overcome current challenges. This includes developing a new model of care for domiciliary care. At the beginning of 2018, the new domiciliary care contract started with providers now well established within the Borough. Work has also taking place on alternative approaches to traditional domiciliary care, with two Wellbeing Teams developed and one already launched. Wellbeing Teams will enable us to identify the model required and will focus on enhancing Wellbeing and not just on meeting needs.

Further work will continue during 2019/20 that will contribute towards the stability and sustainability of the market place – including diversification. Despite this, the risk of market failure remains high.

- **CSC, Service Standards & Inspection Outcome - Risk 7** (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 multi-agency safeguarding hub (MASH) has been successful. The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH.

The service is demand led and cannot fail to respond to the needs of a child due to budget or resource constraints. Changes on a local, regional and national level can have a significant impact on the demand for services. War and international factors can result in an unplanned increase in the number of unaccompanied asylum seeking children or families with no recourse to public funds. Geographical movement of families across the Eastern Region and London can see a rise in families needing services, including large sibling groups. Areas for improvement have been identified in the Ofsted (SIF) 2016 and the focused visit in 2018.

The level and complexity of some children and young people's needs and the lack of available national resources (specialist placements) to meet those needs is driving up cost pressures. As the Council continues to improve practice regarding the identification and tackling of Child Sexual Exploitation there is an increase in demand for service provision in terms of intervention; prevention and victim support. Current and new duties in terms of radicalization also place pressures on the service in terms of workforce capacity.

The pressures outlined above will not be alleviated in the short term and the risk rating will remain at the higher (red) level for the period covered.

- **CSC, Safeguarding & Protecting Children & YP - Risk 8** (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 Southend, Essex & Thurrock (SET) 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 development and implementation of the Thurrock Local Safeguarding Children Partnership arrangements will further improve the inter-agency arrangements to safeguard and promote the welfare of children and young people living in Thurrock.

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.

Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. Effective demand and resource management remain a priority for the service within an overriding context of keeping children safe.

Risk will remain constant throughout the period covered.

- **Property Ownership Liability - Risk 12** (Rating: 12 Critical/Likely)

There has been a long standing lack of clarity over the roles and responsibilities regarding building compliance between the different departments, particularly where the building involves activities crossing more than one discipline within the council. In April 2016, Directors Board approved a proposal to move to a Corporate Landlord model whereby the Corporate Property Team will take on direct management responsibility for all operational properties (excluding HRA properties and parks, etc).

The review of the property service by East of England Local Government Association (EELGA) highlighted an action to review the compliance of Council buildings & remains a key area of focus for the Corporate Property Team.

The council are undertaking condition and compliance surveys on 16 corporate landlord buildings. Condition and compliance surveys are also being undertaken on void properties, village halls and properties where a public facing and vulnerable user group are present ensuring that the buildings are surveyed in a priority order against a perceived risk to users. Initial findings are of a concern however and remedial works are planned to address. Training has been undertaken by members of the team on compliance liability to ascertain risk areas and make informed decisions.

The delays experienced in implementing property procedure rules, asset management strategy, restructure and asset management database has hindered progress to manage the risk. Risk rating remains as 12.

- **Fraud - Risk 20** (Rating: 12 Critical/Likely)

The Counter Fraud & Investigation service has an organisational-wide strategy and proactive work plan to monitor and manage the identified risks. A persistent training and education regime is in place, where experts from the service work with staff, contractors, Members and in the council's supply chain to identify and mitigate the risks, and increase awareness.

The council has current and effective policies on Counter Fraud, Bribery & Corruption and Money Laundering which are kept under constant review. These policies acknowledge the threats and install an action plan in identified incidents including, civil & criminal litigation and redress to recover any identified losses. Any control weaknesses identified in investigations are rectified in collaboration with the affected services and Internal Audit through SMART Action Plans.

- **Business Continuity Planning - Risk 24** (Rating: 12 Critical/Likely)

The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to service delivery arrangements across the council being ineffective in times of a disruption affecting the council and Thurrock e.g. loss of ICT, loss of use of the Civic Offices.

Oversight of Business Continuity Management is now being provided by Performance Board. The list of current Business Continuity Plans (BCPs) and critical functions has been updated and will form the basis of ongoing review process by Performance Board and service areas. BCPs are the responsibility of individual service areas.

The Strategic Business Continuity Plan has now been updated and links as appropriate have been made with the emergency planning team. However, Performance Board are continuing their work with services to confirm all areas have up to date BCPs so until that work has concluded, the risk rating will remain the same. Work is also ongoing to update the BCP template and to rollout to DMTs and managers.

- **Waste Strategy for Thurrock - Risk 27** (Rating: 12 Critical/Likely)

Cleaner, Greener and Safer Overview and Scrutiny Committee agreed July 2019 to form a cross-party working group (CPWG) to review the waste management arrangements. The recently formed CPWG have met on several occasions and have determined the need for a Public Consultation exercise to better gauge public opinion on a number of influential elements being considered for inclusion within the draft strategy being prepared for July 2020.

A forecast date of 31/07/2020 and forecast rating of 12 has been applied for the risk. The rationale for the evaluation is that the actions to develop and present the draft Waste Strategy are planned to be completed by the end of July 2020 but there is a balance of risk relating to the work that will be undertaken to establish a proposed new site for the depot.

- **Delivery of Capital Projects - Risk 15** (Rating: 12 Substantial/Very Likely)

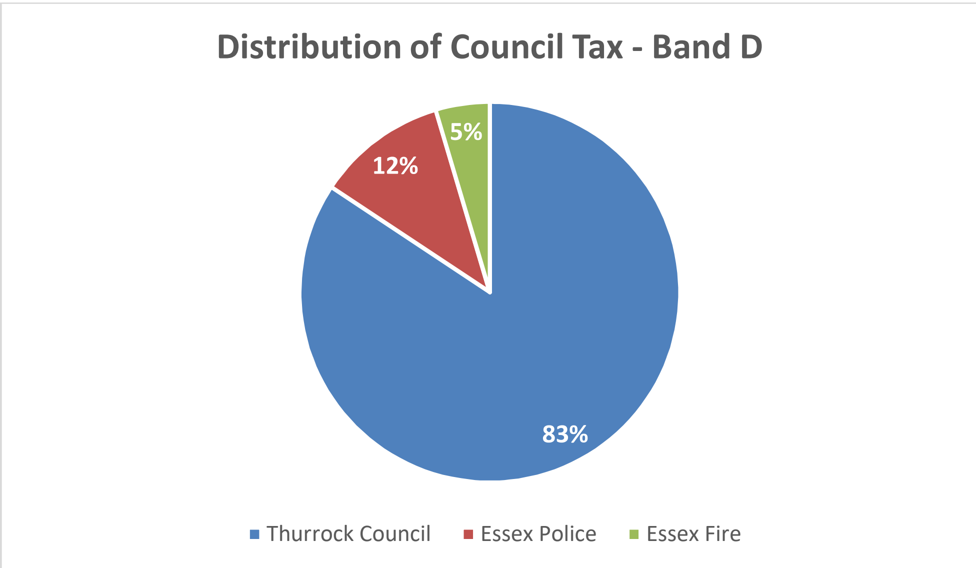
The Thurrock growth programme crosses many disciplines within the Council. It requires significant programme management capacity from the Regeneration team to lead the programme alongside a joined up approach with other areas of the authority to ensure that relevant specialisms are brought in as required and programmes and strategies are complementary. Investment needs to be committed to project development stages before outputs and benefits are realised, significant levels of funding are committed at risk to prove feasibility and investment then needs to continue to secure the benefits from the initial funding. External funding is committed to numerous projects, whilst this reduces the financial burden to the Council, compliance with funding agreements must be achieved to ensure the Council is not exposed financially via claw back mechanisms. Projects span numerous financial years and have to be able to respond to changing market, policy and financial conditions. Strong project and programme managers are essential to ensuring that delivery stays on track and investment secures value for money outputs. Increasing resource capacity in the team via Matrix has provided some additional support and approval has been received to secure 1 additional FTE. The project portfolio could benefit from significant external funding in 2020/21 which will put additional pressure on the existing staff resource as more projects are developed. Momentum needs to be maintained in the ongoing restructure to improve working cultures and secure additional resource.

10. Council Tax 2019/20

The net budget requirement for a Council is the amount needed to finance Council services after allowing for planned expenditure and income. For 2019/20, this was set by the Council at £111.690m. The amount met by Revenue Support Grant (£6.697m), other grants from Central Government (£3.118m), the projected surplus/deficit in the collection fund (£0.266m), and Business Rates (under the retention arrangements)(£35.547m) leaving £66.062m to be raised locally from Council Tax (the Council Tax Requirement).

The 2019/20 Band D Council tax for Thurrock Council services, including the adult social care precept was £1,287.81. The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverable debts and the local Council tax support scheme) of Band D equivalent properties.

The total Band D Council tax for the borough was £1,553.22 distributed amongst the preceptors as set out in the chart below.



11. Regeneration and Investment

Thurrock has a growth strategy which includes £20 billion of investment in jobs, homes and infrastructure, 1,000 acres of land ready for business development, 3 international ports along 18 miles of riverfront, 30 minutes from central London by train and 24,500 new jobs to be created.

There are 6 major growth hubs in the borough:

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

Future proposed developments to transform Thurrock include:

- Proposals to transform predominately brownfield sites in **Purfleet** into a new community and world class creative hub took a big step forward after being granted outline planning permission in April 2019.

- The plans for the 58 hectare scheme, which are expected to create about 2,200 new jobs, have been designed in close partnership with the community and include a new town centre, shops and restaurants, a media village, medical centre, new primary school, improved transport infrastructure and 2,850 new homes.

- Work has started in **Grays** to design new public spaces and other developments to go either side of a pedestrian underpass that's planned to go under the railway line and a town centre design guide which will set the standard for future development in the town centre.

- 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.

12. COVID-19 impact

The COVID-19 pandemic will have a significant impact on the Council's finances and the way it provides its services in 2020/21 and subsequent years. The financial impact in 2019/20 was limited to the final week of the year and actions taken to address the initial impacts were taken and funded in 2020/21.

Impact on the provision of services

From 23rd March those services temporarily designated non-essential, were suspended to protect staff and to help provide essential services. This meant staff could be diverted to provide assistance in satisfying new requirements caused by the pandemic. A new Community Support Team, Thurrock Coronavirus Community Action was established to provide food and supplies to the most vulnerable. The council, in partnership with Stronger Together, Thurrock CVS and other local organisations have worked together to safely coordinate support to residents in need and to help ensure voluntary work is carried out in a safe and co-ordinated way across the borough. To financially support businesses and individuals the Government have funded a range of initiatives. These include grants for business ratepayers (totalling £25.007m), relief from business rates for business in the retail, hospitality and leisure sectors (totalling circa £60m) and a hardship fund totalling £1.3m to support local residents in meeting their council tax bills for 2020/21. The Council has also received £9.21m to date in direct support of its own costs and loss of income due to the pandemic. The full financial impact of the pandemic remains under assessment in conjunction with Central Government.

Impact on the Council's workforce

From 23rd March staff moved to working flexibly from home in most office based services and this remains in place. Visits to residents homes for anything other than emergency repairs or for social care reasons were suspended immediately to protect the resident and member of staff. Access to Council offices by members of the public was also prevented. Sickness away from front-line services has had some initial impact on service delivery but this has been managed in line with all guidance issued.

Staff have been reminded to take care of their physical and mental health and improving overall wellbeing. Where possible staff are encouraged to take on personal development opportunities and a number of online resources have been made available to support them during this challenging time.

Impact on the Council's supply chain

In respect of supply chain risk, the Council is following guidance issued by the Cabinet Office in late March 2020: 'Procurement Policy Note - Supplier relief due to COVID-19'. This Procurement Policy Note sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the COVID-19 outbreak. The Council acted immediately to ensure suppliers at risk are in a position to resume normal contract delivery once the outbreak is over.

Supplies of personal protective equipment were required for staff. While challenging the Council has been able to obtain sufficient supplies from sources ensuring that the needs of staff on the front-line of our service delivery were and continue to be met.

Impact on reserves, financial performance and financial position

The Council has had to put considerable resources into ensuring that the most vulnerable in the community are cared for and the local economy is protected. These additional costs have not impacted on the financial outturn for 2019/20 as the financial impact of the response has fallen in 2020/21. The full impact of COVID-19 outbreak on the Council's finances continues to be monitored with initial indications suggesting further financial support from Central Government will be required to support the delivery of a balanced budget. The Council also has reserves available to temporarily address pressures but the main concerns are the wider economic impacts on the local Council Tax and Business Rates base.

Significant additional expenditure has been incurred across services mainly within social care, homelessness, hardship support for residents, supporting the voluntary and community sector and support for businesses. The Council is also expecting substantial losses across many of its income streams including business rates, council tax, housing rents, commercial income, parking, leisure services, regulatory and planning fees.

The Council has a general fund balance of £11m at the end of 2019/20, representing 9.8% of net revenue expenditure in the year. In addition, the Council has further reserves which could provide funding in the short term and these total of £11.434m at the end of 2019/20 (see note 15 to the accounts). These will need to be replaced to ensure the Council maintains its financial resilience in the longer term.

Cash Flow Management

The cashflows of the Council are managed on a daily basis as part of our treasury management function. Income from council tax, business rates, dwelling rents, commercial rents and service income such as fees and charges, all provide the cash to allow the Council to pay its bills. Continual cash-flow forecasting ensure that there are sufficient lenders in place to borrow from in a timely and affordable manner when the need arises. Surplus cash is held by the Council as investments until it is needed. These are shown in note 27 and note 29 to the accounts. It is expected that any negative cashflow effects from a reduction in income received, will be eased by the Government allowing councils to defer payment of business rates to Central Government for 3 months and by the upfront payment of section 31 grants due to us.

Major Risks to the Council

Despite the challenges, the council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The response to the crisis has added assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements.

The wider impact on Council services continues to be assessed in the aftermath of the Coronavirus pandemic. There is anticipated increased need for homelessness prevention, mental health and business support services. The longer term impact on the social care sector remains under review with potential concern over demand levels in both the short and longer term.

Plans for Recovery

The Council continues to review and consider scenarios in the Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will remain under review and reassessed throughout 2020/21.

13. STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

Statement of Accounts

The Statement of Accounts comprise of the following statements:

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

(ii) 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.

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

- Usable Reserves – those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable Reserves – those the Council 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.

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

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

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

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

1. The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

These accounts have been prepared in accordance with the Code of Practice 2019/20 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

2. Financial Performance

Overall Position

The Council's outturn position as reported below is a surplus of £3.004m, this position is reflected in Expenditure Funding Account (EFA). 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 outturn presented to Cabinet as it contains a number of technical accounting charges that are later reversed out through the Movement in Reserves Statement (MIRS). The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.

These adjustments include:

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

These create significant charges and credits to the cost of the various services - these are then reversed out through the MIRS, have a zero impact on the Council's overall resources. The financial outturn will be reported to Cabinet on 22 July 2020 is set out in the section below.

The Financial Outturn

In 2019/20 Thurrock Council set a balanced budget for the next four years up to the 2023/24 financial year. This was prior to the impact of Covid-19 which remains under consideration as discussed above.

As at the end of the 2019/20 municipal year, the Council has maintained the General Fund Balance at £11m, and the Housing Revenue Account Balance has been maintained at £2.175m.

These balances are arguably the most important reserves that a Council holds as they are set aside for unplanned impacts on the budget which are now being felt through the ongoing impact of the pandemic. There is some additional reserves which provide some further financial resilience in the short term only and while the wider central government funding remains under assessment.

Services continue to be protected and Members have used the flexibility to support services during the year such allocating funding to build on the Ofsted good rating achieved in 2019/20 and to address the increases in demand in homelessness in the borough arising from recent legislative changes. The remaining funding from the surplus will support the response to COVID-19 alongside service reviews which will need to balance cost savings with continued high quality service delivery.

The council continues to focus on prudent financial management to meet the financial challenges arising in services. This challenge has increased exponentially through COVID-19 and there remains significant uncertainty, for example in the stability of the adult social care market and in the longer term impact on commercial income streams.

In 2019/20 demand-led social care pressures continued to be closely managed alongside wider budget management controls, further income generation, improved efficiency measures and the reduction of non-essential spend. These challenges have been achieved while improving levels of financial resilience and delivering improved outcomes for residents

This report provides a high level summary on the outturn for 2019/20 for the General Fund, Housing Revenue Account and Capital.

In summary, expenditure has been achieved within the overall budget envelope and enabled an increase to balances to mitigate some of the significant financial risk already arising in 2020/21. Capital funding continues to support the delivery of housing and regeneration priorities

Financial Outturn 2019/20

The table below summarises the outturn position in line with financial reporting requirements, including the movement in reserves, and the prior year position to allow year on year comparison.

Net expenditure chargeable to the GF and HRA balances

2018/19 £'000	Directorate	2019/20 £'000
38,465	Adults; Housing and Health	43,086
37,678	Children's Services	41,021
650	Commercial Services	769
2,292	Corporate Costs	(2,952)
21,972	Environment and Highways	22,724
10,296	Finance, IT & Legal	0
0	Finance, Governance & Property*	18,144
3,505	HR; OD and Transformation	3,927
3,798	Place	3,665
(188)	Schools	347
2,187	Strategy, Communications & Customer Services	2,985
120,654	**Net Cost of General Fund Services**	**133,716**
(2,519)	Housing Revenue Account	5,521
118,135	**Net Cost of Services**	**139,237**
(131,380)	Other Income & Expenditure	(142,241)
(13,245)	**(Surplus)/Deficit**	**(3,004)**
(21,972)	Opening General Fund and HRA Balance	(35,217)
(13,245)	(Surplus)/Deficit in year (per table above)	(3,004)
(35,217)	Closing General Fund and HRA Balance	(38,221)

** Finance, Governance & Property is a change in directorate heading for 2019/20 which reflects the transfer of property services from the Place directorate*

It should be noted that included in the above table is £4.300m received from Central Government in the form of a grant to ease the financial burdens associated with the Covid-19 pandemic. This is reflected within Corporate Costs category and is then held as a reserve for use in 2020/21.

The table above shows the total opening and closing usable reserves of the Council. This includes a number of reserves that are held for specific purposes and those relating to schools include the end of year balances specific to individual maintained schools.

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

31-Mar-19 £'000	Reserve Category	31-Mar-20 £'000
909	Education and Schools	949
(1,635)	Adults, Community and Health	(463)
(93)	Grant Carried Forward	(0)
(4,574)	Other Earmarked Reserves	(6,047)
(0)	Covid 19 Funding	(4,374)
(3,450)	Budget Management Reserve	(5,272)
(4,000)	Financial Resilience Reserve	(6,162)
(11,000)	General Fund Balance	(11,000)
(11,374)	HRA Related	(5,852)
(35,217)	**TOTAL**	**(38,221)**

- Education and Schools – this includes individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use. This reflects the current deficit DSG position;

- Adults, Community and Health – this includes carry forward funding from the Public Health grant and Better Care fund which are ring-fenced for specific use;

- Grant carried forward – ring-fenced grant allocations for specific use as per grant conditions;

- Other earmarked reserves – this captures all other earmarked reserves including ring-fenced accounts such as building control and planning;

- Budget Management Reserve – this includes the surplus funding and balances set aside to enable specific transformation projects and manage the funding and delivery of these between financial periods;

- Financial Resilience Reserve – This reserve has primarily been established to manage the funding implications associated with the fair funding review and transition into the new system of business rates retention. This anticipates a potential reduction in funding available from historic growth in the system when the business rate baselines are reset alongside wider changes to the system of funding. The reserve also enables wider financial resilience to offset any wider impacts of the introduction of IFRS 9, financial accounting guidance on the treatment of investment balances and other financial assets;

- The General Fund Balance – the balance has been 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. The remaining balance represent the capital reserves supporting existing Council programmes.

Front Line Service Commentary

Adults, Housing & Health

Adults Social Care continues to operate in an ever challenging environment to deliver services within both their internal Provider Services and externally sourced care placements provisions. The demand for residential placements and support for people with learning disabilities, namely autism and challenging behaviours resulted in spend above the budgeted levels. Whilst some additional central government funding was allocated though the continued social care grant, this provided limited mitigation for the cost pressures in these key areas.

The budget has been rigorously managed through a combination of tight management of the waiting lists for Domiciliary Care and ongoing collaborative working with Health partners. This has enabled the Council to achieve one of the lowest number days of delayed discharges from hospital in the region. This is a key national indicator in tracking service user pathways through the Health and Social Care system.

Funds held within the pooled Better Care Fund further supported the directorate in their efforts to stabilise the domiciliary and residential care market but this area remains a high risk with providers experiencing ongoing issues with recruitment and retention of staff. Further investment has been allocated as part of the 2020/21 budget setting process including the adult social care precept.

A number of new initiatives continued to be implemented in the financial year to pilot alternative ways of working and service delivery.

In the absence of the Adult Social Care Green Paper there is still uncertainty surrounding future funding levels and proposed national reforms to the sector which makes long term planning difficult. In addition, the recent pandemic will have significant long term implications on the delivery of Adult Social Care services in the future and how services are delivered.

Housing General Fund

As a result of the implementation of the Homelessness Reduction Act in April 2018 and the changes to eligibility criteria for services, the Council's Housing Solutions service continued to receive increasing numbers of households presenting as homeless or at risk of homelessness throughout 2019/20. Members agreed to allocate a portion of the budget surplus to this area to offset the significant budget pressure.

Alongside this and in order to establish a longer term plan to be able to meet the increased demand, the service introduced a revised staffing structure to attract a stronger and qualified workforce and strengthen the service delivery. The service also continued to consider alternative accommodation solutions to try to limit the use of expensive nightly rate accommodation and bed and breakfast facilities to both improve the quality of accommodation and reduce the cost.

Children's Services

The Ofsted inspection carried out in November 2019 resulted in an improved rating of "Good" for the services delivered by the Local Authority to the children and families in the borough. The inspection outcome reflected the hard work and commitment by the department, further supported by the wider organisation. Additional funding from the budget surplus was allocated to support this process, as agreed by Members.

The number of Looked after Children being supported remained below 300 during the last quarter of the year (largely attributable to the dispersal of UASC across the Easter region) and the Directorate continued to focus on the use of in-house foster care placements as opposed to the more expensive independent fostering agency option. Although spend in this area remained high, there was a stabilisation of costs compared to the previous year.

As in previous years, difficulties in recruitment and retention of permanent staff, being over establishment for a number of posts and a reliance on the use of agency personnel caused an in year budget pressure. It should be noted that the levels of agency staff were lower than the previous financial year and work was undertaken to align the HR establishment list to the budget allocation to address this issue going forward.

Home to School Transport experienced significant budget pressures as a result of a combination of new contracts awarded in September 2019, increased costs for transportation to Independent Schools and an increase in numbers of pupils with Education, Health and Care plans. This continues to be an area of significant risk for Local Authorities across the country.

Environment and Highways

During 2019/20 the Directorate continued to build upon the significant investment made in the previous financial year and ensured funding allocations were in line with the key risk areas. Senior management continued to challenge non-essential spend and to further encourage residents to reduce contamination within their recycling waste.

Effective management of staffing levels provided mitigation to a number of risks identified throughout the year. Recruitment to permanent roles within Waste services reduced the levels of agency staff support in the last quarter.

The Waste contract (which is subject to a variable cost per tonne element for disposal) performed well against budget despite the fluctuating rates and continued high level of demand across the borough.

A mild winter and the use of the Thurrock based weather station allowed for more accurate local forecasting and a reduced need for gritting services than anticipated which also had a favourable impact on the budget.

Additional income was generated from the provision of parking bay suspensions in which parking bays were reserved for a specific purpose and the Local Authority charged the relevant fees.

Finance, Governance & Property

During 2019/20 the Authority's asset management and corporate landlord functions transferred from the Place directorate into Finance, Governance & Property.

There was significant spend incurred following a number of conditions surveys across a range of buildings to ensure compliance with health and safety regulations. In line with relevant legislation these costs could not be capitalised and remained a general fund pressure. A number of backdated utility charges further worsened the position but this was partially offset by increased rental income from commercial properties.

The Fraud Investigation team were unable to achieve their full income target following the decision to end their contract for work with another Local Authority. Attempts to secure alternative contracts with outside agencies had no significant budgetary impact but these plans remain in place for 2020/21.

The facilities management contract with an external supplier incurred a number of contract variations above the budgeted levels. There are plans to bring this service back under Local Authority management in 2020/21.

ICT incurred a number of software maintenance costs above expected levels which fell outside the scope for capitalisation and consequently became a general fund charge.

HR, OD & Transformation

Non-essential spend was tightly controlled across the directorate, a number of learning and development events were rescheduled and vacancies held to reduce the budgetary impact in 2019/20.

Staff training funded through the apprentice levy was maximised therefore reducing the level of spend allocated against the central training budget. The move to on-line training offers also led to a decrease in spend whilst still maintaining a diverse programme of courses.

The costs of the additional resources required to support the pay review project and the extra capacity needed in the Information Governance Team were absorbed and funded through vacant posts held elsewhere within the Directorate.

The costs associated with the continued roll out of Oracle Cloud were fully capitalised to reduce revenue costs pressures.

Place

Overall development income was lower than expected and when combined with consultancy costs related to the Local Plan this caused a significant pressure for the directorate. Income targets and staffing costs have been reviewed as part of the 2020/21 budget setting process.

The appropriate recharging of staffing time against the relevant regeneration capital project ensured the true cost of the scheme had been reflected for the year and there was no adverse effect on the revenue position. Additional staffing resource required to support the wider Place delivery service was funded through a combination of vacant post slippage and corporate funding.

The introduction of Performance Planning Agreements in which applicants pay a fee to access support for their scheme's planning application process achieved revenue in excess of anticipated levels.

The annual production of the pantomime at the Thameside Theatre received lower ticket sales compared to the previous year and this impacted income levels. As a result, the complex were unable to reach a break even position for the year.

Dedicated Schools Grant (DSG)

The high needs block remained a significant issue for Thurrock, with the number of EHCP's increasing by 4.2%, in 2019/20. This has required both additional top up funding to be paid to Schools and Academies and an increase in demand for specialist placements.

The DSG has a carried forward deficit of £2m. This is a decrease of £0.6m from 2018/19. Discussions continue with the ESFA and the Schools Forum on options available to reduce demand for EHCP's and to increase Thurrock's Local Offer. An updated recovery plan is to be submitted to the ESFA by the 30th June.

Other Income and Expenditure

The Council's investment approach and continued commercial focus has yielded additional returns in 2019/20 enabling greater investment in services and improved the level of useable reserves.

Housing Revenue Account

The HRA was successful in year in maintaining the overall financial outturn, and the level of general reserves in line with the HRA business plan. Throughout the service, expenditure was contained within the budgeted level, but there were some pressures as a result of additional, essential electrical testing works carried out as part of the repairs and maintenance programme for the year. These were mitigated by staff vacancies which were managed throughout the year.

Rental income exceeded expectation due to a reduction in Right-To-Buy sales. As in previous years this was used to offset a requirement to increase bad debt provision arising from an increase in tenant arrears due to roll out of Universal Credit and reduction of direct Housing Benefit payments. This situation will continue to be monitored closely, particularly in light of the recent situation regarding the pandemic, as the number of claimants continues to rise.

There was an increase in the number of water bills received as a result of changes to the supplier agreement on empty properties.

It is essential going forward that the HRA continues to maximise its income in order to sustain the levels of service provided, and to meet new challenging demands as a result of changes in legislation and stock maintenance requirements.

Capital Programme

Total capital expenditure for 2019/20 amounted to £101.398m. A summary of this expenditure analysed by service, is set out below and also shows the source of financing.

Service	Budget £'000s	Total £'000s	Variance £'000s
Adults; Housing and Health	3,723	1,618	(2,105)
Children's Services	11,870	9,825	(2,045)
Environment and Highways	9,813	6,430	(3,383)
Finance and Information Technology	6,896	3,344	(3,552)
Housing Revenue Account	29,567	28,656	(911)
HR; OD & Transformation	4,694	3,277	(1,417)
Corporate Strategy & Communications	151	34	(117)
Place	50,530	47,930	(2,600)
Total	**117,244**	**101,114**	**(16,130)**

Source of Finance	Budget £'000s	Total £'000s	Variance £'000s
Prudential Borrowing	36,981	25,753	(11,228)
Usable Capital Receipts	353	302	(51)
Earmarked Usable Capital Receipts	5,521	5,521	0
Major Repairs Reserve	10,540	10,540	0
Grants	15,272	11,816	(3,456)
Other Grants	36,138	35,788	(350)
Developers Contributions	5,249	4,204	(1,045)
Revenue Contribution to Capital	0	0	0
Reserves	7,190	7,190	0
Total	**117,244**	**101,114**	**(16,130)**

The capital outturn position includes the delivery of the following projects in 2019/20:

- £41.5m spent on improvements to the highways infrastructure, including drainage and bridge construction costs for the widening of the A13 between Orsett Cock and Manorway interchanges, works to the Stanford le Hope rail interchange, cycle and bus improvements to Tilbury station, works to Orsett Road Grays to enable two way traffic and drainage works at Buckles Lane South Ockendon.

- HRA new build schemes to the value of £15.5m have been delivered in year. This included the completion of the Topps Club development and further spend on the Calcutta Rd and Claudian Way sites.

- £12.3m spent on transforming council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs.

- £5.4m has been spent on the St Clere's school expansion with a further £2m spent on Tilbury Manor, Corringham Primary and Orsett Heath free school.

- £1.5m spent on the development of the Aveley Community Hub, completion and opening due in 2020/21.

- £1.0m spend on environmental improvements including works to war memorials, improvements to burial grounds and open spaces.

- New PC's and RFID (radio frequency identification) units at various libraries throughout the borough

- 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 2020, the Council had authorised expenditure in future years of £15.8m. In addition a further £189.4m had been previously authorised for use in 2020/21 to 2022/23, giving a total future years' commitment of £205.2m.

This includes:

- £50.0m on East Facing access roads to the A13 from Lakeside;
- £18.7m on housing new build developments;
- £16.4m on widening of the A13;
- £12.8m on the Purfleet redevelopment;
- £12.5m on improvements to Stanford Le Hope rail/bus interchange;
- £12.3m on school expansions;
- £8.3m on a 21st Century Care Home;
- £6.8m on improvements to Grays South; and
- £5.0m on the expansion of the Riverside Business Centre.

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 2012, which ensures that sufficient monies are raised to cover annual expenditure. Hence the Council has processes in place to raise finance to meet its commitments as they fall due.

Corporate Performance

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

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

The Corporate KPI Framework in 2019/20 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

At the time of publishing the final outturn of this suite of indicators was not available, however indications show that the percentage of indicators which achieved their target was significantly higher than the 68% achieved in 2018/19. The final outturn will be published as part of the Corporate Overview and Scrutiny Committee meeting papers scheduled for September 2020.

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 28 to the accounts but ,in summary, the Comprehensive Income and Expenditure Statement includes the amounts due for the year whilst the Balance Sheet includes the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The liability has decreased by £3.715m to £158.894m between 31 March 2019 and 31 March 2020.

External Investments

The Council has approved an Investment Strategy to meet service pressures and support service improvements in the Borough. There has been an upwards movement in investment of £196m in 2019/20.

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

These investments are reflected in the appropriate Balance Sheet categories.

3. Future Financial Issues

Economic Outlook

The Local Government Finance Settlement for 2020/21 was confirmed by the Ministry for Housing, Communities and Local Government (MHCLG) on 6 February 2020 and confirms the reductions in Government Funding. The latest Finance Settlement maintains the key changes in the way that Local Government is now financed, which were introduced in April 2013, with the main changes being from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. All forecasts continue with the principle of phasing out reliance on central government support and to replace this with income raised locally through Council Tax, Business Rates and income generation.

The main sources of income to fund general services remain government grants, business rates income and Council tax. This continues to be supported by an investment strategy to generate returns to meet service pressures while delivering service improvements in the Borough and improving the financial resilience of the Council. The continuing financial challenges have increased exponentially with COVID-19 - especially in children's and adult social care means the Council continues to identify and assess transformation opportunities to meet these challenges.

The localisation of business rates continues to increase uncertainty over the level of income retained from this source. The Council retains circa £36m from a total collection of £121m (30%) against a headline of 49% retention but continues to manage the risk arising from successful appeals against rateable value assessments. Gains for Thurrock Council through a greater headline retention cannot be guaranteed and so are not assumed. What is known at this time is that other grants, such as Public Health Grant, will be met from greater retention but then at the loss of the specific grant.

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 and the debt profile will be considered going forward.

General Fund

For the period 2020/21–2024/25, 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 £2.9m to be delivered by 2022/23.

The Council has currently set a budget that is balanced for the period 2020/21 and a medium-term financial strategy that is balanced for three of the five financial years from 2020/21 through to 2024/25. The medium term financial strategy has a budget gap of £3.795m in 2023/24 and a further gap of £3.258m in 2024/25.

The impact of Covid-19 remains under assessment but it is clear there will be significant additional funding gaps to meet. The extent of these will largely be determined by the wider economic impacts on residents and business which will, in turn, determine the council tax base and business rates base for 2021/22.

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. These are under consideration in light of the financial impacts of the pandemic and will be reassessed accordingly.

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. There remains risks inherent in core income streams and the ongoing role of the investment strategy is under consideration.

Capital and Treasury Issues

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

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

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

4. Specific Accounting Issues

Accounting for Group Companies

The Council continues to consolidate the financial statements of the subsidiary companies Thurrock Regeneration Ltd and Thurrock Homes Ltd.

The group financial statements are included in this document.

5. 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 £2.9m savings required over the forthcoming three financial years. A number of Boards continue to work to either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services continue to be subject to independent service reviews against set criteria, including demand, customers, process, people, digital and ICT as well as commercial and procurement opportunities, over the medium term.

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

6. 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.

7. Further Information

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

The Council's Responsibilities

The Council is required to:

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

- 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, Governance and Property's Responsibilities

The Director of Finance, Governance and Property 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, Governance and Property has:

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

The Director of Finance, Governance and Property 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, Governance and Property'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 2020.

Director of Finance, Governance and Property

Date: 24 November 2020

Chair of the Standards and Audit Committee

Date: 24 November 2020

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EXPENDITURE FUNDING ANALYSIS

The Expenditure and Funding Analysis (EFA) 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/Services/Departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19				2019/20		
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**
38,465	3,240	**41,705**	Adults; Housing and Health	43,086	3,751	**46,838**
37,678	4,143	**41,821**	Children's Services	41,021	14,278	**55,299**
650	113	**763**	Commercial Services	769	125	**894**
2,292	(691)	**1,601**	Corporate Costs	(2,952)	(130)	**(3,082)**
2,187	389	**2,576**	Strategy, Communications and Customer Services	2,985	619	**3,604**
21,972	7,842	**29,815**	Environment and Highways	22,724	9,073	**31,796**
10,296	969	**11,266**	Finance, IT & Legal	0	0	**0**
0	0	**0**	Finance, Governance & Property	18,144	10,941	**29,085**
3,505	773	**4,278**	HR; OD and Transformation	3,927	887	**4,814**
3,798	5,141	**8,938**	Place Directorate	3,665	6,218	**9,883**
(188)	903	**714**	Schools	347	0	**347**
120,654	**22,822**	**143,476**	**General Fund**	**133,716**	**45,761**	**179,478**
(2,519)	1,069	**(1,449)**	Housing Revenue Account	5,521	2,649	**8,169**
118,135	**23,892**	**142,027**	**Cost of Services**	**139,237**	**48,410**	**187,647**
(131,380)	(28,860)	**(160,240)**	Other Income and Expenditure	(142,241)	(35,320)	**(177,561)**
(13,245)	**(4,968)**	**(18,213)**	**Surplus or Deficit**	**(3,004)**	**13,091**	**10,086**
(21,972)			Opening General Fund and HRA Balance at 31 March 2019	**(35,217)**		
(13,245)			Less Deficit on General Fund and HRA	**(3,004)**		
(35,217)			**Closing General Fund and HRA Balance at 31 March 2020***	**(38,221)**		

*For a split of the balance between the General Fund and the HRA – see the Movement in Reserves Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Primary Statement

2018/19					2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
87,805	(46,100)	**41,705**	Adults; Housing and Health		95,554	(48,716)	**46,838**
88,328	(46,506)	**41,822**	Children's Services		105,073	(49,774)	**55,299**
759	4	**763**	Commercial Services		890	4	**894**
48,095	(46,494)	**1,601**	Corporate Costs		39,899	(42,982)	**(3,082)**
2,873	(297)	**2,576**	Strategy, Communications and Customer Services		4,033	(429)	**3,604**
33,226	(3,412)	**29,814**	Environment and Highw ays		35,439	(3,643)	**31,796**
12,768	(1,502)	**11,266**	Finance, IT & Legal		0	0	**0**
0	0	**0**	Finance, Governance & Property		30,252	(1,167)	**29,085**
47,547	(54,565)	**(7,017)**	Housing Revenue Account		47,512	(54,796)	**(7,284)**
4,600	(323)	**4,278**	HR; OD and Transformation		5,155	(341)	**4,814**
19,151	(10,213)	**8,938**	Place Directorate		20,478	(10,595)	**9,883**
26,111	(25,397)	**714**	Schools		9,527	(9,180)	**347**
371,262	**(234,804)**	**136,459**	**Cost of Services**		**393,813**	**(221,619)**	**172,194**
24,906	(12,126)	12,780	Other operating expenditure	8	22,853	(7,960)	14,893
20,185	(34,589)	**(14,404)**	Financing and investment income and expenditure	9	27,778	(49,928)	(22,150)
2,070	(155,118)	**(153,048)**	Taxation and non-specific grant income and expenditure	10	1,389	(156,241)	(154,851)
418,424	**(436,636)**	**(18,213)**	**(Surplus) or deficit on Provision of Services**		**445,834**	**(435,747)**	**10,086**
0	(24,280)	**(24,280)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	24/25	0	(12,156)	**(12,156)**
0	(30,220)	**(30,220)**	Remeaurement of the net defined benefit liability/(asset)	28	0	(22,308)	**(22,308)**
0	0	**0**	(Surplus) or deficit on financial assets measured at fair value through other comprehensive income		0	0	**0**
0	**(54,500)**	**(54,500)**	**Other Comprehensive Income and Expenditure**		**0**	**(34,464)**	**(34,464)**
418,424	**(491,136)**	**(72,713)**	**Total Comprehensive Income and Expenditure**		**445,834**	**(470,211)**	**(24,378)**

MOVEMENT IN RESERVES STATEMENT

Primary Statement

	Notes	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018		**(13,329)**	**(8,643)**	**(27,378)**	**(21,875)**	**(71,225)**	**(520,720)**	**(591,945)**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure		(24,190)	5,977	0	0	(18,213)	(54,500)	(72,713)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	5	13,674	(8,707)	(677)	(9,091)	(4,801)	4,801	0
Increase or (Decrease) in 2018/19		(10,516)	(2,730)	(677)	(9,091)	(23,014)	(49,699)	(72,713)
Balance at 31 March 2019 carried forward		**(23,845)**	**(11,373)**	**(28,055)**	**(30,966)**	**(94,239)**	**(570,419)**	**(664,658)**

MOVEMENT IN RESERVES STATEMENT

Primary Statement

		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019		**(23,845)**	**(11,373)**	**(28,055)**	**(30,966)**	**(94,239)**	**(570,419)**	**(664,658)**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure		1,917	8,169	0	0	10,086	(34,464)	(24,378)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	5	(10,441)	(2,648)	(929)	7,147	(6,871)	6,871	0
Increase or (Decrease) in 2019/20		**(8,524)**	**5,521**	**(929)**	**7,147**	**3,215**	**(27,593)**	**(24,378)**
Balance at 31 March 2020 carried forward		**(32,369)**	**(5,852)**	**(28,984)**	**(23,819)**	**(91,024)**	**(598,012)**	**(689,036)**

BALANCE SHEET
Primary Statement

31 March 2019 £000		Notes	31 March 2020 £000
1,079,683	Property, Plant & Equipment	24	1,122,414
1,115	Intangible Assets		6,162
22,616	Heritage Assets		22,851
130,466	Long Term Investments	27	153,841
746,715	Long Term Debtors	17	817,918
1,980,595	**Long Term Assets**		**2,123,186**
27,507	Short Term Investments	27	88,995
1,605	Assets Held for Sale		1,605
282	Inventories		311
46,855	Short Term Debtors	17	77,685
15,308	Cash and Cash Equivalents	29	63,483
91,557	**Current Assets**		**232,079**
(971,266)	Short Term Borrowing	27	(1,073,010)
(48,316)	Short Term Creditors	18	(50,357)
(4,631)	Short Term Provisions	16	(6,466)
(1,024,213)	**Current Liabilities**		**(1,129,833)**
(660)	Long Term Provisions	16	(4,284)
(195,196)	Long Term Borrowing	27	(347,902)
(162,609)	Pension Liability	28	(158,894)
(132)	Long Term Creditors		(185)
(24,683)	Capital Grants Receipts in Advance	21	(25,131)
(383,280)	**Long Term Liabilities**		**(536,396)**
664,659	**Net Assets**		**689,036**
(94,239)	Usable reserves	19	(91,024)
(570,420)	Unusable Reserves	20	(598,012)
(664,659)	**Total Reserves**		**(689,036)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Director of Finance, Governance & Property

Date: 24 November 2020

CASH FLOW
Primary Statement

2018/19 £'000		Notes	2019/20 £'000
18,213	Net surplus or (deficit) on the provision of services		(10,086)
39,878	Adjustment to surplus or deficit on the provision of services for non cash movements		83,756
(51,740)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(52,621)
6,351	**Net Cash flows from operating activities**	**33**	**21,049**
(392,207)	Investing Activities	31	(224,223)
373,182	Financing Activities	32	251,349
(12,674)	**Net increase or decrease in cash and cash equivalents**		**48,175**
27,982	Cash and cash equivalents at the beginning of the reporting period		15,308
15,308	**Cash and cash equivalents at the end of the reporting period**	**29**	**63,483**

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2019/20 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

1.2 Accounting Estimation Techniques

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

1.3 Accounting Concepts

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

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

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

- ***Comparability*** – the financial information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and with that of other local authorities subject to the introduction of improved accounting practices as disclosed each year.
- ***Verifiability*** – the financial information faithfully represents the substance of the transactions of the Council and can be verified by knowledgeable independent observers. The financial information is presented in accordance with the accounting policies included below.

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

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

1.4 Accruals of Income and Expenditure

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- 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

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 Teachers' Pensions in the year.

Local Government Pension Scheme

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

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

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

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

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

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

- ***Service cost comprising:***

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

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

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

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

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

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

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

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

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

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

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

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority 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 discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 Leases

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

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

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 commencement of the lease at the lower of the fair value measured at the lease's inception or the present value of the minimum lease payments. This asset is matched by a long term liability representing the total future obligation to pay the lessor. The asset recognised is matched by an obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

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

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

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

Finance Leases – the Council as Lessor

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

Operating Leases – the Council as Lessee

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

Operating Leases – the Council as Lessor

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

Recognition

De Minimis & Materiality Limits

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

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

1.12 Minimum Revenue Provision

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (MRP), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

1.13 Overheads and Support Services

The Council does not report overheads and support services within the management accounts and consequently not included in the Comprehensive Income and Expenditure Account.

1.14 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.

1.15 Property, Plant and Equipment

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing(EUV–SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

For the financial year 2019/20, a revaluation of 20% of Land and Building assets was undertaken. In addition a desktop review of the Land and Building assets (including dwellings) was also undertaken at the 31 March 2020. For 2019/20 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

Impairments and Revaluation Losses

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

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

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

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

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

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

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

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

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

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

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

1.16 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 2019/20 where the transaction was fully committed as at 31 March 2020 have been shown as Assets Held for Sale.

Disposals and De-recognitions

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

Capital Adjustment Account through the movement in Reserves Statement. Any revaluation gains accumulated in the Revaluation Reserve in respect of an asset disposed of are transferred to the Capital Adjustment Account.

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

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

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

1.17 Fair Value Measurement

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

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

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

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

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

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

1.18 Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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.

1.19 Reserves

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

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

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

1.20 Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes covering statutory provisions 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.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

1.21 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.

1.22 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 but the Council is satisfied their valuations are reasonable. Magazine No 5 at Purfleet and Coalhouse Fort at Tilbury are open to the public.

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

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

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

1.23 Council tax and non-domestic rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the comprehensive income and expenditure statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The balance sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.24 Interests in Companies and Other Entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has identified two group companies – Thurrock Regeneration Ltd and Thurrock Homes Ltd. Inclusion in the group is dependent upon the extent of the council's control over the company or entity and the materiality of the interest. The council considers that it has a material interest in various entities detailed in Note 17 and has classified them as a subsidiaries. There has been a full consolidation of the companies into the group accounts, all transactions and balances between the council and the subsidiary are eliminated in full. In the Council accounts the investment in Thurrock Regeneration Ltd is held at amortised cost.

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

Standards that have been issued but not yet adopted, which will require disclosure in 2019/20 accounts, which are introduced in the 2020/21 Code are:

- **Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures**
  The amendment changes are:
  i) Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
  ii) Paragraph 41 has been deleted.

- **Annual Improvements to IFRS Standards 2015 - 2017 Cycle**
  The following standards have been amended:
  i) IFRS 3 Business Combinations – clarified that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business.
  ii) IFRS 11 Joint Arrangements – clarified that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.
  iii) IAS 12 Income Taxes – clarified that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
  iv) IAS 23 Borrowing Costs – clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

- **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**
  This amendment will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020, no prediction can be made of the possible accounting impact.

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

The Code required implementation from 1 April 2020 and there is therefore no impact on the 2019/20 Statement of Accounts.

Note 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

- The Council recognises school assets for Community schools and Foundation schools on its Balance Sheet. The Council has not recognised non-current assets relating to Voluntary Aided schools or Academies as it is of the opinion that these assets are not controlled by the Council.

- When a school that is held on the Council's Balance Sheet transfers to Academy status, the Council accounts for this as a disposal for nil consideration on the date that the schools converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2019/20, four maintained schools converted to academy status.

- Group boundaries have been estimated using the criteria associated with the Code of Practice. The Council has a wholly owned company, Thurrock Regeneration Ltd. The aim of this company is to deliver a range of affordable, private rented and for sale housing. Thurrock Regeneration has a wholly owned subsidy, Thurrock Housing Ltd. Both Thurrock Regeneration Ltd and Thurrock Housing Ltd are deemed to constitute a material group interest and these wholly-owned subsidiaries have been consolidated within the Council's Group Accounts.

- Local authorities are required by the Code of Practice on Local Authority Accounting 2019/20 to prepare their accounts on a going concern basis, that is that the functions of the Authority will continue to operate for the foreseeable future, as it can only be discontinued under statutory prescription. This is despite the impact of COVID-19 on the financial sustainability of the Authority because the going concern basis and the rationale behind it remains unchanged.

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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid	The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the balance sheet.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements and assumptions. This includes: mortality assumptions, the rate of inflation, the rate of increase in salaries, the rate of increase in pensions and the rate for discounting scheme liabilities. There has been judgements and assumptions made in relation to McCloud and Sergeant when estimating the pension liability. Barnett Waddingham as the pension fund's actuary has provided expert advice about the assumptions applied. The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property allocations as at 31 March 2020 are difficult to value. Valuations by Investment Managers are therefore	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £11.51m

Item	Uncertainty	Effect
	reported on the basis of 'material valuation certainty'. As a consequent less certainty and a higher degree of caution should be attached to the valuation than normally be the case.	
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example surplus assets, an external valuer is employed). At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However, where observable data has changed in the weeks following 31 March 2020 asset values have been reviewed and adjusted accordingly Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 24.	The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments. These are based on observable inputs used in the fair value measurement which for property assets include industrial land values, residential sales, and consideration of the lease status of these assets. For financial instruments the observable inputs are set out in detail in Note 27 to the financial statements.

Item	Uncertainty	Effect
Arrears	At 31 March 2020, the Council had a balance of short term debtors of £6.4m. A review of significant balances suggested that an impairment allowance for doubtful debts of £1.9m is appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	If collection rates were to deteriorate an increase in the amount of the impairment for doubtful debts would be required. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19.
Britain leaving the European Union	There is still a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict what affect our leaving will have and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the Council's assets or change the discount rate.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Note 5(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 proper accounting practices.
- **Taxation and non-specific grant income and expenditure-** capital grants are adjusted for income not chargeable under proper 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 proper accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses of Deficits on the Collection Fund.

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2018/19	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	1,324	1,935	(18)	3,240
Children's Services	1,698	2,251	194	4,143
Commercial Services	0	72	42	113
Corporate Costs	13	175	(879)	(691)
Corporate Strategy & Communications	30	362	(2)	389
HR; OD and Transformation	52	402	319	773
Schools	0	903	0	903
Place Directorate	4,350	828	(37)	5,141
Environment and Highways	6,733	1,114	(5)	7,842
Finance, IT & Legal	41	942	(14)	969
Net Cost of Services	**14,241**	**8,982**	**(401)**	**22,822**
Housing Revenue Account	**10,121**	**909**	**(9,960)**	**1,069**
Other Income and Expenditure	**(23,752)**	**4,417**	**(9,525)**	**(28,860)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**610**	**14,308**	**(19,886)**	**(4,968)**

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2019/20	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	485	3,139	128	3,751
Children's Services	9,597	4,466	215	14,278
Commercial Services	0	127	(2)	125
Corporate Costs	0	142	(272)	(130)
Strategy, Communications and Customer Services	31	573	16	619
HR; OD and Transformation	0	652	235	887
Schools	0	0	0	0
Place Directorate	4,892	1,218	108	6,218
Environment and Highways	7,236	1,781	55	9,073
Finance, Governance & Property	9,478	1,382	81	10,941
Net Cost of Services	**31,719**	**13,479**	**564**	**45,761**
Housing Revenue Account	**18,585**	**1,729**	**(17,665)**	**2,649**
Other Income and Expenditure	**(37,668)**	**3,385**	**(1,037)**	**(35,320)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**12,636**	**18,593**	**(18,138)**	**13,091**

Note 5(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.

	2018/19						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES							
Amortisation of intangible assets	(1,541)	0	0	0	0	(1,541)	1,541
Charges for depreciation and impairment of non-current assets	(9,250)	(9,261)	0	0	0	(18,511)	18,511
Revaluation losses on property, plant and equipment	(4,094)	(2,541)	0	0	0	(6,635)	6,636
Revaluation gains reversing previous losses	3,250	1,719	0	0	0	4,969	(4,969)
Revaluation Depreciation Adjustments	(7)	(31)	0	0	0	(38)	38
Movement in the fair value of long term debtors	5,517	0	0	0	0	5,517	(5,517)
Movement in the value of held for sale assets	0	(7)	0	0	0	(7)	7
Capital Grants and contributions applied	24,257	0	0	0	0	24,257	(24,257)
Revenue expenditure funded from capital under statute (REFCUS)	(7,413)	0	0	0	0	(7,413)	7,413
Grant Funding for REFCUS	4,815	0	0	0	0	4,815	(4,815)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(8,469)	(14,739)	0	0	0	(23,208)	23,208
Capital expenditure funded from revenue reserves	22	0	0	0	0	22	(22)
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	2,811	0	0	0	0	2,811	(2,811)

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	2018/19						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	1,484	1,484	(1,484)
Capital Grants and contributions unapplied credited to the CIES	10,576	0	0	0	(10,576)	0	0
Adjustments primarily involving the Capital Receipts Reserve:							
Use of the capital receipts reserve to finance new capital expenditure	0	0	9,835	0	0	9,835	(9,835)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	4,611	7,515	(12,126)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	(37)	0	0	(37)	37
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	0	(72)	72	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,032)	0	1,032	0	0	0	0
Use of capital receipts funding transformation expenditure	(548)	0	548	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of notional major repairs allowance credited to the HRA	0	10,015	0	(10,015)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	10,015	0	10,015	(10,015)

	2018/19						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(22,152)	(2,267)	0	0	0	(24,419)	24,419
Employer's pension contributions and direct payment to pensioners payable in year	9,165	946	0	0	0	10,111	(10,111)
Adjustments involving the Collection Fund Adjustment Account (Council Tax)							
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	292	0	0	0	0	292	(292)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	2,369	0	0	0	0	2,369	(2,369)
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	504	17	0	0	0	521	(521)
Total Adjustments	**13,683**	**(8,706)**	**(676)**	**0**	**(9,092)**	**(4,791)**	**4,792**

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	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
	2019/20						
	Usable Reserves						
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES							
Amortisation of intangible assets	(681)	0	0	0	0	(681)	681
Charges for depreciation and impairment of non-current assets	(9,810)	(9,216)	0	0	0	(19,026)	19,026
Revaluation losses on property, plant and equipment	(13,421)	(2)	0	0	0	(13,423)	13,423
Revaluation gains reversing previous losses	2,598	271	0	0	0	2,869	(2,869)
Revaluation Depreciation Adjustments	(1)	(6)	0	0	0	(7)	7
Movement in the fair value of long term debtors	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(2)	0	0	0	(2)	2
Capital Grants and contributions applied	39,750	0	0	0	0	39,750	(39,750)
Revenue expenditure funded from capital under statute (REFCUS)	(13,875)	0	0	0	0	(13,875)	13,875
Grant Funding for REFCUS	3,472	0	0	0	0	3,472	(3,472)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(3,736)	(17,375)	0	0	0	(21,111)	21,111
Capital expenditure funded from revenue reserves	10	7,180	0	0	0	7,190	(7,190)
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	6,019	0	0	0	0	6,019	(6,019)

	2019/20						
	Usable Reserves						
	General Fund Balance	Housing Revenue Account Balance	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
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	8,586	8,586	(8,586)
Capital Grants and contributions unapplied credited to the CIES	1,439	0	0	0	(1,439)	0	0
Adjustments primarily involving the Capital Receipts Reserve:							
Use of the capital receipts reserve to finance new capital expenditure	0	0	5,823	0	0	5,823	(5,823)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	215	7,819	(8,034)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	(39)	0	0	(39)	39
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0
Contribution from the capital receipts reserve tow ards administration costs of non-current assets disposal	0	(74)	74	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,032)	0	1,032	0	0	0	0
Use of capital receipts funding transformation expenditure	(215)	0	215	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of notional major repairs allow ance credited to the HRA	0	10,540	0	(10,540)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	10,540	0	10,540	(10,540)
Adjustments primarily involving the Financial Instrument Adjustment and Available for Sale Reserves:							
Movement in the fair value of pooled investments	(3,412)	0	0	0	0	(3,412)	3,412
Amounts by w hich finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance w ith statutory requirements	422	0	0	0	0	422	(422)

	2019/20						
	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves (total) £000	Movement in Unusable Reserves (total) £000
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,862)	(2,763)	0	0	0	(29,625)	29,625
Employer's pension contributions and direct payment to pensioners payable in year	9,998	1,034	0	0	0	11,032	(11,032)
Adjustments involving the Collection Fund Adjustment Account (Council Tax)							
Amount by which council tax credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	106	0	0	0	0	106	(106)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	(644)	0	0	0	0	(644)	644
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(781)	(55)	0	0	0	(836)	834
Total Adjustments	**(10,441)**	**(2,649)**	**(929)**	**0**	**7,147**	**(6,872)**	**6,870**

Note 6 EXPENDITURE AND INCOME ANALYSED BY NATURE

2018/19 Carrying amount £000		2019/20 Carrying amount £000
	Expenditure	
115,847	Employee expenses	125,482
228,460	Other service expenses	225,558
(2,262)	Support Services Recharges	(1,112)
29,176	Depreciation, Amortisation, Impairment & REFCUS	43,687
20,273	Interest payments and pension movement	24,578
664	Precepts and Levies	711
2,025	NNDR Pooling Expenses	1,375
1,032	Payments to housing capital receipts pool	1,032
23,208	Gains/losses on disposals of non current assets	21,111
0	Movement in Fair Value of Pooled investments	3,412
418,424	**Total Expenditure**	**445,834**
	Income	
(93,116)	Fees, charges and other service income	(89,300)
(34,589)	Investment income	(49,928)
(106,389)	Income from Council Tax and Non-Domestic Rates	(105,289)
(185,602)	Government Grants and Contributions	(183,270)
(12,126)	Gains/losses on disposals of non current assets	(7,960)
(4,815)	Depreciation, Amortisation and Impairment	0
(436,637)	**Total Income**	**(435,747)**
(18,213)	**Surplus or Deficit on the Provision of Services**	**10,086**

Note 7 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 and Early Years Finance (England) Regulations 2018. 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 2019/20 are as follows:

Notes	Schools Budget Funded By Dedicated Schools Grant (DSG)	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for 2019/20 before Academy Recoupment			156,969
B	Academy and high needs figure recouped for 2019/20			(113,787)
C	Total DSG after academy and high needs recoupment for 2019/20			43,182
D	Plus: Brought Forward from 2018/19			(2,656)
E	Less: Carry Forward to 2020/21 agreed in advance			1,409
F	Agreed initial budgeted distribution in 2019/20	34,657	7,278	41,935
G	In Year Adjustments	218	0	218
H	Final Budget Distribution for 2019/20	34,875	7,278	42,153
I	Less: Actual Central Expenditure	(35,444)	0	(35,444)
J	Less: Actual ISB deployed to schools	0	(7,278)	(7,278)
K	Plus: Local authority contribution 2019/20	0	0	0
L	Carry Forward to 2020/21	**(569)**	**0**	**(1,978)**

On the 30 January 2020 the secretary of state for education laid before Parliament the School and Early Years Finance (England) Regulations 2020.

The new regulations from the Department for Education (DfE) mandate that a DSG deficit from 2019/20 may only be funded and recovered through DfE financial support and recovery arrangements.

Thurrock in 2019/20 has a deficit of £1.978m, this is an in year reduction of £0.678m. The deficit has arisen from significant increase in demand for Education, Health and Care Plans and specialist placements. Thurrock is working with the DfE in the development of a DSG Deficit recovery plan.

Note 8 OTHER OPERATING EXPENDITURE

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

2018/19 £000		2019/20 £000
666	Levies	710
1,032	Payments to the Government Housing Capital Receipts Pool	1,032
11,082	Gains/losses on the disposal of non current assets	13,151
12,780	**Total**	**14,893**

Note 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2018/19 £000		2019/20 £000
15,768	Interest payable and similar charges	20,632
4,417	Net interest on the net defined benefit liability	3,735
(34,589)	Interest receivable and similar income	(49,928)
0	Movement in Fair Value of Pooled Investments	3,412
(14,404)	**Total**	**(22,149)**

Note 10 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2018/19 £000		2019/20 £000
(65,709)	Council tax income	(66,325)
(38,654)	Non domestic rates	(37,574)
(13,853)	Non-ringfenced grants	(9,763)
(34,832)	Capital grants and contributions	(41,189)
(153,048)	**Total**	**(154,851)**

Note 11 MEMBERS' ALLOWANCES

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

2018/19 £000	Members' Allowances	2019/20 £000
662	Allowances	678
662	**Total**	**678**

One Member was underpaid by £2,500 in 2019/20 which has been corrected in 2020/21.

Note 12 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2019/20 is set out in the table below:

Senior Staff Emoluments 2019/20	Note	Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive – Lyn Carpenter		178,500	28,739	207,239
Corporate Director of Adults, Housing & Health and Children's Services		145,150	23,369	168,520
Director of HR, OD & Transformation		108,000	17,388	125,388
Director of Children's and Families		106,056	17,075	123,131
Director of Place		120,794	19,448	140,241
Director of Finance, Governance and Property		120,263	19,362	139,625
Director of Public Health		113,001	18,193	131,194
Director of Strategy, Communication & Customer Services		108,000	17,388	125,388
Director of Adult Social Care and Community Development		103,273	16,627	119,900
Director of Environment Highways and Counter Fraud		111,626	17,972	129,597

Senior officer remuneration for 2018/19 is set out in the table below:

Senior Staff Emoluments 2018/19	Note	Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive – Lyn Carpenter		171,501	27,612	199,113
Corporate Director of Children's Services		136,002	21,896	157,898
Director of HR, OD & Transformation		106,002	17,066	123,068
Corporate Director of Adults, Housing and Health		135,501	21,816	157,317
Corporate Director of Place		136,002	21,896	157,898
Director of Corporate Finance & IT		111,000	17,871	128,871
Director of Public Health		111,000	17,871	128,871
Director of Strategy, Communication & Customer Services		106,002	17,066	123,068
Director of Commercial Services		102,289	17,066	119,355
Director of Environment and Highways		106,021	17,066	123,087

The number of employees whose remuneration (including severance payments where applicable) was £50,000 or more, in bands of £5,000 is shown in the table below. This does not include the senior officers shown above.

Remuneration of Senior Staff	2018/19	2019/20
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	75	77
55,001 - 60,000	37	45
60,001 - 65,000	43	41
65,001 - 70,000	25	41
70,001 - 75,000	12	20
75,001 - 80,000	8	9
80,001 - 85,000	9	5
85,001 - 90,000	2	3
90,001 - 95,000	2	9
95,001 - 100,000	6	4
100,001 - 105,000	2	2
105,001 - 110,000	1	1
110,001 - 115,000	0	0
115,001 - 120,000	1	0
120,000+	0	0

Note: The above includes Council officers and staff at grant maintained schools.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The total cost of the exit package includes the redundancy payment to the individual and the pension contribution paid directly to Essex County Council.

	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
Exit Package cost Band £	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
0 – 20,000	0	1	0	4	0	5	0	63,040
20,001 - 40,000	1	0	0	1	1	1	25,455	28,505
40,001 - 60,000	1	0	0	0	1	0	47,076	0
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
150,001 - 200,000	0	0	0	0	0	0	0	0
Total	2	1	0	5	2	6	72,531	91,545

Note 13 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 21.

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 11.

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 following current Councillor has not provided a declaration return: Councillor John Kent.

Officers

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

Entity	Income £	Expenditure £
High House Production Park	68,703	31,256
Thurrock CVS	426	764,500
Thurrock Lifestyle Solutions	152,539	3,512,091
Thurrock Open Door	286	31,444
Thurrock Regeneration Ltd	211,300	377,107
Trans Vol	440	167,675
EDS Minibus & Coach Hire	162	157,693
Essex Partnership University	23,601	182,627
Impulse Leisure	239,399	134,488

The transactions between the Council and Thurrock Regeneration Ltd are noted in the table below, these transactions are also included within the group accounts:

Thurrock Regeneration Ltd	2019/20 £	31-Mar-2020 £
Expenditure with Council	1,317,470	
Capital Expenditure with Council	170,000	
Debtors	0	0
Short Term Creditors	(2,160)	(2,160)
Long Term Creditors	(571,117)	(31,960,928)
Share Equity	0	5,629,348

Note 14 EXTERNAL AUDIT COSTS

In 2019/20 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2018/19 £000	External Audit Costs	2019/20 £000
	Fees Payable to Auditors:	
108	External Audit Services including Statutory Inspections	108
0	Certification of Grant Claims and Returns	0
23	Non-Audit Work	25
131	**Total**	**133**

Note 15 TRANSFERS TO/ FROM EARMARKED RESERVES

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

Balance at 01 April 2018 £000	Net Transfers (In)/Out £000	Balance at 31 March 2019 £000		Balance at 01 April 2019 £000	Net Transfers (In)/Out £000	Balance at 31 March 2020 £000
(1,542)	0	**(1,542)**	Balances held by Schools under a Scheme of Delegation	(1,542)	1,255	**(288)**
(1,770)	(753)	**(2,523)**	Budget Management	(2,523)	2,523	**0**
(154)	0	**(154)**	Commuted Sums	(154)	0	**(154)**
(200)	107	**(93)**	Grant Carried Forward	(93)	93	**0**
(192)	57	**(135)**	School Improvement Reserve	(135)	(315)	**(450)**
4,044	(1,389)	**2,655**	DSG	2,655	(677)	**1,978**
(377)	72	**(305)**	Public Health Grant	(305)	130	**(175)**
(4,351)	(1,434)	**(5,785)**	Development Reserve	(5,785)	5,785	**0**
(1,274)	0	**(1,274)**	Housing Zones	(1,274)	0	**(1,274)**
0	(3,471)	**(3,471)**	Transformation Reserve	(3,471)	(1,800)	**(5,272)**
0	(4,000)	**(4,000)**	Financial Resilence Reserve	(4,000)	(162)	**(4,162)**
0	0	**0**	Adult Social Care Reserve	0	(1,500)	**(1,500)**
0	0	**0**	Covid-19 Funding	0	(4,374)	**(4,374)**
0	0	**0**	Treasury Equalisation Reserve	0	(2,000)	**(2,000)**
(2,979)	(2,434)	**(5,414)**	Other Earmarked Reserves	(5,414)	(302)	**(5,715)**
(8,795)	**(13,245)**	**(22,041)**	**Earmarked Reserves**	**(22,041)**	**(1,344)**	**(23,386)**

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

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

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

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

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

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

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

- The ***Public Health Grant Reserve*** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.
- The ***Transformation Reserve*** is to provide investment to support the implementation of the service transformation projects.
- The ***Financial Resilience Reserve*** is to provide stability to Council funds and mitigate against external funding and treasury management risks.
- ***Other Earmarked Reserves***—all other earmarked reserves.

Note 16 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 £13.4m.

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 £0.330m remains appropriate.

A further provision has been made to reflect potential contractual obligations the Council may need to meet in 2020/21

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

Short Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other Provision £000	Total £000
Balance at 01 April 2019	(106)	(4,495)	(30)	(4,631)
Additional Provision/Amount Used 2019/20	0	2,010	(3,845)	(1,835)
Balance at 31 March 2020	**(106)**	**(2,485)**	**(3,875)**	**(6,466)**
Balance at 01 April 2018	(106)	(3,500)	(30)	(3,636)
Additional Provision/Amount Used 2018/19	0	(995)	0	(995)
Balance at 31 March 2019	**(106)**	**(4,495)**	**(30)**	**(4,631)**

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2019	(224)	(436)	0	(660)
Additional Provision/Amount Used 2019/20	0	(3,623)	0	(3,623)
Balance at 31 March 2020	**(224)**	**(4,059)**	**0**	**(4,283)**
Balance at 01 April 2018	(228)	(2,864)	0	(3,092)
Additional Provision/Amount Used 2018/19	4	2,428	0	2,432
Balance at 31 March 2019	**(224)**	**(436)**	**0**	**(660)**

Note 17 DEBTORS

Long-Term Debtors

The Long term debtors consist of a combination of the following:

- Long term capital investments in projects in the 100% owned subsidiary company Thurrock Regeneration Ltd £31.127m
- Long term capital investment in projects with external companies predominantly in the housing and energy sectors £816.791m

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 2019 £000		31 March 2020 £000
18,689	Trade receivables	28,632
5,548	Prepayments	3,759
22,618	Other receivable amounts	45,294
46,855	**Total**	**77,685**

Note 18 CREDITORS

Short-Term Creditors

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

31 March 2019 £000		31 March 2020 £000
(23,663)	Trade payables	(21,052)
(24,653)	Other payables	(29,305)
(48,316)	**Total**	**(50,357)**

Note 19 USABLE RESERVES

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

31 March 2019 £000		Notes	31 March 2020 £000
(11,000)	General Fund Balance	(a)	(11,000)
(2,175)	Housing Revenue Account Balance	(b)	(3,834)
(12,842)	General Fund Earmarked Reserves	(c)	(21,368)
(9,199)	HRA Earmarked Reserves		(2,018)
(28,057)	Capital Receipts Reserve	(d)	(28,986)
(30,966)	Capital Grants Unapplied	(e)	(23,818)
(94,239)	**Total Usable Reserves**		**(91,024)**

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 5.

(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 15.

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

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

Note 20 UNUSABLE RESERVES

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

31 March 2019 £000		Notes	31 March 2020 £000
(239,035)	Revaluation Reserve	(a)	(247,946)
(506,127)	Capital Adjustment Account	(b)	(525,456)
14,041	Financial Instruments Adjustment Account	(c)	13,619
162,609	Pensions Reserve	(d)	158,894
(621)	Collection Fund Adjustment Account - Council Tax		(727)
(2,009)	Collection Fund Adjustment Account - NNDR		(1,365)
323	Pooled Investment Fund Adjustment Account		3,735
399	Accumulated Absences Account		1,234
(570,420)	**Total Unusable Reserves**		**(598,012)**

(a) Revaluation Reserve

This reserve functions as a store of the gains made by the Council from the increases in the value of its Property, Plant and Equipment since 1 April 2007 when the reserve was created. Gains prior to that date are consolidated in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, used in the provision of services with the gains consumed through depreciation and disposed of with the gains being realised.

31 March 2019 £000		31 March 2020 £000
(219,323)	**Balance at 1 April**	**(239,035)**
(26,084)	Upward revaluation of assets	(13,032)
1,804	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	876
(24,280)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(12,156)**
1,973	Difference between fair value depreciation and historical cost depreciation	2,002
2,595	Accumulated gains on assets sold or scrapped	1,243
4,568	**Amount written off to the Capital Adjustment Account**	**3,245**
(239,035)	**Balance at 31 March**	**(247,946)**

(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 5.

31 March 2019 £000		31 March 2020 £000	
(495,220)	**Balance at 1 April**	**(506,127)**	
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
18,549	Charges for depreciation of non current assets (PPE)	19,033	
6,636	Revaluation and Impairment losses on Property, Plant and Equipment	13,423	
(4,969)	Revaluation gains reversing previous losses (PPE)	(2,869)	
1,541	Amortisation of intangible assets	681	
7,413	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	13,875	
17,787	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,504	
(5,517)	Fair value (increase)/decrease of long term capital debtors	0	
5,421	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	4,607	
(2,595)	Accumulated gains on assets sold or scrapped	(1,243)	
44,266		**64,011**	
(1,973)	Adjusting amounts written out of the Revaluation Reserve		(2,002)
42,293	**Net written out amount of the cost of non current assets consumed in the year**		**62,009**
	Capital financing applied in the year:		
(9,798)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,784)	
(10,015)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,540)	
(30,556)	Application of grants to capital financing from the Capital Grants Unapplied Account	(51,807)	
(2,811)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(6,019)	
(22)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(7,190)	
(5)	Other Adjustments (Roundings)	**0**	
(53,207)			**(81,340)**
7	Movements in assets held for sale debited or credited to the CIES		2
(506,127)	**Balance at 31 March**		**(525,456)**

(c) Financial Instruments Adjustment Account

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

31 March 2019 £000		31 March 2020 £000
14,463	**Balance at 1 April**	**14,041**
(422)	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	(422)
14,041	**Balance at 31 March**	**13,619**

(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 2019 £000		31 March 2020 £000
178,521	**Balance at 1 April**	**162,609**
(30,220)	Actuarial gains or losses on pensions assets and liabilities	(22,308)
24,419	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	29,625
(10,111)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,032)
162,609	**Balance at 31 March**	**158,894**

Note 21 ANALYSIS OF GOVERNMENT GRANTS

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

2018/19 £000		2019/20 £000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(65,709)	Council Tax	(66,325)
(38,653)	National Non Domestic Rates	(37,574)
(10,698)	Revenue Support Grant	(6,654)
(3,153)	New Homes Bonus	(3,107)
0	Other	(2)
	Capital	
(3,955)	Department for Transport	(3,069)
(10,309)	Department for Education	(624)
(18,862)	South Essex Local Enterprise Partnership	(34,937)
(1,707)	Other	(2,559)
(153,046)	**Total**	**(154,852)**

2018/19 £000		2019/20 £000
	Credited to Services:	
	Revenue	
(43,351)	Housing Benefit	(36,430)
(11,042)	Public Health Grant	(10,750)
(49,630)	Dedicated Schools Grant	(43,400)
(16,485)	Better Care Fund	(16,888)
(3,927)	Better Care Fund - Improved BCF	(4,752)
0	COVID-19 LA Support	(4,374)
(1,494)	Unaccompanied Asylum Seekers Grant	(735)
(1,919)	LOCASM	(718)
(409)	Adult social care support grant	(605)
(8,497)	Other	(10,194)
	Capital	
(2,007)	DOE	(665)
0	S106	(2,101)
(2,808)	Other	(706)
(141,568)	**Total**	**(132,319)**

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

31 March 2019 £000		31 March 2020 £000
	Capital Grants & Contributions - Receipts in Advance	
(12,874)	Section 106	(11,222)
(132)	Department of Communities and Local Government	(126)
(2,113)	South Essex Local Enterprise Partnership	(4,189)
(8,813)	Other Contributions	(8,893)
(751)	Port of London Authority	(701)
(24,683)	**Total**	**(25,131)**

Note 22 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 23 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance, Governance and Property on 30 June 2020. There have been no events arising between the 31 March 2020 and 24 November 2020 that provides information about conditions existing at 31 March 2020 which need to be reflected in the financial statements.

Note 24 PROPERTY, PLANT AND EQUIPMENT

Movement 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 01 April 2019	730,211	134,351	34,926	19,438	156,685	10,839	59,277	**1,145,727**
Adjustment - Note 1	0	0	(3,856)	0	0	0	0	**(3,856)**
Additions / Donations	13,055	5,065	4,173	95	41,723	19,459	64	**83,634**
Derecognition - Disposals	0	(54)	(367)	0	0	0	0	**(421)**
Derecognition - Other - Note 2	(12,768)	(4,731)	0	0	0	0	0	**(17,499)**
Revaluations Recognised in Revaluation Reserve	(5,840)	7,167	0	0	0	0	1,045	**2,372**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(205)	(15,440)	0	0	0	0	1,735	**(13,910)**
								0
Assets reclassified (to)/from Held for Sale	(4,681)	0	0	0	0	0	0	**(4,681)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2020	**719,772**	**126,358**	**34,876**	**19,533**	**198,408**	**30,298**	**62,121**	**1,191,366**

Movement 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 01 April 2019	0	(8,979)	(16,137)	(8,209)	(32,541)	0	(178)	**(66,044)**
Adjustment - Note 1	0	0	1,559	0	0	0	0	**1,559**
Depreciation charge	(9,023)	(1,699)	(3,332)	(734)	(4,169)	0	(69)	**(19,026)**
Depreciation w ritten back to the Revaluation Reserve	8,606	1,176	0	0	0	0	4	**9,786**
Depreciation w ritten back to Surplus/Deficit on Provision of Services	417	2,939	0	0	0	0	0	**3,356**
Derecognition - Disposals	0	3	346	0	0	0	0	**349**
Derecognition - Other - Note 2	0	1,068	0	0	0	0	0	**1,068**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2020	**0**	**(5,492)**	**(17,564)**	**(8,943)**	**(36,710)**	**0**	**(243)**	**(68,952)**
NBV At 31 March 2019	**730,211**	**125,372**	**18,789**	**11,229**	**124,144**	**10,839**	**59,099**	**1,079,683**
NBV At 31 March 2020	**719,772**	**120,866**	**17,312**	**10,590**	**161,698**	**30,298**	**61,878**	**1,122,414**

Note 1 – Reclassification of vehicles, plant and equipment from PPE to Intangible assets

Note 2 – For Council Dwellings this includes in year capital expenditure for new kitchens, bathrooms and roofing. Other Land and Buildings relates to derecognition of schools as they convert to Academies.

Movement 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction *Restated* £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 01 April 2018	728,213	141,611	31,853	19,301	130,749	1,929	59,986	**1,113,642**
Additions / Donations	13,564	1,676	6,845	137	25,936	8,911	0	**57,069**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	(750)	(3,772)	0	0	0	0	**(4,522)**
Derecognition - Other	(10,376)	(7,293)	0	0	0	0	(132)	**(17,801)**
Revaluations Recognised in Revaluation Reserve	4,309	2,692	0	0	0	0	(635)	**6,366**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(1,232)	(2,482)	0	0	0	0	58	**(3,656)**
Assets reclassified (to)/from Held for Sale	(4,267)	(1,103)	0	0	0	0	0	**(5,370)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2019	**730,211**	**134,351**	**34,926**	**19,438**	**156,685**	**10,840**	**59,277**	**1,145,728**

Movement 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction *Restated* £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 01 April 2018	(9,103)	(9,080)	(17,194)	(7,500)	(29,037)	0	(127)	**(72,041)**
Depreciation charge	(9,072)	(2,487)	(2,672)	(710)	(3,504)	0	(68)	**(18,513)**
Depreciation w ritten back to the Revaluation Reserve	17,248	729	0	0	0	0	4	**17,981**
Depreciation w ritten back to Surplus/Deficit on Provision of Services	925	1,060	0	0	0	0	5	**1,990**
Derecognition - Disposals	0	0	3,729	0	0	0	0	**3,729**
Derecognition - Other	0	798	(1)	0	0	0	8	**805**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2019	**(2)**	**(8,980)**	**(16,138)**	**(8,210)**	**(32,541)**	**0**	**(178)**	**(66,049)**
NBV At 31 March 2018	**719,110**	**132,531**	**14,659**	**11,801**	**101,712**	**1,929**	**59,859**	**1,041,601**
NBV At 31 March 2019	**730,209**	**125,371**	**18,788**	**11,228**	**124,144**	**10,840**	**59,099**	**1,079,679**

Note 24 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 2020 by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1st April 2016 the Social Housing Factor, the amount by which the open market value is multiplied by (for properties used for social housing) was amended from 39% to 38%, in line with guidelines issued by the Department for Communities and Local Government.

The last full valuation of Council dwellings was undertaken at 1 April 2017 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at the balance sheet date. The 2019/20 desktop review referenced four indices (Halifax, Land Registry, Nationwide and Office for National Statistics) in order to reach a decision. Information from the Land Registry and Office for National Statistics of actual sold prices of similar archetype properties, provided the best evidence of the movement in the values of the housing stock and the percentage increase of +0.4 was applied.The next full valuation of Council dwellings is scheduled to take place in 2022.

A desktop review of other land and building assets was undertaken as at 31 March 2020. Three categories were reviewed (Retail, Offices and Industrial) and each indicated a 0% change. A desktop review of the former Development Corporation Assets was undertaken at 31 March 2020 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.

Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. Please refer to the accounting policies note for details (Note 1.15).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Infrastructure Assets	Assest Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at current value as at:								
31st March 2020	719,773	118,593	17,311	10,590	161,982	30,298	61,878	1,120,425
31st March 2019	730,210	125,372	18,789	11,228	124,145	10,840	59,099	1,079,683
31st March 2018	719,110	132,531	14,659	11,801	101,712	1,929	59,859	1,041,601
31st March 2017	604,450	146,600	11,356	12,041	80,920	453	60,566	916,386
31st March 2016	608,185	148,206	11,915	12,246	70,846	3,392	61,262	916,052

SURPLUS ASSETS

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2019 and 31 March 2020 are as follows:

31/03/2019	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2019
	£'000	£'000	£'000
Recurring Fair Value Measurements Using:			
Land	9,659	377	10,036
Industrial properties	45,349	0	45,349
Other properties	3,320	394	3,714
Total	**58,328**	**771**	**59,099**

31/03/2020	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2020
	£'000	£'000	£'000
Recurring Fair Value Measurements Using:			
Land	11,340	441	11,781
Industrial properties	45,456	0	45,456
Other properties	3,867	774	4,641
Total	**60,663**	**1,215**	**61,878**

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 value of the surplus industrial properties has been based on market data, such as publicly available information about market sale values or rental evidence, and that reflect the assumptions that market participants use when pricing the asset. The income and comparable methods have been used for these valuations, relying on evidence from arms-length market transactions of similar industrial properties, and leading to the Council properties being categorised at Level 2 in the fair value hierarchy.

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 25 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.

2018/19 £000		2019/20 £000
692,689	**Opening Capital Financing Requirement**	**1,106,573**
	Capital investment	
57,069	Property, Plant and Equipment	83,634
1,115	Intangible Assets	3,432
350	Heritage Assets	173
7,413	Revenue Expenditure Funded from Capital under Statute	13,875
401,176	Long Term Debtors	101,244
	Sources of finance	
(9,835)	Capital receipts	(5,823)
(30,578)	Government grants and other contributions (includes REFCUS & MRA)	(58,997)
(10,015)	Major Repairs Reserve (MRR)	(10,540)
(2,811)	MRP (including finance leases liabilities)	(6,019)
1,106,573	**Closing Capital Financing Requirement**	**1,227,552**
	Explanation of movements in year	
413,884	Increase in underlying need to borrowing (unsupported by government financial assistance)	120,979
413,884	**Increase/(Decrease) in Capital Financing Requirement**	**120,979**

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

2018/19 £000 *Restated*	Balance Sheet Item	2019/20 £000
1,079,683	Property Plant & Equipment	1,122,414
1,605	Assets Held for Sale	1,605
1,115	Intangible Assets	6,162
22,616	Heritage Assets	22,851
746,715	Long Term Debtors	847,921
(239,035)	Revaluation Reserve	(247,946)
(506,127)	Capital Adjustment Account	(525,456)
1,106,572	**Total Capital Financing Requirement**	**1,227,551**

Note 26 CAPITAL COMMITMENTS

As at 31 March 2020, the Council had authorised expenditure in future years of £15.8m. In addition a further £189.4m had been previously authorised for use in 2020/21 and 2021/22, giving a total future years' commitment of £205.2m. These commitments included contractual commitments of £54.9m. Projects include the A13 widening and new housing schemes.

Note 27 FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand,
- bank current and deposit accounts with RBS bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- bonds issued by large companies,
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- pooled bond, equity and property funds managed by CCLA fund managers
- Long Term debtor - capital investment

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.03.2020	31.3.2019	31.03.2020	31.3.2019
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	(348,642)	(195,942)	(1,068,200)	(968,100)
- Accrued interest	0	0	(4,809)	(3,165)
- EIR adjustments	741	747	0	0
At fair value through profit & loss:				
Total Borrowing	**(347,901)**	**(195,195)**	**(1,073,009)**	**(971,265)**
Liabilities at amortised cost:				
- Trade payables	0	0	(10,197)	(1,936)
Included in Creditors	**0**	**0**	**(10,197)**	**(1,936)**
Total Financial Liabilities	**(347,901)**	**(195,195)**	**(1,083,206)**	**(973,201)**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31/03/2020	31.3.2019	31.3.2020	31.3.2019
	£000	£000	£000	£000
At amortised cost:				
- Principal	54,832	28,129	88,015	26,500
- Accrued interest	0	0	22	49
- Loss allowance	0	(341)	(41)	(41)
At fair value through profit & loss:				
- Fair value	99,008	102,678	1,000	1,000
Total Investments	**153,840**	**130,466**	**88,996**	**27,508**
At amortised cost:				
- Principal	0	0	63,483	15,549
Total Cash and Cash Equivalents	**0**	**0**	**63,483**	**15,549**
At amortised cost:				
- Trade receivables	0	0	41,520	36,158
- Long term capital debtors	544,400	434,551	0	0
- Capital debtors	0	0	30,000	0
At fair value through profit & loss:				
- Long term capital debtors	273,517	273,517	0	0
Included in Debtors	**817,917**	**708,068**	**71,520**	**36,158**
Total Financial Assets	**971,757**	**838,534**	**223,999**	**79,215**

The Council holds long term debtors of £847m as at 31 March 2020. £815m of the balance relates to long term capital investment in the renewable energy sector secured by the associated assets. These investments are repayable to the Council as set out below based on the contracted maturity dates:

Maturing within:
1 to 5 years: £78m
5 to 10 years £663m
Over 10 Years £74m

Within the capital investments, £274m is reflected at Fair Value through Profit and loss. This fair value has been assessed at level 3 and is calculated based on contractual cash flows discounted back to 31 March 2019. In 2018/19, the movement of £5.791m in FV was posted to CIES Financing and Investment Income and Expenditure and then reversed in the MIRS and posted to CAA. With this financial asset FV will not fall below the costs of this investment.

The Council has an investment of £103m within the Local Authorities Property Fund with CCLA. This investment is valued at fair value which is based on the bid price. As at 31 March 2020 the fair value of the Local Authorities Property Fund with CCLA was £99.008m. The difference between the carrying value and the fair value, £3.4m has been posted to CIES Financing and Investment Income and Expenditure and then reversed in the MIRS and posted to CAA.

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Financial Assets at at Fair Value through Profit & Loss

The Council has the following financial assets at fair value through profit and loss.

	Fair Value		Returns	
	31.03.20	**31.03.19**	**2019/20**	**2018/19**
	£000	**£000**	**£000**	**£000**
Long Term Capital Debtors	273,517	273,517	12,891	8,135
Pooled investments	99,008	103,678	4,746	3,732
Total	**372,525**	**377,195**	**17,637**	**11,867**

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2019/20 Total	**2018/19 Total**
	£'000	**£'000**
Interest expense	20,872	15,547
Losses from changes in fair value	3,411	0
Impairment losses	(41)	(382)
Interest payable and similar charges	**24,242**	**15,165**
Interest income	(50,168)	(29,071)
Gains from changes in fair value	0	(5,839)
Interest and investment income	**(50,168)**	**(34,910)**
Net impact on surplus/deficit on provison of services	**(25,926)**	**(19,745)**
Net Gain/(Loss) for the Year	**(25,926)**	**(19,745)**

(d) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and 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 "Lender's Option Borrower's Option" (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. Borrower's 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.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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 for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	(260,889)	(324,027)	(160,889)	(209,672)
Long-term LOBO loans	2	(28,259)	(60,822)	(28,257)	(58,377)
Other long-term loans	2	(58,753)	(58,626)	(6,050)	(5,322)
TOTAL		**(347,901)**	**(443,475)**	**(195,196)**	**(273,371)**

	Fair Value Level	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000
Financial assets held at fair value:					
Long term capital debtors	3	273,517	273,517	273,517	273,517
Bond, equity and property funds	1	99,008	99,008	103,678	103,678
Financial assets held at amortised cost:					
Corporate, covered and government bonds	1	49,209	49,209	32,500	32,679
Long-term capital debtors	3	544,400	544,400	434,551	434,551
TOTAL		**966,134**	**966,134**	**844,246**	**844,425**
TOTAL FINANCIAL ASSETS		**966,134**		**844,246**	
Recorded on balance sheet as:					
Long-term debtors		817,917		708,068	
Long-term investments		148,217		136,178	
TOTAL FINANCIAL ASSETS		**966,134**		**844,246**	

(e) Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2020 Long-term £000	31.3.2020 Short-term £000	31.3.2019 Long-term £000	31.3.2019 Short-term £000
Pooled property fund - unratec	103,000	1,000	103,000	1,000
Bonds - Unrated	822,402	30,000	708,068	0
Bond - rated A	39,203	35,015	22,500	10,000
Credit Rating A	0	0	0	1,000
Unrated local authorities	0	52,500	0	15,500
Unrated building societies	0	20,500	0	10,000
Total	**964,605**	**139,015**	**833,568**	**37,500**
Total Investments	**964,605**	**139,015**	**833,568**	**37,500**

Credit Risk: Trade Receivables

The Council's trade receivables as at 31 March 2020 was £6.4m (31 March 2019 £6.3m).

Debts are written off to the Surplus or Deficit on the Provision of Services when they are deemed uneconomical to pursue or, for example, subject to insolvency. However where appropriate and, where there is no legal or ethical reason to cease collection (and in recognition that debtors circumstances can change over time or in the case of absconding debtors rearise) selected cases are passed to an external Debt Collection Agency (DCA) to monitor. Should the DCA identify cases where they believe the likelihood of recovery has improved then they will commence collection action.

	Lifetime expected credit losses				
	Stage 1	Stage 2	Stage 3	Simplified approach for receivables	Total loss allowance - service loans
	£000	£000	£000	£000	£000
New loans made	0	0	0	41	41
Closing allowance 31.3.20	**0**	**0**	**0**	**41**	**41**

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

	31.3.2020			31.3.2019		
Time to maturity	Liabilities	Assets	Net	Liabilities	Assets	Net
(years)	£000	£000	£000	£000	£000	£000
Not over 1	(1,096,051)	253,535	(842,516)	(982,786)	146,376	(836,410)
Over 1 but not over 2	(166,317)	69,203	(97,114)	(12,428)	23,637	11,209
Over 2 but not over 5	(22,286)	48,455	26,169	(22,286)	44,713	22,427
Over 5 but not over 10	(37,144)	667,000	629,856	(37,143)	10,000	(27,143)
Over 10 but not over 20	(74,288)	0	(74,288)	(74,287)	610,380	536,093
Over 20 but not over 40	(257,718)	0	(257,718)	(146,737)	43,800	(102,937)
Over 40	(72,784)	74,506	1,722	(170,817)	0	(170,817)
Total	**(1,726,588)**	**1,112,700**	**(613,888)**	**(1,446,484)**	**878,906**	**(567,578)**

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The risk at the Council is immaterial as all borrowings are fixed.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. However, price risk is low as the Council intends to hold all bonds until maturity.

The Council's investment in the CCLA property fund is subject to the risk of falling commercial property prices. A 5% fall in property prices could affect the capital value of the fund by up to £5.15m. This risk is limited by the terms of the Council's Treasury Management Strategy and that any investment requires approval by the Director of Finance & IT following appropriate due diligence.

Note 28 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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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:

	Local Government Pension Scheme 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000	Unfunded Benefits 2018/19 £'000	Unfunded Benefits 2019/20 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	19,827	21,769	0	0
• past service costs/gains	0	3,979	0	0
• administration costs	175	142	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	4,417	3,735	216	187
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**24,419**	**29,625**	**216**	**187**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	24,115	(34,421)	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	34,682	5,395	0	0
• actuarial (gains) and losses arising on changes in financial assumptions	(28,577)	58,656	(178)	289
• experience loss (gain) on defined benefit obligation	0	(12,641)	0	0
• other	0	5,319	0	0
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**54,639**	**51,933**	**38**	**476**

	Local Government Pension Scheme 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000	Unfunded Benefits 2018/19 £'000	Unfunded Benefits 2019/20 £'000
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(24,419)	(29,625)	(216)	(187)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	10,111	11,032		
• Retirement benefits payable to pensioners			618	624

Current service costs of £21.769m in 2019/20 includes (£1.822m) of gains/losses on settlements and curtailments.

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2020 is a £27.051m 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 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000	Unfunded Benefits 2018/19 £'000	Unfunded Benefits 2019/20 £'000
Present value of defined benefit obligation	614,015	585,520	8,106	7,436
Fair Value of plan assets	(459,512)	(434,062)	0	0
Sub-total	154,503	151,458	8,106	7,436
Net liability arising from defined benefit obligation	154,503	151,458	8,106	7,436

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

	Local Government Pension Scheme 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000
Opening fair value of scheme assets	**427,819**	**459,512**
Opening adjustment		
Interest income	10,892	10,921
Remeasurement gain/(loss)	0	5,319
- The return on plan assets, excluding the amount included in the net interest expense	24,115	(34,421)
- Other	(175)	(142)
Contributions from employer	10,111	11,032
Contributions from employees into the scheme	4,061	4,415
Benefits paid	(14,334)	(19,563)
Settlements Received/(Paid)	(2,977)	(3,011)
Closing fair value of scheme assets	**459,512**	**434,062**

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

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Opening balance at 1 April	606,340	622,121	(8,768)	(8,106)
Current service cost	21,525	23,591	0	0
Interest cost	15,309	14,656	(216)	(187)
Contributions by scheme participants	4,061	4,415	0	0
Liabilities assumed/(extinguished) on settlements	(4,681)	(4,833)	0	0
- Actuarial (gains) and losses arising from changes in demographic assumptions	(34,682)	(5,395)	438	(22)
- Experience loss/(gain) on defined benefit obligation	0	12,641	0	(34)
- Actuarial (gains) and losses arising from in financial assumptions	28,577	(58,656)	(178)	289
Estimated Benefits Paid Net of Transfers In	(13,716)	(18,939)	0	0
Curtailments & Settlements	6	3,979	0	0
Unfunded Pension Payments	(618)	(624)	618	624
Closing balance at 31 March	622,121	592,956	(8,106)	(7,436)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2018/19	Fair Value of Scheme Assets 2019/20
	%	%
Cash and Cash Equivalents	**3**	**4**
Equity	**62**	**59**
Bonds		
- Corporate	6	6
- Government	5	4
Sub-total Bonds	**11**	**10**
Property	**9**	**9**
Alternative Assets	**10**	**12**
Other Managed Funds	**5**	**6**
Total assets	**100**	**100**

	Fair Value of Scheme Assets 2018/19	Fair Value of Scheme Assets 2019/20
	%	%
Equity instruments:	**62**	**59**

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 2019.

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31 March 2019	Local Government Pension Scheme 31 March 2020
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	21.3 yrs	21.8
* Women	23.6 yrs	23.7
Longevity at 65 for future pensioners:		
* Men	22.9 yrs	23.2
* Women	25.4 yrs	25.2
Rate of inflation	2.40%	1.90%
Rate of increase in salaries	3.90%	2.90%
Rate of increase in pensions	2.40%	1.90%
Rate for discounting scheme liabilities	2.40%	2.35%
Take-up of option to convert annual pension into retirement lump sum	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	616,400	570,458
Rate of increase in salaries (increase or decrease by 0.1%)	593,880	592,040
Rate of increase in pensions (increase or decrease by 0.1%)	603,822	582,301
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	581,446	604,705
	2,395,548	2,349,504

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 2021.

The expected employer contribution to the plan for the year to 31 March 2021 is £14.463m.

Note 29 CASH AND CASH EQUIVALENTS

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

31 March 2019 £'000		31 March 2020 £'000
258	Cash held by the Council and in transit	50
5,051	Bank current accounts	43,434
9,999	Short-term deposits in UK banks & investments in money market funds	19,999
15,308	**Total Cash and Cash Equivalents**	**63,483**

Note 30 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2018/19 £'000		2019/20 £'000
22,234	Interest Received	49,036
(9,263)	Interest Received Opening Debtor	(15,903)
15,903	Interest Received Closing Debtor	16,795
(7,889)	Interest paid	(13,508)
1,386	Interest Paid Opening Creditor	3,283
(3,283)	Interest Paid Closing Creditor	(4,934)
19,088	Total Operating Acivities	34,769

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 31 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2018/19 £'000		2019/20 £'000
(59,835)	Purchase of property, plant and equipment, investment property and intangible assets	(82,397)
(673,450)	Purchase of short-term and long-term investments	(861,802)
(402,678)	Other payments for investing activities	(101,090)
12,092	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,960
680,950	Proceeds from short-term and long-term investments	773,500
50,714	Other receipts from investing activities (including capital grants)	39,606
(392,207)	**Net cash flows from investing activities**	**(224,223)**

Note 32 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2018/19 £'000		2019/20 £'000
1,976,320	Cash receipts of short and long-term borrowing	2,345,600
(1,606,520)	Repayments of short- and long-term borrowing	(2,092,800)
3,382	Other payments for financing activities	(1,451)
373,182	**Net cash flows from financing activities**	**251,349**

	2019/20 1 April £000s	Financing Cashflows £000s	Reclassification/ Movements £000s	2019/20 31 March £000s
Long Term borrowings	195,196	152,700	6	347,902
Short Term borrowings	971,266	100,100	1,644	1,073,010
Other payments for financing activities	9,684	(1,451)		8,233
Total Liabilities from Financing activities	**1,176,146**	**251,349**	**1,650**	**1,429,145**

Note 33 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2018/19 £'000		2019/20 £'000
12,696	**Net Surplus or (Deficit) on the Provision of Services**	**(10,086)**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
18,550	Depreciation	19,033
1,996	Impairment and downward valuation	10,557
1,541	Amortisation	681
9,794	Increase/Decrease in Creditors	354
(23,538)	Increase/Decrease in Debtors	4,588
865	Increase/Decrease in Inventories	(30)
14,308	Movement in Pension Liability	18,593
(1,438)	Other non-cash items charged to the net surplus or deficit on the provision of services	8,869
23,208	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	21,111
45,286		**83,756**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(39,648)	Any other items for which the cash effects are investing or financing cash flows	(44,661)
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(12,092)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,960)
(51,740)		**(52,621)**
6,242	**Net Cash Flows for Operating Activities**	**21,049**

NOTE 34 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 "host " organisation and responsible for accounting and audit of the pooled budget. 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 £48.62m which includes the Council contribution of £26.33m, the Improved Better Care funding (iBCF) of £4.75m and the additional Winter Pressures funding of £0.65m. At the end of 2019/20 the pool had an underspend of £0.24m which is held in an earmarked reserve by the Council.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2018/19 £'000		Notes	2019/20 £'000
	EXPENDITURE		
13,202	Repairs and Maintenance		13,684
23,651	Supervision and Management		24,429
166	Rents, rates, Taxes and Other Charges		30
10,121	Depreciation and Impairment of Non Current Assets	1	8,956
211	Debt Management Costs		211
197	Movement in the Allowance for Bad Debts		203
47,548	**Total Expenditure**		**47,513**
	INCOME		
(43,197)	Gross Rent from Dwellings		(42,788)
(43,197)	**Net Rent from Dwellings (sub total)**		**(42,788)**
	Non Dwelling Rents:		
(12)	Shop Rents		(3)
(760)	Garage Rents		(784)
(75)	Premises Income		(84)
(847)	**Non Dwelling Rents (sub-total)**		**(871)**
	Charges for Services and Facilities:		
(5,637)	Water Charges		(5,645)
(43)	Central Heating Charges		(44)
(5,680)	**Charges for Services and Facilities (sub total)**		**(5,689)**
	Contributions Towards Expenditure:		
(864)	Leaseholder Charges		(831)
(3,512)	Tenants Service Charges		(3,984)
(4,376)	**Contributions Towards Expenditure (sub total)**		**(4,815)**
(465)	Micellaneous Income		(632)
(54,565)	**Total Income**		**(54,795)**
(7,017)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(7,282)**
(7,017)	**Net Expenditure for HRA Services**		**(7,282)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
7,224	(Gain) or loss on sale of HRA non-current assets		9,630
5,555	Interest payable and similar charges (Deferred Purchase Interest)		5,714
(198)	Interest and Investment Income		(240)
413	Pensions interest cost and expected return on Pension Assets	2	350
5,977	**(Surplus)/ Deficit for the Year on HRA Services**		**8,172**

MOVEMENT ON HRA BALANCE

2018/19 £'000		2019/20 £'000
(2,175)	**Balance on HRA at 1 April**	**(2,175)**
5,976	(Surplus)/Deficit for the Year on HRA Services	8,169
(8,706)	Adjustments Between Accounting Basis and Funding Basis under Statute:	(2,648)
(4,905)	**Total**	**3,346**
2,730	**Transfer to/(from) Reserves:**	**(7,180)**
(2,175)	**Balance on HRA at 31 March**	**(3,834)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2018/19 £'000		2019/20 £'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(9,292)	Depreciation of non-current assets	(9,222)
(2,541)	Revaluation and Impairment losses on Property, Plant and Equipment	(2)
1,719	Revaluation gains reversing previous losses	271
(7)	Movement in value of Held for Sale Assets	(2)
(14,739)	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	(17,375)
7,515	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	7,819
(72)	Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(74)
(17,417)		**(18,585)**
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
0	Use of HRA Earmarked Reserves	7,180
10,015	Reversal of Major Repairs Allowance credited to the HRA	10,540
(2,267)	Reversal of items relating to requirement benefits debited or credited to the CIES	(2,763)
946	Employer's pension contributions and direct payment to pensioners payable in year	1,034
17	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	(55)
8,711		**15,936**
(8,706)	**Total**	**(2,649)**

Note 1 DEPRECIATION

Depreciation of £9.22m 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 (£0.26m).

2018/19 £'000	Analysis of Depreciation and Impairment Charges	2019/20 £'000
	Depreciation:	
9,072	Dwellings	9,023
132	Other Land and Buildings	135
33	Plant and Equipment	34
24	Non-Operational Property, Plant and Equipment	24
860	Impairment of Property, Plant and Equipment	(261)
10,121	**Total for Year**	8,955

Note 2 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 3 HOUSING STOCK

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

31 March 2019	Number and Types of Properties at 31 March	31 March 2020
5,185	Number of Houses and Bungalows	5,154
3,456	Number of Flats and Maisonettes	3,431
1,214	Number of Aged Person Dwellings	1,214
9,855	**Total**	**9,799**

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

2018/19	Change in Stock of Properties	2019/20
9,899	Stock at 1 April	9,855
(55)	Less Sales	(57)
11	Additions	1
9,855	**Total**	**9,799**

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

NOTES TO THE HOUSING REVENUE ACCOUNT

31 March 2019 £'000	Balance Sheet Value of HRA Properties	31 March 2020 £'000
	Operational Non-Current Assets:	
742,131	Dwellings and other land and buildings	732,295
21,435	Non-Operational Non-Current Assets	37,146
763,566	**Total**	**769,441**

The vacant possession value of dwellings within the HRA as at 1st April 2019 was £1.95bn. 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 4 MAJOR REPAIRS RESERVE

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

2018/19 £'000	Major Repair Reserve	2019/20 £'000
(10,015)	Transfer to HRA	(10,540)
10,015	Financing of Capital Expenditure	10,540
0	**Total**	0

Note 5 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2019/20 was financed as follows:

2018/19 £'000	Financing of Capital Expenditure	2019/20 £'000
10,015	Major Repairs Reserve	10,540
0	Grants / Section 106	1,104
5,871	Capital Receipts	5,800
5,417	Prudential Borrowing	4,032
0	Reserves	7,180
21,303	**Total**	28,656

Note 6 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:

2018/19 £'000	Capital Receipts	2019/20 £'000
(7,515)	Sales of Dwellings	(7,819)

THE COLLECTION FUND STATEMENT
COUNCIL TAX

Notes		2018/19 £'000	2019/20 £'000	£'000
	INCOME			
2	Council Tax	(78,321)	(80,804)	
	Total Income	**(78,321)**		**(80,804)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	8,585	9,898	
	Essex Fire Authority	3,575	3,717	
	Thurrock Borough Council	65,408	66,062	
	Precepts and Demands (sub-total)	**77,567**		**79,677**
	Provision for Bad Debts:			
	Change in Provision	0	385	
	Write offs	414	411	
	Provision for Bad Debts (sub-total)	**414**		**797**
	CONTRIBUTIONS			
	Essex Police Authority	0	24	
	Essex Fire Authority	0	9	
	Thurrock Borough Council	1	158	
	Contributions (sub-total)	**2**		**190**
	Total Expenditure	**77,983**		**80,664**
	(Surplus)/ Deficit for Year	**(338)**		**(140)**
	Fund Balance Brought Forward	**85**		**(253)**
	Fund Balance Carried Forward	**(253)**		**(393)**

Share of Collection Fund (Council Tax) Balance:		
Thurrock Council	**(213)**	**(326)**
Essex Police Authority	**(28)**	**(49)**
Essex Fire Authority	**(12)**	**(18)**
Total	**(253)**	**(393)**

THE COLLECTION FUND STATEMENT
NATIONAL NON-DOMESTIC RATES

		2018/19	2019/20	
Notes		£'000	£'000	£'000
	INCOME			
3a	Income Collectable from Non-Domestic Ratepayers	(121,106)	(123,729)	
	Transitional Protection Payments	2,006	1,327	
	Cost of Collection	229	230	
	Total Income	**(118,871)**		**(122,172)**
	EXPENDITURE			
	Share of Business Rates:			
	Essex Fire Authority	1,160	1,178	
	Thurrock Borough Council	56,864	57,740	
3b	**Share of Non-Domestic Rates (sub-total)**	**58,025**		**58,918**
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	**58,025**		**58,918**
	Provision for Bad Debts:			
	Change in Provision	759	943	
	Write Offs	71	1,197	
	Provision for Bad Debts (sub-total)	**830**		**2,140**
	Provision for Appeals:			
	Change in Provision	(2,925)	3,294	**3,294**
	Interest	0	0	**0**
	CONTRIBUTIONS			
	Essex Fire Authority	1	2	
	Thurrock Borough Council	70	106	
	Central Government	71	109	
	Contributions (sub-total)	**143**		**217**
	Total Expenditure	**114,098**		**123,487**
	(Surplus)/ Deficit for Year	**(4,773)**		**1,315**
	Fund Balance Brought Forward	**737**		**(4,036)**
	Fund Balance Carried Forward	**(4,036)**		**(2,721)**

Share of Collection Fund (NDR) Balance:		
Thurrock Council	**(1,978)**	**(1,333)**
Essex Fire Authority	**(40)**	**(27)**
Central Government	**(2,018)**	**(1,360)**
Total	**(4,036)**	**(2,721)**

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 2019/20 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*	5	5:9	5
A	2,962	6:9	2,992
B	7,866	7:9	7,946
C	19,984	8:9	20,186
D	10,905	9:9	11,016
E	5,242	11:9	5,295
F	3,000	13:9	3,030
G	1,268	15:9	1,280
H	66	18:9	67
	51,298		**51,817**
Less adjustment for collection rate and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.			0
Council Tax Base			**51,817**

Note 3 INCOME FROM BUSINESS RATE PAYERS

a) 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 2019/20 49.1p was the small business multiplier and 50.4p the large business multiplier (48p small business multiplier and 49.3p large business multiplier in 2018/19). 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 £57.74m 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 £122.4m.

The total Non-Domestic rateable value at the 31 March 2020 was £282,088,120 (£277,456,380 as at 31 March 2019).

b) The Council precept of £57.740m is transferred to the Comprehensive Income and Expenditure Statement as part of Taxation and Non-Specific Grant Income. As the Council is deemed to have received more funding from this source then it needs a tariff of £22.193m which is chargeable to the Comprehensive Income and Expenditure Statement. Hence the net funding from business rates is £35.547m in 2019/20.

Group Accounts

2019/20

STATEMENT OF ACCOUNTS - GROUP ACCOUNTS

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council has been consolidated with the group companies - Thurrock Regeneration Ltd and Thurrock Homes Ltd. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Expenditure Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement

These statements, together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages, as detailed below.

Contents	Page

GROUP EXPENDITURE FUNDING ANALYSIS

2018/19				2019/20		
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**
37,826	3,240	**41,066**	Adults; Housing and Health	42,874	3,751	**46,626**
37,678	4,143	**41,821**	Children's Services	41,021	14,278	**55,299**
650	113	**763**	Commercial Services	769	125	**894**
2,292	(691)	**1,601**	Corporate Costs	(2,952)	(130)	**(3,082)**
2,187	389	**2,576**	Strategy, Communications and Customer Services	2,985	619	**3,604**
21,972	7,842	**29,815**	Environment & Highways	22,724	9,073	**31,796**
10,296	969	**11,266**	Finance, IT & Legal	0	0	**0**
0	0	**0**	Finance, Governance & Property	18,144	10,941	**29,085**
3,505	773	**4,278**	HR; OD and Transformation	3,927	887	**4,814**
3,798	5,141	**8,938**	Place Directorate	3,665	6,218	**9,883**
(188)	903	**714**	Schools	347	0	**347**
120,016	**22,822**	**142,838**	**General Fund**	**133,504**	**45,761**	**179,266**
(2,519)	1,069	**(1,450)**	Housing Revenue Account	5,521	2,649	**8,170**
117,497	**23,891**	**141,388**	**Cost of Services**	**139,025**	**48,410**	**187,435**
(130,083)	(28,860)	**(158,943)**	Other Income and Expenditure	(140,967)	(35,320)	**(176,287)**
(12,586)	**(4,969)**	**(17,555)**	**Surplus or Deficit**	**(1,942)**	**13,091**	**11,148**
(17,497)			Opening General Fund and HRA Balance at 01 April	**(30,083)**		
			Adjustment to 01 April 2019 balance	**(1,195)**		
			Revised General Fund and HRA Balance at 01 April	**(31,278)**		
(12,586)			Add Surplus on General Fund and HRA Balance in Year	**(1,942)**		
(30,083)			**Closing General Fund and HRA Balance at 31 March 2020**	**(33,220)**		

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Core Statement

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
88,436	(47,370)	**41,066**	Adults; Housing and Health	96,451	(49,825)	**46,625**
88,328	(46,506)	**41,822**	Children's Services	105,073	(49,774)	**55,299**
759	4	**763**	Commercial Services	890	4	**894**
48,095	(46,493)	**1,602**	Corporate Costs	39,899	(42,982)	**(3,082)**
2,873	(297)	**2,576**	Strategy, Communications and Customer Services	4,033	(429)	**3,604**
33,226	(3,412)	**29,814**	Environment & Highw ays	35,439	(3,643)	**31,796**
12,768	(1,502)	**11,267**	Finance, IT & Legal	0	0	**0**
0	0	**0**	Finance, Governance & Property	30,252	(1,167)	**29,085**
47,547	(54,565)	**(7,018)**	Housing Revenue Account	47,512	(54,796)	**(7,284)**
4,600	(323)	**4,277**	HR; OD and Transformation	5,155	(341)	**4,814**
19,151	(10,213)	**8,938**	Place Directorate	20,478	(10,595)	**9,883**
26,111	(25,397)	**714**	Schools	9,527	(9,180)	**347**
371,893	**(236,073)**	**135,820**	**Cost of Services**	**394,709**	**(222,728)**	**171,981**
24,906	(12,126)	**12,780**	Other operating expenditure	22,853	(7,960)	**14,893**
20,185	(33,292)	**(13,107)**	Financing and investment income and expenditure	27,778	(48,654)	**(20,876)**
2,070	(155,118)	**(153,048)**	Taxation and non-specific grant income and expenditure	1,389	(156,241)	**(154,851)**
419,054	**(436,609)**	**(17,556)**	**(Surplus) or deficit on Provision of Services**	**446,730**	**(435,583)**	**11,148**
0	(24,280)	**(24,280)**	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	0	(15,301)	**(15,301)**
0	(30,220)	**(30,220)**	Actuarial gains/ losses on pension assets/ liabilities	0	(22,308)	**(22,308)**
0	**(54,500)**	**(54,500)**	**Other Comprehensive Income and Expenditure**	**0**	**(37,609)**	**(37,609)**
419,054	**(491,109)**	**(72,056)**	**Total Comprehensive Income and Expenditure**	**446,730**	**(473,192)**	**(26,461)**

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group's share of Reserves of Subsidiaries - Usable	Group Reserves
Balance at 1 April 2018		**(13,329)**	**(8,643)**	**(27,378)**	**(21,875)**	**(71,225)**	**(520,720)**	**(591,945)**	**4,435**	**(587,510)**
Movement in reserves during 2018/19										
Total Comprehensive Income and Expenditure		(24,190)	5,977	0	0	(18,213)	(54,500)	(72,713)	658	(72,055)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	6	13,674	(8,707)	(677)	(9,091)	(4,801)	4,801	0	0	0
Increase or (Decrease) in 2018/19		**(10,516)**	**(2,730)**	**(677)**	**(9,091)**	**(23,014)**	**(49,699)**	**(72,713)**	**658**	**(72,055)**
Balance at 31 March 2019 carried forward		**(23,845)**	**(11,373)**	**(28,055)**	**(30,966)**	**(94,239)**	**(570,419)**	**(664,658)**	**5,093**	**(659,565)**

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Group's share of Reserves of Subsidiaries - Usable	Group's share of Reserves of Subsidiaries - Unusable	Group Reserves
Balance at 31 March 2019 carried forward	**(23,842)**	**(11,374)**	**(28,057)**	**(30,966)**	**(94,239)**	**(570,420)**	**(664,659)**	**5,093**	**0**	**(659,566)**
Adjustment to Subsidiary reserve opening balance								**(1,155)**		**(1,155)**
Revised Balance as at 1 April 2019 carried forward	**(23,842)**	**(11,374)**	**(28,057)**	**(30,966)**	**(94,239)**	**(570,420)**	**(664,659)**	**3,938**	**0**	**(660,721)**
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	1,917	8,169	0	0	10,086	(34,464)	(24,378)	1,062	(3,145)	(26,461)
Adjustments from income &expenditure charged under the accounting basis to the funding basis	(10,441)	(2,649)	(929)	7,147	(6,872)	6,872	0	0	0	0
Increase or (Decrease) in 2019/20	**(8,524)**	**5,520**	**(929)**	**7,147**	**3,214**	**(27,592)**	**(24,378)**	**1,062**	**(3,145)**	**(26,461)**
Balance at 31 March 2020 carried forward	**(32,366)**	**(5,854)**	**(28,986)**	**(23,819)**	**(91,025)**	**(598,012)**	**(689,037)**	**5,000**	**(3,145)**	**(687,182)**

GROUP BALANCE SHEET

Core Statement

31 March 2019 £000		Notes	31 March 2020 £000
1,112,016	Property, Plant & Equipment	8	1,157,844
1,115	Intangible Assets		6,162
22,616	Heritage Assets		22,851
124,837	Long Term Investments		148,211
715,325	Long Term Debtors		787,727
1,975,909	**Long Term Assets**		**2,122,796**
27,508	Short Term Investments		88,995
1,605	Assets Held for Sale		1,605
282	Inventories		311
47,520	Short Term Debtors		76,436
16,312	Cash and Cash Equivalents		64,261
93,226	**Current Assets**		**231,609**
(971,266)	Short Term Borrowing		(1,073,010)
(50,586)	Short Term Creditors		(51,351)
(4,631)	Short Term Provisions		(6,466)
(1,026,483)	**Current Liabilities**		**(1,130,827)**
(660)	Long Term Provisions		(4,284)
(195,196)	Long Term Borrowing		(347,902)
(162,609)	Pension Liability		(158,894)
62	Long Term Creditors		(185)
(24,683)	Capital Grants Receipts in Advance		(25,131)
(383,087)	**Long Term Liabilities**		**(536,396)**
659,567	**Net Assets**		**687,182**
(89,147)	Usable reserves	6	(86,025)
(570,420)	Unusable Reserves	7	(601,157)
(659,567)	**Total Reserves**		**(687,182)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Director of Finance, Governance & Property

Date: 24 November 2020

GROUP CASH FLOW

Core Statement

2018/19		Notes	2019/20 £'000
17,556	Net surplus or (deficit) on the provision of services		(11,148)
41,426	Adjustment to surplus or deficit on the provision of services for non cash movements		85,667
(51,740)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(52,621)
7,242	**Net Cash flows from operating activities**		**21,898**
(393,422)	Investing Activities		(224,588)
374,366	Financing Activities		250,639
(11,814)	**Net increase or decrease in cash and cash equivalents**		**47,949**
28,125	Cash and cash equivalents at the beginning of the reporting period		16,312
16,311	**Cash and cash equivalents at the end of the reporting period**		**64,261**

GROUP STATEMENTS

Notes to the Accounts

Notes to the Group Accounts

Notes to the Group accounts have been completed where consolidation of the group companies has a specific impact. Where this is not the case then please refer to the equivalent note in the Council accounts.

Note 1 GROUP BOUNDARY

The Council owns 100% of the share capital of Thurrock Regeneration Ltd. Thurrock Regeneration Ltd is the owner of 100% of the share capital of the subsidiary company – Thurrock Regeneration Homes Ltd. Both Thurrock Regeneration Ltd and Thurrock Regeneration Homes Ltd have been consolidated into the group financial statements.

Note 2 ACCOUNTING POLICIES

In preparing the Group Accounts the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

Notes to the Accounts

Note 3 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2018/19 £000		2019/20 £000
15,768	Interest payable and similar charges	20,632
4,417	Net interest on the net defined benefit liability	3,735
(33,292)	Interest receivable and similar income	(48,654)
0	Movement in Fair Value of Pooled Investments	3,412
(13,107)	**Total**	**(20,875)**

Note 4 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 2019 £000		31 March 2020 £000
19,354	Trade receivables	27,383
5,548	Prepayments	3,759
22,618	Other receivable amounts	45,294
47,520	**Total**	**76,436**

Note 5 SHORT-TERM CREDITORS

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

31 March 2019 £000		31 March 2020 £000
(25,933)	Trade payables	(22,048)
(24,653)	Other payables	(29,305)
(50,586)	**Total**	**(51,353)**

Notes to the Accounts

Note 6 USABLE RESERVES

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

31 March 2019 £000		Notes	31 March 2020 £000
(5,908)	General Fund Balance		(11,000)
(2,175)	Housing Revenue Account Balance		(3,834)
(22,040)	Earmarked Reserves		(23,386)
(28,057)	Capital Receipts Reserve		(28,986)
(30,966)	Capital Grants Unapplied		(23,818)
0	Group's share of Reserves of Subsidiaries - Usable		5,000
(89,146)	**Total Usable Reserves**		**(86,024)**

Note 7 UNUSABLE RESERVES

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

31 March 2019 £000		Notes	31 March 2020 £000
(239,035)	Revaluation Reserve		(251,091)
(506,127)	Capital Adjustment Account		(525,456)
14,041	Financial Instruments Adjustment Account		13,619
162,609	Pensions Reserve		158,894
(621)	Collection Fund Adjustment Account - Council		(727)
(2,009)	Collection Fund Adjustment Account - NNDR		(1,365)
323	Pooled Investment Fund Adjustment Account		3,735
399	Accumulated Absences Account		1,234
(570,420)	**Total Unusable Reserves**		**(601,157)**

Notes to the Accounts

Note 8 PROPERTY, PLANT AND EQUIPMENT

Movement in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2018	728,213	171,715	31,852	19,300	130,749	1,928	59,985	**1,143,742**
Additions / Donations	13,564	1,676	6,845	137	25,936	11,646	0	**59,804**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	(750)	(3,772)	0	0	0	0	**(4,522)**
Derecognition - Other	(10,378)	(7,293)	0	0	0	0	(132)	**(17,803)**
Revaluations Recognised in Revaluation Reserve	4,309	2,692	0	0	0	0	(635)	**6,366**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(1,231)	(2,482)	0	0	0	0	58	**(3,655)**
								0
Assets reclassified (to)/from Held for Sale	(4,267)	(1,103)	0	0	0	0	0	**(5,370)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Stock	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2019	**730,210**	**164,455**	**34,925**	**19,437**	**156,685**	**13,574**	**59,276**	**1,178,562**

Notes to the Accounts

Movement in 2018-19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2018	(9,104)	(9,083)	(17,195)	(7,498)	(29,036)	0	(126)	**(72,042)**
Depreciation charge	(9,073)	(2,989)	(2,672)	(710)	(3,504)	0	(68)	**(19,016)**
Depreciation w ritten back to the Revaluation Reserve	17,249	729	0	0	0	0	4	**17,982**
Depreciation w ritten back to Surplus/Deficit on Provision of Services	925	1,060	0	0	0	0	5	**1,990**
Derecognition - Disposals	0	0	3,729	0	0	0	0	**3,729**
Derecognition - Other	0	799	0	0	0	0	8	**807**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2019	**(3)**	**(9,484)**	**(16,138)**	**(8,208)**	**(32,540)**	**0**	**(177)**	**(66,550)**
NBV At 31 March 2018	**719,109**	**132,532**	**14,657**	**11,802**	**101,713**	**1,928**	**59,859**	**1,041,600**
NBV At 31 March 2019	**730,207**	**154,971**	**18,787**	**11,229**	**124,145**	**13,574**	**59,099**	**1,112,012**

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Movement in 2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2019	730,211	164,451	34,926	19,438	156,685	13,824	59,277	**1,178,812**
Adjustment	0	0	(3,856)	0	0	0	0	**(3,856)**
Additions / Donations	13,055	5,065	4,173	95	41,723	19,654	64	**83,829**
Additions - Other	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	(54)	(367)	0	0	0	0	**(421)**
Derecognition - Other	(12,768)	(4,731)	0	0	0	0	0	**(17,499)**
Revaluations Recognised in Revaluation Reserve	(5,840)	9,317	0	0	0	0	1,045	**4,522**
Revaluations Recognised in Surplus/Deficit on Provision of Services	(205)	(15,440)	0	0	0	0	1,735	**(13,910)**
								0
Assets reclassified (to)/from Held for Sale	(4,681)	0	0	0	0	0	0	**(4,681)**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Stock	0	0	0	0	0	0	0	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2020	**719,772**	**158,608**	**34,876**	**19,533**	**198,408**	**33,478**	**62,121**	**1,226,796**

Notes to the Accounts

Movement in 2019-20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2019	0	(9,481)	(16,137)	(8,209)	(32,541)	0	(178)	**(66,546)**
Adjustment	0	0	1,559	0	0	0	0	**1,559**
Depreciation charge	(9,023)	(2,192)	(3,332)	(734)	(4,169)	0	(69)	**(19,519)**
Depreciation w ritten back to the Revaluation Reserve	8,606	2,171	0	0	0	0	4	**10,781**
Depreciation w ritten back to Surplus/Deficit on Provision of Services	417	2,939	0	0	0	0	0	**3,356**
Derecognition - Disposals	0	3	346	0	0	0	0	**349**
Derecognition - Other	0	1,068	0	0	0	0	0	**1,068**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2020	**0**	**(5,492)**	**(17,564)**	**(8,943)**	**(36,710)**	**0**	**(243)**	**(68,952)**
NBV At 31 March 2019	**730,211**	**154,970**	**18,789**	**11,229**	**124,144**	**13,824**	**59,099**	**1,112,266**
NBV At 31 March 2020	**719,772**	**153,116**	**17,312**	**10,590**	**161,698**	**33,478**	**61,878**	**1,157,844**

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

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

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

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

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

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

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

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

Contingent Assets and Liabilities

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

Discretionary Benefits
These are retirement benefits which an employer has no legal or contractual obligation to award, such as unfunded compensatory added years. They are awarded under discretionary powers, such as the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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E-mail: sclark@thurrock.gov.uk

APPENDIX 3

Date: 16 November 2020

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Thurrock Council for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council' financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Director of Finance, Property and Governance has fulfilled his responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended 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).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

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Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1.3 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.
We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

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Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.
There were no loans, transactions or arrangements between any Group entity and the Council's members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Rate of inflation (CPI):	1.90%
Rate of increase in salaries:	2.90%
Rate of increase in pensions:	1.90%
Rate of discounting scheme liabilities:	2.35%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing stock and other land and buildings

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We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that surplus assets have been appropriately assessed as level 2 and 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

d) Valuation of long term debtors

We confirm that the valuations applied to long term debtors as at year-end, accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.
We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Civic Offices, New Road, Grays
Essex RM17 6SL

Yours faithfully

Sean Clark
Director of Finance, Property and Governance
xx November 2020

Councillor Gerald Rice
Chair of the Audit Committee
xx November 2020

Unadjusted audit differences	NET DR/(CR) £’000	Income and expenditure DR £’000	CR £’000	Balance Sheet DR £’000	CR £’000
Retained deficit on the provision of services for the year before adjustments	10,086				
Adjustment 1: Fair value of financial instrument not updated (judgemental)					
DR Long Term Debtors				817	
CR Fair value gain (CIES)	(817)		817		
Adjustment 2: VAT Debtor recorded as both debtor and provision (factual)					
DR Provisions				1,120	
CR Short Term Debtors					1,120
Adjustment 3: Changes in net defined benefit liability as a result of the McCloud judgement on pension funds – this should have been recognised in 2018/19, and was instead posted in 2019/20. The adjustment therefore shows the in-year impact on the CIES, the cumulative position is correct					
DR Pension reserve				3,979	

CR Current service cost (CIES)	(3,979)		3,979		
Adjustment 4: Value of an asset entered on fixed asset register as £598,560. The valuer’s assessment of the asset was £437,000. Therefore the asset is overstated by £161,560. This error was extrapolated to £341,000					
DR Revaluation gain (CIES)	341	341			
CR Property, Plant and Equipment					341
Adjustment 5: Unreconciled differences between housing benefit claim form and expenditure in the general ledger from 2018/19 – impact on 2019/20 CIES					
DR General fund				325	
CR Housing benefit expenditure (CIES)	(325)		325		
Total unadjusted audit differences	**(4,780)**	**341**	**5,121**	**6,241**	**1,461**
Deficit on the provision of services for the year if above issues adjusted	5,306				

In addition, an adjustment of £1.155 million has been posted in-year in the group movement in reserves statement (MiRS) to correct the subsidiary amounts consolidated into the group accounts in the prior year. Group usable reserves in the prior period financial statements are understated by £1.155 million, with the surplus in the prior period group CIES therefore understated by £1.155 million. This adjustment has been posted in the current year on the face of the MiRS and has not been posted to the CIES.

24 November 2020	ITEM: 7
Standards and Audit Committee	
Regulation of Investigatory Powers Act (RIPA) 2000 - Activity Report April 2020 – September 2020	
Wards and communities affected: N/A	**Key Decision:** N/A
Report of: Lee Henley – Strategic Lead – Information Management	
Accountable Strategic Lead: Lee Henley – Strategic Lead – Information Management	
Accountable Director: Sean Clark – Corporate Director of Finance, Governance and Property	
This report is public	

Executive Summary

This report provides an update on the usage and activity of RIPA requests during April 2020 – September 2020

1. Recommendation(s)

1.1 To note the statistical information relating to the use of RIPA for the reporting period.

2. Introduction and Background

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

2.2 On the 1st September 2017, The Office of Surveillance Commissioners, The Intelligence Services Commissioner's Office and The Interception of Communications Commissioner's Office were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner's Office (IPCO) is now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.

2.3 The RIPA Single Point of Contact (SPOC) maintains a RIPA register of all directed surveillance RIPA requests and approvals across the council.

3. Issues, Options and Analysis of Options

3.1 RIPA Activity

3.1.1 There were nil/zero Thurrock RIPA surveillance authorisations processed during April 2020 – September 2020. The table below summarises 2020/21 RIPA volumes along with the full year figures for 2019/20:

	2019/20	2020/21
Trading Standards	1	0
Fraud	1	0
Covert Human Intelligence Source (CHIS) authorisations	0	0
Total	**2**	**0**

3.1.2 The outcomes of the above RIPA directed surveillance authorisations cannot be summarised in detail. This is due to Data Protection requirements and to ensure that any on-going investigations are not compromised due to the disclosure of information.

3.1.3 Low numbers of RIPA authorisations are a result of the council utilising other forms of investigation due to its collaboration with the police and/or enforcement work being more overt rather than covert. In addition to this, the COVID-19 incident has seen a reduction in the need for a response requiring the use of last resort tactics like covert direct surveillance authorisations. The council continues to work with partners across the public sector to ensure that Thurrock as an area is protected from crime.

3.1.4 The table below shows the number of requests made to the National Anti-Fraud Network (NAFN) for Communication Data requests. **Note** - 2019/20 figures are full year figures.

Application Type:	**2019/20**	**2020/21**
Events (Service) Data	1 x Fraud	0
Entity (Subscriber) Data	5 x Fraud	2 x Fraud
Combined	3 x Trading Standards	11 (10 x Fraud and 1 x Trading Standards)
Totals	**9**	**13**

Notes in relation to NAFN applications:

- Events Data – Is information held by a telecom provider including itemised telephone bills and/or outgoing call data.
- Entity Data – Includes any other information or account details that a telecom provider holds e.g. billing information.
- Combined – Includes applications that contain both Events and Entity data.

4. Reasons for Recommendation

4.1 This report provides an update on the usage and activity of RIPA requests for April 2020 – September 2020.

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

5.1 The RIPA SPOC has consulted with the relevant departments to obtain the data set out in this report.

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

6.1 Monitoring compliance with RIPA supports the council's approach to corporate governance and will ensure the proper balance of maintaining order against protecting the rights of constituents within Thurrock.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**

Assistant Director of Finance

There are no financial implications directly related to this report.

7.2 Legal

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

Legal implications are contained within this report above.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**

Community Development and Equalities Manager

There are no such implications directly related to this report.

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

- None.

9. Appendices to the report

- None

Report Author:

Lee Henley
Strategic Lead - Information Management

24 November 2020	ITEM: 8
Standards and Audit Committee	
Internal Audit Progress Report 2020/21	
Wards and communities affected: All	**Key Decision:** Non-key
Report of: Gary Clifford – Chief Internal Auditor	
Accountable Director: Sean Clark – Corporate Director Finance, Governance & Property	
This report is public	

Executive Summary

The Internal Audit Plan 2020/21 was discussed by the Standards & Audit Committee at their meeting of 9 July 2020. This progress report covers final reports issued to date, draft reports issued and work in progress.

1. Recommendation(s)

1.1 That the Standards and Audit Committee:

Consider reports issued and the work being carried out by Internal Audit in relation to the 2020/21 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 2020/21 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 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.

3.3 During the period being reported on, we have finalised 4 reports. 2 of these were assurance reports and received Amber/Green (positive) assurance opinions. These were Public Contracts Regulations 2015 and Housing Rents.

3.4 The remaining 2 reports were consultancy reports to check and confirm Environmental Services' compliance against the requirements to continue to receive the British Standards Institution (BSI) ISO 9001 accreditation which demonstrates an organisations ability to consistently provide products and services that meet customer and regulatory requirements. The areas reviewed in these reports were Fleet and Country Parks. There were no non-conformance issues but some minor recommendations were made to enhance the control processes.

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 Assistant Directors 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, Assistant Directors 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 2020/21. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**

Assistant Director - Finance

Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. The costs associated with the implementation of audit recommendations will be considered and, where possible, met from existing budgets.

7.2 Legal

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

The contents of this report and appendixes form part of the council's responsibility to comply with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, including to at least annually undertake an effective internal audit to, amongst other things, 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 legal implications directly arising from this report.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**

Community Engagement and Project Monitoring 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 frameworks. 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 2020/21 to 2022/23 and Internal Audit Plan 2020/21
- Internal Audit Reports issued in 2020/21.

9. Appendices to the report

Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford
Chief Internal Auditor
Thurrock Council Internal Audit Service, Finance, Governance & Property

Appendix 1

Thurrock Council

Standards & Audit Committee

Internal Audit Progress Report 2020/21

Date of Committee: 24th November 2020

Introduction

The internal audit plan for 2020/21 was presented to the Standards & Audit Committee on 9th July 2020.

Table showing reports issued as Final, in Draft and Work in Progress (WIP)

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Public Contracts Regulations 2015	Final	Amber/ Green	0	2	4
Housing Rents	Final	Amber/ Green	1	0	1
BSI ISO 9001 - Fleet	Final	Consultancy	0	0	1
BSI ISO 9001 – Country Parks	Final	Consultancy	0	0	4
DBS Checks	Draft	N/A	N/A	N/A	N/A
No Recourse to Public Funds	Draft	N/A	N/A	N/A	N/A
Project Management	Draft	N/A	N/A	N/A	N/A
Water Charges	Draft	N/A	N/A	N/A	N/A
Accounts Receivable	Draft	N/A	N/A	N/A	N/A
Extra Care	Draft	N/A	N/A	N/A	N/A
Adoption	WIP	N/A	N/A	N/A	N/A
Fostering	WIP	N/A	N/A	N/A	N/A
Houses in Multiple Occupation	WIP	N/A	N/A	N/A	N/A

Work and other issues for which no reports are generated

The work around the payment by results funding provided as part of the troubled families programme continues.

The Chief Internal Auditor has completed 1 internal investigation relating to concerns raised by senior management at a sheltered housing complex. An internal report has been issued to management and recommendations have been accepted.

Audits of 2 grant returns for Bus Subsidy Grant 19/20 and National Trading Standards Board Grant 19/20 for work at the ports, have been carried out to determine that they were spent in accordance with the grant requirements. The value of the grants were £45,263 and £150,000 respectively and they had both been spent and accounted for correctly.

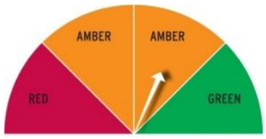
Changes to the Annual Plan

When the annual plan was originally discussed with senior management, the COVID-19 pandemic had not been identified within the UK. However, this all changed during March and it is anticipated there will continue to be a significant impact on the plan due to the pandemic, which is impacting on front line council services and staff availability. As a result, it has been agreed with the Corporate Director of Finance, Governance and

Property that we will contact individual members of Directors Board to revisit the plan and identify specific areas where they feel internal audit input would be beneficial. As a result of this, we will need to monitor the plan on an on-going basis to allow us to proactively react to changes in priorities and the plan.

In addition, 1 senior member of the team left in June 2020, which has had an impact on the resources available to undertake the work in the plan. Whilst it was agreed with the Corporate Director of Finance, Governance and Property that the service required additional resources and budgets were put in place, there is currently a recruitment freeze unless the post is deemed to be critical to the operations of the council.

Key Findings from Internal Audit Work

Assignment: Public Contracts Regulations 2015	Opinion: Amber/Green	

Headline Findings: Our review of the **Public Contracts Regulations 2015** identified 2 medium and 4 low recommendation around the adequacy of the control framework. Public procurement is the process of acquiring goods, works and services from third parties through a contractual process that is generally opened to the public. In the UK, the award of public contracts by public bodies to third parties is governed by the Public Contract Regulation 2015. The objective of this audit was to ensure the council's procurement processes comply with these regulations. The focus of the audit was on the review of control procedures around the governance and contract award processes. There has not been a specific audit around this area so there were no previous recommendations to follow up on.

Action and Response	Responsible Officer	Date
Action – The procurement team should take regular training on key elements of the public contract regulation to improve their effectiveness in its application. **Response** - In the past six months there has been two Legal Seminars arranged by the procurement department. One was an in-house half day session entitled 'Public Procurement – Spotting the Issues' presented by Mills and Reeves and the other was a Procurement Alliance Essex half day 'virtual' session entitled 'Legal and Procurement update presented by ELS Solicitors'. There are also monthly Continuous Improvement Meetings (CIM), but in the past six months these have concentrated on Oracle and its continued roll out. Whilst I am not comfortable with a 'Medium' risk rating, this is accepted on the basis that procurement training could be undertaken on a more regular basis. From the August CIM meeting there will be more of a concentration on procurement related issues and a procurement quiz will be introduced.	Senior Category Manager	September 2020
Action – Evaluators should be offered adequate training and should meet to discuss the basis for scoring bids prior to the assessment of tenders for major contracts. The sample evaluation sheet prepared to provide guidance to evaluators should include clear and objective basis for awarding scores for each admissible criteria to limit the scope for arbitrary decisions. **Response** - It is important to note that there is a full range of evaluation guidance available and issued to evaluators. Having said that, there is not a formal process of arranging pre-evaluation meetings prior to any evaluation commencing. Prior to the introduction of Oracle there were clear examples on the evaluation sheet which explained what would constitute an 'unacceptable', 'poor', 'good', very good' or 'excellent' score. This was not carried forward with the introduction of Oracle but will now be added. The scope for making 'arbitrary' decisions is minimised as there is always a moderation meeting where individual evaluation scores are reviewed. Having said that it is agreed that a formal process of pre-evaluation meetings will take place (presently via SKYPE) for all new procurements/new evaluators.	Senior Category Manager	August 2020

Assignment: Housing Rents	Opinion: Amber/Green	

Headline Findings: Our review of the **Housing Rents** identified 1 high and 1 low recommendation around the adequacy of the control framework. The objective of the audit was to undertake a review of Housing Rents to verify that an adequate level of controls exist over the setting, collection and accounting for Housing Rents. As well as Housing Rents, the review also looked at the processes around collecting rents for garages. It was noted that Housing Rents arrears had increased but it was acknowledged that this was unavoidable due to Covid-19 pandemic and in particular to:

- People losing their jobs or being furloughed.
- Increase in Universal Credit claimants and the first payment not being received until around 6 weeks after the claim.
- Suspension of housing possession action. Therefore, no evictions have taken place in the current financial year.
- The Notice to Seek Possession (NSP) which previously required 4 weeks' notice have now been extended to six month which means that cases where Notices are being currently issued will not be taken to court in this financial year.

A check of the recommendations from the previous audit identified that 1 high and 1 medium recommendation had been implemented. The remaining 1 medium and 1 low recommendation have been repeated as part of this review with the medium being escalated to high.

Action and Response	Responsible Officer	Date
Action – Garage rent arrears should be monitored more closely and action taken to address arrears in line with council procedures. This will ensure the council maximises its income from garage rentals. **Response** - Unfortunately due to Covid 19 the officer was self-isolating and returned 1st June where the arrears were addressed and have since reduced by 25% and continues to reduce. These accounts are currently monitored on a weekly basis and I don't expect there to be any further concerns in this area.	Housing Rents and Welfare Manager	October 2019

Assignment: BSI ISO 9001 - Fleet	Consultancy	Opinion not provided

Headline Findings: The British Standards Institution (BSI) ISO 9001 is defined as the international standard that specifies requirements for a quality management system (QMS). Organisations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements. Within Environmental Services, the accreditation covers a broad spectrum of services including cemeteries, waste collection, street cleansing, highways, fleet and stores, play, arboriculture, parks & open spaces and parks/sports. This report is the fourth one issued and the control activities that were tested as part of the quality management system were as follows:

- Legislation and Policies**;**
- Leadership;
- Planning;
- Risk Management;
- Infrastructure and Support;
- Operational Performance;
- Customer Satisfaction and Review; and
- Improvement and Corrective action.

The areas across the Fleet Service that were checked across these control activities included:

- Team Planning;
- Roles and Responsibilities
- Safety training;
- Vehicle, Plant and Equipment Management;
- Operation and Support;

- Performance and Budget Management;
- Fees and Charges;
- System and Service Improvements; and
- Change Management.

Overall, the service were compliant across all areas reviewed.

Assignment: BSI ISO 9001 – Country Parks	Consultancy	Opinion not provided

Headline Findings: The British Standards Institution (BSI) ISO 9001 is defined as the international standard that specifies requirements for a quality management system (QMS). Organisations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements. Within Environmental Services, the accreditation covers a broad spectrum of services including cemeteries, waste collection, street cleansing, highways, fleet and stores, play, arboriculture, parks & open spaces and parks/sports. This report is the third one issued and the control activities that were tested as part of the quality management system were as listed above,

This report is the fifth one issued and the control activities that were tested as part of the quality management system were as follows:

- Legislation and Policies**;**
- Leadership;
- Planning;
- Risk Management;
- Infrastructure and Support;
- Operational Performance;
- Customer Satisfaction and Review; and
- Improvement and Corrective action.

The areas across Country Parks that were checked across these control activities included:

- Team Planning;
- Roles and Responsibilities
- Safety training;
- Vehicle, Plant and Equipment Management;
- Operation and Support;
- Performance and Budget Management;
- Fees and Charges;
- System and Service Improvements; and
- Change Management.

Overall, the service were compliant across all areas reviewed. However, there were recommendations made around training, improvement plans for remote sites, staffing levels and income maximisation.

24 November 2020	ITEM: 9
Standards and Audit Committee	
Counter Fraud & Investigation Quarterly Update (Q2)	
Wards and communities affected: All	**Key Decision:** N/A
Report of: Michael Dineen - Senior Manager, Counter Fraud & Investigation	
Accountable Assistant Director: David Kleinberg - Assistant Director for Counter Fraud, Investigation & Enforcement	
Accountable Director: Julie Rogers – Director for Environment, Highways & Counter Fraud	
This report is Public	

Executive Summary

Counter Fraud & Investigation is responsible for the prevention, detection and deterrence of all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

CFI has developed working arrangements with other agencies to share the Council's counter-fraud culture providing specialist support and capabilities to those public bodies where necessary.

The work of the service is predicated on the overall strategy of the council which is approved following consultation with council services and intelligence from partners in government and policing.

This report outlines the performance of CFI over the last quarter (Q2) for Thurrock Council as a whole as well as the work the team have delivered nationally for other public bodies.

1. Recommendation(s)

1.1 The Standards and Audit Committee comments on the performance of the Counter Fraud & Investigation Department.

2. Introduction & Background

2.1 The council's Counter Fraud team is responsible for delivering the corporate counter fraud programme which includes proactive activity to enhance the council's controls as well as respond to intelligence from that proactive work and information from other sources.

3. Performance

3.1 CFI receives reports about suspected fraud from the public, internal referral mechanisms and proactive operations. The figures show the performance of the department for Quarter 2 (Q2) of 2020/21:

- 105 reports of suspected fraud have been received.
- 2 Investigations have been closed as 'no fraud'.
- 4 sanctions have been delivered in cases of proven fraud.
- 1 Social housing property has been recovered.
- 22 active investigations are currently being conducted.
- Value of Detected Fraud in this Quarter is £80,900
- Total Value of Detected Fraud so far is £103,900

3.2 The ring-fenced National Investigation Service (NATIS) function continues to support both central and local government bodies, with over 136 supported so far in tackling serious and organised crime in the COVID-19 support schemes.

4. Work Plan for 2020/21

4.1 CFI has a programme of proactive work to ensure the council's posture against fraud is robust and effective. That plan was presented and accepted by the Standards and Audit Committee in July 2020. **Appendix 1** sets out the progress made in delivering the Counter Fraud & Investigation Work Plan 2020/21.

4.2 The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFI and the Section 151 Officer, these will be brought back to the Committee for approval.

4.3 The work plan is being completed on schedule with only one item of slippage as the 'lockdown' prevented a meaningful media/education push, this is being taken up and alongside training will enable the work programme to be completed within year.

5. Reasons for Recommendation

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

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

6.1 All Directors and Heads of Service were consulted with the current strategy to be taken by the Council in its counter-fraud approach.

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

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

8. Implications

8.1 **Financial**

Implications verified by: **Laura Last**

Senior Management Accountant, Finance

There are no financial implications arising from this report.

8.2 **Legal**

Implications verified by: **Deirdre Collins**

Senior Barrister, Legal Services

There are no legal implication.

8.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**

Community Engagement and Project Monitoring Officer

There are no social or community issues surrounding this report. There are also no Diversity or Equality issues.

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

None.

9. 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):

Counter Fraud & Investigation Policy & Strategy – thurrock.gov.uk/fraud
Counter Money Laundering Policy & Strategy – thurrock.gov.uk/fraud
CroweClarkWhitehill Annual Fraud Indicator – crowe.co.uk

10. Appendices to the report

Appendix 1 – Counter Fraud Work Plan 2020/21

Report Author:

Michael Dineen

Strategic Lead for Counter Fraud & Investigation

APPENDIX 1

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	**Application of Counter Fraud Risk Analytics across the council's 10 threat areas.** This work will commence with sampling exercises, fraud loss measurement programmes and testing of analytic tools across those high-risk areas.	June 2022 To May 2021	This system is now in place and the material can be uploaded to the system, which will in turn look for patterns of offending and any linked indices that will assist in identifying unknown fraud/criminality.	Michael Dineen	
Council-wide	**Install improved Anti-Money Laundering (AML) controls at all of the council's Customer Contact Points.** Fraud, Bribery, Corruption and Money Laundering are intrinsically linked by a common theme – persons and businesses being compromised by crime. That may be intentional or unintentional (e.g. stolen identities (unintentional) or fictitious businesses (intentional)	June 2022 To May 2021	This is ongoing and requires the installation of software that can sit behind the application processes that the council run. This has been developed but is now at a stage of implementation. This will now require the assistance of ICT to complete the programme.	David Kleinberg	
Revenues & Treasury	**COVID-19 Business Grants Counter Fraud Programme** The council has awarded £19m of government grants to businesses during the COVID-19 pandemic. The team will be using the Counter Fraud tools provided by the Cabinet Office and commercial sector to assure the payment already made and prevent future frauds.	June 2022 To May 2021	This was utilised in the first 'lockdown' to good effect and will continue within the second. The checks will assist the council in early identification of suspected applications.	Dave Nash	

Council-wide	Renewed Education & Marketing Campaign for Countering Fraud, Bribery, Corruption and Money Laundering	March 2021	This unfortunately has been moved due to the restrictions placed on the service due to COVID-19. CFI are delivering training to officers but this is not as extensive as the initial planning intended.	Nicholas Coker	

24 November 2020	**ITEM: 10**
Standards and Audit Committee	
A13 Widening Project	
Wards and communities affected: All	**Key Decision:** N/A
Report of: Anna Eastgate, Assistant Director for LTC & Transport Infrastructure Projects	
Accountable Assistant Director: Anna Eastgate, Assistant Director for LTC & Transport Infrastructure Projects	
Accountable Director: Andy Millard, Director of Place	
This report is Public	

Executive Summary

This report is provided at the Committee's request to have a quarterly update on the A13 project. This report and future reports will focus on the latest progress in delivery of the scheme, any changes in the agreed programme and any changes in the out turn forecast.

1. Recommendation(s)

1.1 That the Standards and Audit Committee notes and comments on the report content.

2. Introduction and Background

2.1 This project involves widening the A13 Stanford le Hope by-pass from 2 to 3 lanes in both directions, from the junction with the A128 (Orsett Cock roundabout) in the west to the A1014 (The Manorway) in the east and replacing four bridges. Once the project is completed, there will be a continuous three-lane carriageway from the M25 to Stanford le Hope, reducing congestion and resultant pollution, improving journey times and supporting further economic growth not only in Thurrock but across the whole south Essex corridor.

2.2 There have been a number of issues with the project which has resulted in delays in the delivery and an increase in costs, the detail of which has been discussed and considered in previous reports to both this Committee and PTR O&S.

2.3 This report and future reports to this committee will focus on progress in delivery and provide an update on out turn forecast and programme.

3. Issues, Options and Analysis of Options

Progress

3.1 In recent weeks, the concrete bridge decks at Orsett East and West and Saffron Bridge have been poured with additional work completed to pour the parapets and diaphragms at Orsett also. Drainage work is progressing well, with the installation of the vortex separator chambers at the pond, continued installation of filter drain, carrier drain and cross-carriageway drainage and the ongoing removal of the old, redundant drainage system. A major milestone was reached in late October, with the commencement of the road surfacing with more to follow in the coming months.

3.2 More than £8.2 million has been invested locally, by using regional suppliers and businesses based within 10 miles of the project – supporting the local economy at a time when this is needed more than ever.

3.3 The project has employed a student engineer, who is currently studying towards a Civil Engineering degree. She is completing a ‘year out’ placement as part of her studies. Three additional individuals continue their studies in the construction management and commercial management areas, as part of their Kier Apprenticeship Degrees.

3.4 The site continues to operate in accordance with the industry guidelines for working safely in COVID-19, with only one positive case recorded (occurring during a period of annual leave) across the project since the start of the pandemic. The individual followed self-isolation instructions and has now recovered fully and is back at work.

3.5 Alongside the plastic screens which had previously been installed, a policy has been introduced to ensure that face coverings are worn whilst walking around the office. In addition, a thermal scanner is available to enable staff to check their own temperature on arrival and the site has been registered with the NHS Covid test and trace app, and all visitors are asked to scan the barcode.

Programme

3.6 The current accepted programme has an anticipated planned completion date within the currently published period of Autumn/Winter 2021.

3.7 The team continues to challenge the construction programme to look at efficiencies to see if completion can be brought forward.

3.8 Under the terms of the NEC 3 contract in place, there are four limited provisions which would enable the Council to reject changes to the programme. In rejecting the contractors programme, the Council has to give the justification and reasons why.

3.9 The four provisions are:

- The Contractors plans are not practicable
- It does not show information required by the contract
- It does not represent the Contractors plans realistically
- It does not comply with the works information.

Budget

3.10 With the project entering the last 12 months of construction activity, the team is undertaking a full review of the anticipated remaining costs on the project.

3.11 Additional costs are expected due to ongoing financial pressures with the scheme which have already been reported. Significant issues still exist with utilities diversions and clash detection impacting on cost and programme as well as drainage. Covid 19 pandemic costs are also a budget pressure which are being closely monitored.

3.12 A revised out turn forecast will be reported to this committee at the earliest opportunity once the work is completed.

4. Reasons for Recommendation

4.1 To respond to the Committee's request for quarterly updates on the A13 project.

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

5.1 A communication plan has been prepared and agreed.

5.2 Member briefing sessions are held periodically at the A13 Site Offices and provide an opportunity for Members to receive a presentation from the contractor and raise issues on behalf of local residents.

5.3 Meet the team sessions are held monthly at the A13 Site Office and are a popular way for residents and road users to find out more about the works and ask any questions, although as a result of Covid-19 these (and the Member briefing sessions) are currently postponed

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

6.1 The A13 Widening scheme supports the corporate priorities by encouraging and promoting economic prosperity.

6.2 The A13 Widening scheme also supports the Thurrock Transport Strategy (2013 – 2026) and in particular policy TTS18: Strategic road network improvements by creating additional capacity to reduce congestion, improve journey times, facilitate growth and improve access to key strategic economic hubs.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**

Assistant Director - Finance

The forecast position on the project remains under review as set out in sections 3.10 to 3.12.

7.2 Legal

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

This is an update report and there are no specific direct legal implications arising.

7.3 Diversity and Equality

Implications verified by: **Becky Lee**

Team Manager - Community Development and Equalities, Adults, Housing and Health Directorate

There are no implications arising from this update report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, or Impact on Looked After Children)

The contractor is required to risk assess all aspects of this project and put in place appropriate procedures and measures to safeguard lives as well as the environment.

The contractor is also required to prepare a sustainability plan that reduces carbon emissions and reduces the project's carbon footprint.

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

- None

9. Appendices to the report

- None

Report Author:

Anna Eastgate
Assistant Director for LTC & Project Delivery
Place

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24 November 2020	ITEM: 11
Standards and Audit Committee	
Stanford Le Hope Transport Project	
Wards and communities affected: All	**Key Decision:** N/A
Report of: Anna Eastgate, Assistant Director LTC & Project Delivery	
Accountable Assistant Director: Anna Eastgate, Assistant Director LTC & Project Delivery	
Accountable Director: Andy Millard, Director of Place	
This report is Public	

Executive Summary

This report is provided at the Committee's request to have a quarterly update on the SLH project. This report and future reports will focus on the latest progress in delivery of the scheme, any changes in the agreed programme and any changes in the out turn forecast

1. Recommendation(s)

1.1 That the Standards and Audit Committee notes and comments on the report content.

2. Introduction and Background

2.1 This scheme involves the construction of new station buildings with footbridge and lifts, passenger information system, bus turnaround facility, passenger drop-off points and cycle parking.

2.2 There are a number of stakeholders involved in the scheme including UK Power Networks, C2C, Network Rail and the Port of London Authority and it will be delivered under a Development Agreement with C2C, who are the principal land owner.

2.3 There have been a number of issues with the project which culminated in a pause and review of the scheme. The reasons for that have been discussed and considered in previous reports to both this committee and PTR O&S.

2.4 Since that review, many positive changes have been made to the scheme which have created a greater level of certainty on its deliverability and a much improved, high quality scheme.

3. Issues, Options and Analysis of Options

Progress

3.1 The Concept Design for the station has been completed and passed Inter Disciplinary Review with very positive feedback. The Design will be ready to go to Planning by publication of this report.

3.2 The concept design for the Phase 2 Transport Hub is in development and a workshop is planned for November to share some suggested configurations with the key Stakeholders including London Gateway DPW and c2c.

3.3 Invitations to tender have been sent out to 11 potential Principal Contractors within an existing Thurrock Council Framework Agreement. We expect some Companies will decline to participate, as they will fail to meet Network Rail criteria. However, we fully expect to get sufficient Letters of Interest to carry out a meaningful tender.

3.4 The project steering group is continuing to meet on a monthly basis, to share information and ideas and obtain feedback on progress to ensure this infrastructure is coming forward with the agreement of stakeholders and local residents. So far, all the feedback has been very positive.

Programme

3.5 An updated programme is currently being worked up to reflect the time required to prepare a full OJEU compliant tender process. This will include the preparation of tender documentation, prequalification of bidders, the tender process, through to tender evaluation and award.

3.6 Subject to the procurement process, it is anticipated that Phase 1 of the works will be delivered within the current programmed completion date of Summer 2021 with the Phase 2 works following in quick succession.

3.7 At the moment, there are no impacts from Covid 19 affecting the progress of this project but Covid remains a live issue and impacts may arise once works begin again on site. This will be monitored and kept under review.

Budget

3.8 It has been agreed with the designers that a high level “estimated project” cost evaluation exercise be carried out at two “checkpoints” through the design process, once when the full concept is agreed and a further check at final design approval, to give further certainty and to give some indicative numbers in support of the tender evaluation process

4. Reasons for Recommendation

4.1 To respond to the Committee's request for a quarterly update on the Stanford-le-Hope Interchange project.

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

5.1 Consultation was undertaken as part of planning process and further stakeholder engagement is continuing. This includes meetings with the residents of Chantry Crescent and local Councillors.

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

6.1 The Stanford-le-Hope scheme supports the Place corporate priority, in particular:

- roads, houses and public spaces that connect people and places

7. Implications

7.1 **Financial**

Implications verified by: **Jonathan Wilson**

Assistant Director, Finance

The revisions to the design and the revised programme for the delivery of the works remain under consideration alongside the associated costs. As set out in the report there are checkpoints to review the costs of the scheme during the detailed design process. The final projected costs will then be reviewed against the overall project funding set out in paragraph 3.8.

7.2 **Legal**

Implications verified by: **Tim Hallam**

Deputy Head of Law and Deputy Monitoring Officer

Since this is an update report, there are no specific direct legal implications. Legal Services will provide any legal advice in relation to this project as and when required.

7.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**

Community Engagement and Project Monitoring Officer

There are no direct implications arising specifically from this update report. If the scheme progresses it will offer a greater level of accessibility at the station.

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

Not applicable.

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

None

9. Appendices to the report

None

Report Author:

Anna Eastgate

Assistant Director of Lower Thames Crossing and Project Delivery

Place

24 November 2020	ITEM: 12
Standards and Audit Committee	
Investment Briefing	
Wards and communities affected: All	**Key Decision:** No
Report of: Sean Clark, Corporate Director of Finance, Governance and Property	
Accountable Assistant Director: Jonathan Wilson, Assistant Director Finance	
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property	
This report is Public	

Executive Summary

The Standards and Audit Committee received an update on the council's investments and borrowings at the 10 September 2020. As requested by the committee this report provides the latest update to members.

This report sets out the actual level of investments and borrowings as at 31 October 2020.

1. Recommendation(s)

1.1 That the Standards and Audit Committee note the report.

2. Introduction and Background

2.1 As previously noted, the Medium Term Financial Strategy (MTFS) forecasts only presented a one year balanced budget up until the Investment Strategy was agreed. Future years were shown with significant deficits projected for the remaining years. This short term approach meant the Council had to focus on efficiencies and service reductions to deliver the budget in the relevant financial year without the ability to think longer term to transform services more effectively.

2.2 While there has been a greater focus on commercial investment in the public sector in the last five years, it is important to note that councils have always carried out investments – traditionally through money markets but also including commercial property such as industrial units.

2.3 In 2014, the council changed its approach with its first investment in the Churches, Charities and Local Authorities (CCLA) property fund with further investments in CCLA and the first investments in the renewable energy market taking place in the subsequent two years. Following the success of the initial investments, the council unanimously agreed a new, formal Investment Strategy at its meeting in October 2017.

2.4 Whilst there has also been significant focus on the council's level of debt, it is important to remember that the amounts relating to these investments will all be repaid at the end of the term or, at the wish of the bond issuer, earlier.

2.5 Set out below is key financial information on the council's investment performance and position as at 31 October 2020. The overall debt position is £75m higher than it would normally be as the Council, like a number of authorities, increased its cash balances as the COVID restrictions commenced.

Source	**£m**	**£m**
PWLB – GF	200	
PWLB – HRA (2012)	161	
LOBOS (Various Pre May 2005)	29	
Other Public Bodies – Short Term (rolling debt built since start of council)	931	
Other Public Bodies – Long Term (rolling debt built since start of council)	95	
Gross Debt		**1,416**
Less:		
COVID Related Borrowing	75	
Investments – Bonds, CCLA, etc	1,034	
Total Repayable		**1,109**
Net Debt		**307**

2.6 The net hard-debt shown above largely relates to the historic and current capital programme expenditure. Gross debt has reduced by £77m since the end of June (previous Standards and Audit Committee report) and net debt by £99m.

There has been an increase in investments of £47m that are linked to previously agreed drawdowns of existing investments. The overall surplus from investments in 2019/20 was a net position, after borrowing costs and fees where applicable, of £35.7m, annually (or circa £80m since October 2017), which is delivering services beyond statutory minimum. The estimate for 2020/21 is circa £35m.

2.7 The spread of the investments are as follows:

- Renewable Energy Sector 79.8% (spread over approx 60 interests)
- CCLA 10.5%
- Other, including TRL 9.7%

2.8 The impact of COVID restrictions highlighted the likely loss of income for those authorities who purchased, for example, shopping centres, airports or retail parks. Some councils are reporting up to 25% loss of income in property-related investments.

2.9 The administration have always maintained that owning a shopping centre or retail park leaves any council with long term borrowing costs – fixed costs – but variable income streams, as has been evidenced in recent months.

2.10 This potential risk is not the case for Thurrock where the investments have been in bonds and where the drive to increase investment in renewable energy schemes is well documented at a national level.

2.11 There has still been no adverse impact from the start of the COVID pandemic on the council's investments and income streams have remained stable.

3 Issues, Options and Analysis of Options

3.1 There are no options related to this report as it is simply a briefing on the council's investment position.

4 Reasons for Recommendation

4.1 The recommendation is simply to note the report as it is a report for information only.

5 Consultation (including Overview and Scrutiny, if applicable)

5.1 Whilst there has been scrutiny through the Corporate Overview and Scrutiny, Council Spending Review and Council annually, there has been no consultation on this information report.

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

6.1 The council made a unanimous decision in October 2017 to supplement the council's budget through an investment approach. This has allowed investment across all of the council's front line services and includes additional services such as increasing the police presence across the borough.

6.2 There are other obvious benefits such as supporting renewable energy, a key approach against the impact of climate change.

7 Implications

7.1 **Financial**

Implications verified by: **Sean Clark**

Corporate Director of Finance, Governance and Property

The benefit of the investment approach has been set out in the report.

It is clear that the approach has significantly contributed to the provision of services to Thurrock's residents against a national norm of service reductions and closures.

It had always been intended that the level of investment would reduce over time and the nature of the bond periods facilitated this.

Members need to be aware that there are significant commercial considerations when discussing investments and Local Authority inter-lending.

7.2 **Legal**

Implications verified by: **Ian Hunt**

Assistant Director of Legal & Governance/ Monitoring Officer

The Council has a requirement to finance its operation in order to deliver services to residents and to have a balanced budget.

The legislative framework underpinning local government financing permits Councils to undertake borrowing and lending activities as part of their routine treasury management.

In considering the approach to scrutinising the Councils activities Members should have regard to the commercial sensitivities which can arise from detailed discussions of the Councils investment and borrowing portfolio. Members are reminded that the Councils own commercial interests can be considered as a ground for excluding the press and public from a meeting under schedule 12A Local Government Act 1972, however in assessing the need for this Members should also consider the public interest and need for transparency in the Councils operations. The information contained in this report is provided in a public form balancing the competing interests.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Smith**

Strategic Lead - Community Development and Equalities

There are no specific diversity and equalities implications as part of this report.

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

The Council's financial position has allowed for additional investment across all services with additional funding, specifically, for services to the vulnerable, fighting Anti-Social Behaviour and Climate issues including allocations for tree planting and air quality measures.

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

None

9 Appendices to the report

None

Report Author:

Sean Clark

Corporate Director of Finance, Governance and Property

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Standards & Audit Committee
Work Programme
2020/21

Dates of Meetings: 9 July 2020, 10 September 2020, 24 November 2020 and 11 March 2021

Topic	**Lead Officer**
9 July 2020	
Regulation of Investigatory Powers Act (RIPA) 2000 - 2019/20 Activity Report	Lee Henley
Chief Internal Auditor's Annual Report – Year ended 31 March 2020	Gary Clifford
Counter Fraud & Investigation Annual Report & Strategy	David Kleinberg
Annual Information Governance Report	Lee Henley
Internal Audit Strategy 2020/21 to 2022/23 and Annual Internal Audit Plan 2020/21	Gary Clifford
Investment Briefing	Sean Clark
A13 Widening Project	Sean Clark
Stanford Le Hope Transport Projects	Sean Clark
Red Reports (as required)	

10 September 2020	
Annual Complaints & Enquiries Report 2019/20	Lee Henley
Counter Fraud & Investigation Quarterly Update (Q1)	David Kleinberg
Internal Audit Charter 2020	Gary Clifford
Refresh of the Strategic/Corporate Risk and Opportunity Register	Andy Owen
Investment Briefing	Sean Clark
A13 Widening Project	Andy Millard / Anna Eastgate
Stanford Le Hope Transport Projects	Andy Millard / Anna Eastgate
Red Reports (as required)	
24 November 2020	
Regulation of Investigatory Powers Act (RIPA) – Activity Report April 2020 – September 2020	Lee Henley
Internal Audit Progress Report 2020/21	Gary Clifford
Counter Fraud & Investigation Quarterly Update (Q2)	David Kleinberg
Investment Briefing	Sean Clark
A13 Widening Project	Andy Millard / Anna Eastgate

Stanford Le Hope Transport Projects	Andy Millard / Anna Eastgate
Audit Completion Report for the Year Ended 31 March 2020	BDO / Sean Clark / Jonathan Wilson
Financial Statements and Annual Governance Statement 2019/20	BDO / Sean Clark / Jonathan Wilson
Red Reports (as required)	
11 March 2021	
External Audit Plan 2020/21	Lisa Clampin (BDO)/Jonathan Wilson
Certification of Claims and Returns Report 2019/20	BDO/Jonathan Wilson
Complaints and Enquiries Report – April 2020 to September 2020	Lee Henley
Annual Review of Risk and Opportunity Management and the Policy, Strategy and Framework	Andy Owen
In Quarter 4 Review of the Strategic/Corporate Risk & Opportunity Register	Andy Owen
Internal Audit Progress Report 2020/21	Gary Clifford
Counter Fraud & Investigation Quarterly Update	David Kleinberg
Thurrock Annual Audit Letter 2019/20	BDO / Sean Clark
3 Year Strategy 2020/21 to 2022/23 and Annual Plan 2021/22	Gary Clifford
Investment Briefing	Sean Clark

A13 Widening Project	Andy Millard / Anna Eastgate
Stanford Le Hope Transport Projects	Andy Millard / Anna Eastgate
Red Reports (as required)	

Clerk: Jenny Shade
Last Updated: July 2020