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

Standards and Audit Committee

The meeting will be held at **7.00 pm** on **24 September 2015**

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

Membership:

Councillors Tunde Ojetola (Chair), Graham Hamilton (Vice-Chair), Yash Gupta (MBE), Barry Johnson, Cathy Kent and Robert Ray

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

Substitutes:

Councillors Robert Gledhill and Joycelyn Redsell

Agenda

Open to Public and Press

		Page
1	**Apologies for Absence**	
2	**Minutes**	**5 - 14**
	To approve as a correct record the minutes of the Standards and Audit Committee meeting held on 16 July 2015.	
3	**Items of Urgent Business**	
	To receive additional items that the Chair is of the opinion should be considered as a matter of urgency, in accordance with Section 100B (4) (b) of the Local Government Act 1972.	
4	**Declaration of Interests**	
5	**Risk and Opportunity Register**	**15 - 44**

Queries regarding this Agenda or notification of apologies:

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

Agenda published on: **16 September 2015**

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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?**

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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

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

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

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

1. Create a great place for learning and opportunity

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

2. Encourage and promote job creation and economic prosperity

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

3. Build pride, responsibility and respect

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

4. Improve health and well-being

- Ensure people stay healthy longer, adding years to life and life to years
- Reduce inequalities in health and well-being and safeguard the most vulnerable people with timely intervention and care accessed closer to home
- Enhance quality of life through improved housing, employment and opportunity

5. Promote and protect our clean and green environment

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

Minutes of the Meeting of the Standards and Audit Committee held on 16 July 2015 at 7.00 pm

Present:	Councillors Tunde Ojetola (Chair), Graham Hamilton (Vice-Chair), Yash Gupta (MBE), Cathy Kent and Robert Ray Jason Oliver, Co-Opted Member
Apologies:	Councillor Barry Johnson Co-Opted Members , Rhona Long and Stephen Rosser
In attendance:	Sean Clark, Head of Corporate Finance Gary Clifford, Client Manager for Audit Services Chris Harris, Head of Internal Audit Debbie Hanson, Ernst and Young Lee Henley, Information Manager Andy Owen, Corporate Risk Officer Chris Pickering, Legal Representative Kenna-Victoria Martin, Senior Democratic Services Officer Jessica Feeney, Senior Democratic Services Officer

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

1. Minutes

Councillor Ojetola advised the Committee that the last meeting held on the 4 February 2015 had been inquorate.

The Minutes of Standards and Audit Committee, held on 4 February 2015, were approved as a correct record.

2. Items of Urgent Business

There were no items of urgent business.

3. Declaration of Interests

Councillor Cathy Kent declared a non-pecuniary interest in respect of the meeting as her child was a pupil at St Thomas's School up until last summer.

Councillor Hamilton declared a non-pecuniary interest in respect of the meeting as he was a landlord.

4. Internal Audit Progress Report 2014/15

The Internal Audit Manager introduced the report to Members informing them that the report set out the progress against the Internal Audit Plan 2014/15 and it detailed reports finalised since the last progress report presented to the Committee on the 17th March.

Officers informed Members of the following:

- Internal audit provided four levels of assurance opinion on reports carried out, this followed widespread consultation with clients across all services;
- Four areas within the Council had received a Green assurance rating, with regards to control frameworks, with 3 receiving an Amber/Green opinion and Procurement Cards receiving Amber/Red; Members said it was good to see the green ratings.

Members were taken through Appendix 1 to the report, which included the advisory review of Key Performance Indicators and the following points were highlighted:

- Nine audits had been carried out and completed; a final report had been published and issued to all the relevant Services.
- It was confirmed that procurement cards will be reviewed again as part of the 2015/16 annual audit plan the end of the year

Members queried if officers could explain the process of obtaining a procurement card. The Head of Finance explained that procurement cards were introduced to help remove the need for petty cashes that, in turn, reduced risk and that, every penny spent on a procurement card was published on to the website. It was explained that the majority of cards carried a maximum value of £1,000 and expenditure should be manually approved on the system by the user’s manager but is automatically approved if this is not carried out. The Head of Finance explained to Members they can block certain purchases on the procurement cards such as alcohol, although blanket blocking would not be possible as Officers use procurements cards when working with vulnerable adults as they assist with shopping for essentials.

RESOLVED:

1. **To note the considered reports issued by Internal Audit in relation to the 2014/15 audit plan.**

2. **That a procurement report will come back to September’s Standards and Audit Committee incorporated in the internal audit plan.**

5. Internal Audit Annual Report - Year ended 31st March 2015

Baker Tilly informed the Committee that they were responsible for forming an opinion on financial statement, assessing the council’s value for money arrangements, auditing the whole of government accounts submission and issuing the Council with its audit certificate.

Members were taken through the report by Baker Tilly and while doing so, they addressed the following key points:

- The Committee were notified that the internal auditors had tested the internal control of the Council and two negative assurance opinions had been issued. Progress had been made in the high risk recommendations, with all being implemented.
- It was highlighted that the governance audit reviews of Serco change controls and members expenses resulted in positive opinions around governance arrangements.
- The Committee was informed that a Risk Management review was being carried out by the London Borough of Barking and Dagenham (LBBD) therefore, no overall assurance opinion was provided.

A Member questioned Officers whether the Council could be dependent on the risk management audit carried out last year by LBBD. The Internal Audit Manager assured the Committee that a review was going to be carried out for 2015/2016. The Council's Risk Management Officer confirmed that if issues were to arise at LBBD they would not affect Thurrock Council.

Councillor Ojetola highlighted the concerns that the London Borough of Havering had identified regarding the Schools Catering Contract which was managed under a service level agreement. The Committee were advised that evidence had been provided to the London Borough of Havering, who undertook interviews with relevant staff, subsequent to which service managers resigned from their posts and the catering service was brought back in house.

Members expressed concern that the risk management and audit process had not identified this issue sooner and were keen that such reporting mechanisms were strengthened so that similar matters could not happen again in future.

RESOLVED:

1. **To note that the Standards & Audit Committee receives and notes the Internal Audit Annual Report – Year ended 31st March 2015.**

2. **The section 151 Officer will report to Committee how the Council gain assurances with partners.**

6. Strategy for Internal Audit 2015/16 to 2017/18 and Annual Internal Audit Plan 2015/16

The Internal Audit Manager introduced the report to the Committee and explained that the Council's Internal Audit Service was outsourced to Baker Tilly in October 2006. This contract expired on 31 March 2015. As a result, a decision was taken by Directors Board to TUPE transfer the Internal Audit Team back into the Council from the 1 April 2015. An initial 3 month Draft

Audit Plan 2015/16 was presented to the Standards & Audit Committee meeting held on 17 March 2015, with a full 3 year Strategy and Annual Plan 2015/16 being presented to the first meeting of the municipal year.

The Internal Audit Manager explained that the Strategy and Annual Plan had been consulted with all services with the exception of Planning Transport and Regeneration and the Chief Executive. He explained that any in year changes or additions are to be agreed with the Section 151 Officer and Chair of the Standards and Audit Committee.

Councillor Ray highlighted the risk regarding Community Safety that was published within the internal Audit Strategy 2015/16- 2017/18. The Councillor asked for clarification on what section 17 of the Crime and Disorder Act involved as this was the reasoning for the risk. Chris Pickering the Legal Representative explained the legislation and the chair requested that reports should be clearer in future.

RELOVED:

1. **To note the report as the final framework for the Strategy for Internal Audit 2015/16 to 2017/18 and Annual Internal Audit Plan 2015/16.**

2. **To note that the final plan be circulated as information to members of the Committee.**

7. Bridge Maintenance Inspections

The Standards and Audit Committee highlighted the findings from an Audit of the Bridge Maintenance Inspections undertaken as part of the approved internal audit periodic plan. The report identified deficiencies in the inspection and maintenance regime in place to ensure the safety, integrity and adequacy of structures within the highway for use by the public. In order to remediate the deficiencies, the Highways and Transportation team was implementing the action plan. The action plan detailed the recommended control measures and improved risk management which was now put in place for the Council to meet its statutory duties.

A Member questioned when bridge maintenance inspections became a statutory obligation, The Head of Planning and Transportation Ann Osola explained that it became a statutory obligation when Thurrock Council became a Unitary Council. The Committee was informed that four bridges and structures had been inspected and assessed to date.

RESOLVED:

To note the content of the report

8. SGO & Adoption Allowances - Financial Control Measures

An internal audit report had identified overpayments and the future risk of this within the system for providing Adoption and Special Guardianship Order Allowance Payments.

The Section 151 Officer explained to the committee that there was no significant loss and that the procedures had now been strengthened. He gave details that annual questionnaires are sent to all recipients to gain an understanding of any changes to their circumstances.

A Member questioned if we had control over whether the forms were completed or not. The Section 151 Officer explained the Head of Children's Social Care had been working with Serco to engage tighter rules on the forms being completed; payments could be frozen if forms were not returned.

The Section 151 Officer explained that a 28 day notice period was given after the form had not been provided to allow the allowance to continue it would be suspended this was to avoid the potential for over payment. Extreme hardships would not occur to secure repayment of overpayment.

Councillor Hamilton asked for clarification on how much was overpaid to the adoptees, it was confirmed that one of the adoptees had a change of circumstances and was overpaid by £13,000 and another was overpaid by £18,000 as the child had stopped attending college.

It was questioned by Members whether failing to complete the questionnaire was fraud, the Internal Audit Manager confirmed that it could indicate fraud in some instances and that this would be investigated. It was further added that more checks will be carried out with regards to fostering and would be reported back to Committee.

RESOLVED:

1. **To note that committee members endorse the ceasing of any Special Guardianship or Adoption Allowance after notice has been given of failure to return the annual financial review documents to the department or the document is incomplete.**

2. **To note that committee members endorse continued action by the department where appropriate (extreme hardship will not occur) to secure repayment of any overpayments that have been made.**

3. **To note that the amended Special Guardianship Policy is applied and letters clearly setting out the responsibilities of any special guardians and their financial obligations are maintain in-line with statutory guidance and case law.**

9. Regulation of Investigatory Powers Act (RIPA) 2000 - 2014/15 Activity Report

The Information Manager introduced the report to Members explaining that the Council was advised following the RIPA inspection last year that a quarterly activity report would be brought to the Committee.

The usage and activity of RIPA requests during 2014/15 was explained to the Committee. The Information Manager summarised the training activity during the reporting period and confirmed that a review was undertaken of the RIPA Policy and as a result of this review; no amendments to the policy were required.

RESOLVED:

1. **To note the statistical information relating to the use of RIPA for 2014/15.**

2. **To note training activity undertaken during 2014/15.**

3. **To note that following on from a review of the RIPA policy by the Legal Services Department, no changes to the RIPA policy are required.**

4. **The version control sheet is agreed.**

10. Refresh of the Strategic/Corporate Risk and Opportunity Register, In Quarter 1 Report

The Corporate Risk Officer introduced the report and informed Members that one of the functions of the Committee under its Terms of Reference was to provide independent assurance that the Councils risk management arrangements were adequate and effective. To enable the Committee to consider the effectiveness of the risk management arrangements the report is presented on a bi annual basis to provide details of how the key risks and opportunities facing the council are identified and managed.

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

The Chair expressed a concern with the high (red) target ratings for a number of the risks. Officers informed members that some of these risks were longer term issues and would not be managed in the short term. However a target date of the 31st March 2016 had been applied to these items, which was when the risks and whole register is refreshed. Members were also informed that some of the risks are out of the direct control of the Council and may explain why some of the target ratings were assessed at the higher level.

To further clarify the position it was agreed that a review of the risks with high (red) target ratings be undertaken and follow up report submitted to the September 2015 Committee on the findings.

A Co-opted Member questioned why business continuity planning and ICT was published as separate items in the Strategic/Corporate Risk and Opportunity Register. The Section 151 Officer explained that common themes occurred through these risks and it was a case of getting the correct balance between the two.

RESOLVED

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

2. **To note that Standards and Audit Committee note the 'In Focus' report (Appendix 2), which includes the items identified by Corporate Risk Management, Performance Board and Directors Board that Standards and Audit Committee should focus on this quarter.**

11. Counter Fraud & Investigation Annual Report, Policy & Strategy

It was reported to Members at the last Committee that consideration was being given to the centralisation of all anti-fraud & corruption work into one department named the Counter Fraud & Investigation Directorate ("CFID"). The rationale was to maximise the effectiveness of tackling fraud, currently delivered separately by the Fraud Investigation Department and Housing Investigation Team. This work was agreed by Directors Board and a formal restructure process had been concluded.

As of 1st July 2015 the Counter Fraud & Investigation Directorate had sole responsibility to prevent, detect and deter all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

In support of this single centralised approach, a new Anti-Fraud and Corruption Policy had been drafted, which takes account of the current fraud landscape and best practice around the UK ensuring a coordinated approach is taken.

The Group Manager for Counter Fraud and Investigation explained that the Fraud Team joint services with Southend Council last October and was looking to work with other Local Authorities to share the team's skills and services. The Committee congratulated the service.

Councillor Gupta asked how much fraud was taking place within Thurrock; it was unknown as it was something that was ongoing. Another Member questioned the Police's involvement with fraud investigations the Group

Manager for Counter Fraud and Investigation informed the Committee that the Police were involved in arrests.

RESOLVED

1. **To note that the Committee endorses the new Anti-Fraud & Corruption Policy**

2. **To note that the Committee notes the Counter Fraud & Investigation performance**

3. **To note that the Committee endorses the 2015/16 Corporate Counter Fraud and Investigation Strategy**

12. Financial Statements and Annual Governance Statement Update

The Section 151 Officer informed the Committee that the 2014/15 Financial Statement and Annual Governance Statement had been submitted to Ernst and Young for audit, the results would be reported back to the Standards and Audit Committee in September.

It was explained that there was no longer a requirement to bring the documents to the Committee at this stage and that Officers will circulate the documents to members for information to enable them to review the information prior to the Committee meeting in September enabling them to approve the final statements.

RESOLVED:

Noted that the Draft Annual Governance Statement and Financial Statements have been completed and passed to Ernst and Young for auditing

13. Work Programme

The Democratic Services Officer explained that there was some new agenda items that had arose from the meeting and that she would circulate the amended work programme electronically.

The meeting finished at 9.22 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 September 2015	ITEM: 5
Standards and Audit Committee	
Strategic/Corporate Risk and Opportunity Register (Q1), Follow Up Report - Risks with High (Red) Target Ratings	
Wards and communities affected: All	**Key Decision:** Non key
Report of: Andy Owen, Corporate Risk Officer	
Accountable Head of Service: Sean Clark, Head of Corporate Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is a public report	

Executive Summary

The In Quarter 1 Report (Q1) for the Refresh of the Strategic/Corporate Risk and Opportunity Register was presented to Standards and Audit Committee 16th July 2015.

At the meeting the Chair queried why high (red) target ratings had been applied to a number of the risks. To clarify the position it was agreed that a review of the risks with high (red) target ratings would be undertaken and a follow up report submitted to the Committee on the findings.

The Corporate Risk Officer has worked with the appropriate Lead Officers to review the risks and obtain the rationale for applying the high (red) target ratings.

This report provides Standards and Audit Committee with the rationale for applying high (red) target ratings.

1. Recommendation(s)

1.1 That Standards and Audit Committee note the rationale for applying high (red) target ratings to the risks in question.

2. Introduction and Background

2.1 Risk and Opportunity Management (ROM) describes the planned and systematic approach used to identify, evaluate and manage the risks to and the opportunities for the achievement of the Council's objectives.

2.2 ROM makes a significant contribution to the sound Corporate Governance arrangements to meet the requirements set out in the Account and Audit Regulations and is an important part of the Council's overall Performance Management Framework.

2.3 In accordance with the ROM Policy Strategy and Framework regular reviews of the Strategic/Corporate Risk and Opportunity register were undertaken during 2014/15 and reported to Directors Board and Standards & Audit Committee (quarter reports to DB and bi annual reports to S&AC).

2.4 The annual review of the Council's ROM arrangements was carried out in the last quarter of 2014/15. As part of the review the ROM Policy, Strategy and Framework was updated and reported to Standards and Audit Committee 17th March 2015, via Directors Board 10th February 2015.

2.5 In the latter part of 2014/15 the Council worked with the community, partners and the voluntary sector to refresh the Community Priorities to better reflect the ambition and focus for the borough as well as the changing relationship between the Council and the community, and its role in place shaping and enabling community leadership. The refreshed Community Priorities were agreed by Council 28th January 2015.

2.6 The In Quarter 1 review to refresh and bring the Strategic/Corporate Risk and Opportunity Register more in line with the revised Community Priorities was carried out during March to May. The outcome from the review was presented to Standards and Audit Committee 16th July 2015.

2.7 At the 16th July 2015 meeting of the Standards and Audit Committee the Chair queried why high (red) target ratings had been applied to a number of the risks. To clarify the position it was agreed that a review of the risks with high (red) target ratings be undertaken and a follow up report submitted to the Committee on the findings.

2.8 The Corporate Risk Officer has worked with the appropriate Lead Officers to review the risks and the target ratings. The Lead Officers have provided the rationale for applying the target ratings and this is covered under section 3 and Appendix 1 of this report.

3. Issues, Options and Analysis of Options

3.1 The outcome of the review is shown in Appendix 1, Risks With High (Red) Target Ratings

3.2 Appendix 1 - Risks With High (Red) Target Ratings
This includes the risk and management action plan documentation for the items in question. The rationale for applying the target ratings are incorporated at the bottom of each risk document (see yellow highlighted text).

4. Reasons for Recommendation

4.1 At the 16th July 2015 meeting of the Standards and Audit Committee the Chair queried why high (red) target ratings had been applied to a number of the risks. To clarify the position it was agreed that a review of the risks with high (red) target ratings would be undertaken and a follow up report submitted to the Committee on the findings.

4.2 The Corporate Risk Officer has worked with the appropriate Lead Officers to review the risks and obtain the rationale for applying the high (red) target ratings.

4.3 This report provides Standards and Audit Committee with the rationale for applying the high (red) target ratings.

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

5.1 The Corporate Risk Officer has engaged with the Lead Officers for the items in question to review the risks and obtain the rationale for applying the high (red) target ratings.

5.2 The outcome of this review was presented to Directors Board 25th August 2015 and the details shared with Performance Board representatives

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

6.1 ROM is recognised as a good management practice and how successful the Council is in managing the risks and opportunities it faces will have a major impact on the achievement of the Council’s priorities and objectives.

7. Implications

7.1 Financial

Implications verified by: Michael Jones
Management Accountant

Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduce the likelihood of financial claims and/or loss faced by the Council.

7.2 **Legal**

Implications verified by: David Lawson

Deputy Head of Legal and Governance – Deputy Monitoring Officer

Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduce the likelihood of legal claims or regulatory challenges against the Council

7.3 **Diversity and Equality**

Implications verified by: Natalie Warren

Community Development and Equalities Manager

The management of risk and opportunities provides an effective mechanism for monitoring key equality and human right risks associated with a range of service and business activities undertaken by the Council. It also provides a method for reducing the likelihood of breaching our statutory equality duties.

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

Risk and opportunity management contributes towards the Council meeting the requirements of Corporate Governance and the Account & Audit Regulations.

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):

- Refresh of the Strategic/Corporate Risk and Opportunity Register, In Quarter 1 Report. The document can be accessed via the Committee Management Information System on the Council's website. See Standards and Audit Committee, Thursday 16th July 2015 for details. Link as follows: Agenda for Standards and Audit Committee on Thursday, 16th July, 2015, 7.00 pm | Thurrock Council

9. Appendices to the report

- Appendix 1 – Risks With High (Red) Target Ratings

Report Author:

Andy Owen,
Corporate Risk Officer
Corporate Finance

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Strategic/Corporate Risk & Opportunity Register (Q1)
Follow Up Report - Risks With High (Red) Target Ratings

Risks in Reference Number (Numeric) Order

Corporate Risk No. 1 / Heading - Adult Social Care, Cost & Quality Standards 2015 / 16

UNMANAGED / INHERENT RISK

Risk Description:	**Risk Owner**
Balancing the cost of care and maintaining minimum quality standards - Risk that a combination of the following ongoing pressures:- financial pressures on local authorities (e.g. reduced teams for critical processes such as contract management, inability to uplift prices to counter competition for workers and inflationary increases, etc), a significant failing of a current provider, significant and continued pressures on hospital A&E and periods of 'black alert', market wide decrease in number of care workers due to ongoing poor employment conditions, ongoing issues in providing temporary care staff through local framework agreement and continued economic pressure on care providers leads to a drop in care quality/standards and failure of providers to maintain basic or minimum standards for service users. Ultimately results in risk to service user's health, reputational damage to the council and increased costs in managing escalated care and health needs and council intervention as a result. Neighboring boroughs where contract monitoring was reduced have experienced care home failures, in one home alone it was estimated that over 4,500 hours have been spent addressing this. Estimates indicate that the cost of this professional involvement were approximately £140k. Some of our domiciliary care providers have stated that they will not be able to continue to provide care unless we increase the rate that we pay. Reductions in the number of contract officers from 4 to 2 and the senior contract officers from 2 to 1 means that monitoring cannot take place as frequently as it used to. Also the introduction of new team responsibilities means that the senior and team manager are covering both areas.	Les Billingham

Link to Corporate Priority

Priority – Build pride, responsibility and respect; Improve health and wellbeing

Inherent Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 17/04/2015

Likelihood				
	4	8	12	**16**
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at: 17/04/2015

Likelihood				
	4	8	12	16
	3	6	9	**12**
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Target Risk Rating & Target Date: 31/03/2016

Likelihood				
	4	8	12	16
	3	6	9	**12**
	2	4	6	8
	1	2	3	4
	Impact			

Comments

The risk evaluates the impact of a combination of issues on the maintenance of care quality standards. The risk is rated at the higher level due to the financial pressures on local authorities and the impact this will have (e.g. reduced teams for critical processes such as contract management, inability to uplift prices to counter competition for workers and inflationary pressures, etc). We have agreed to provide our residential providers for older people an uplift of 1% for 15/16, with a possibility of a further 1% linked to performance. Whilst contingencies are and continue to be considered, the current Council financial situation is making finding a workable solution difficult. Hence the risk rating.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Contract compliance monitoring and audit function in operation across externally provided services	2013/14
2. Unannounced (including out of hours) monitoring visits (as required on risk-proportionate basis)	"
3. Contract specifications for externally provided services in place include performance and outcomes requirements and minimum quality standards to be met	"
4. Quarterly information sharing meetings with Care Quality commission (CQC) to identify and share concerns/risks. Quarterly Quality Surveillance Group (QSG) meetings with health colleagues and CQC to identify and manage risks across the whole system.	"
5. Focus on development and use of alternative care provision to residential (ongoing strategy e.g. intermediate care and re-ablement provision)	"
6. Review out of borough placements where Thurrock does not have the same level of control over contract compliance scrutiny as in borough. (Yet to take place but should be carried out as a matter of urgency due to the reduction of some monitoring by other boroughs leading to significant failings of many care providers)	"
7. Identify a 'fair price for care' – council to establish/decide on a fair price for care by carrying out meaningful fee consultations with providers to ensure the price we pay is reasonable.	"
8. Establish minimum quality standards across services to be achieved regardless of cost. New QA framework established through the work undertaken by Herts CC and implemented across the region from Apr 2013 to enhance contract compliance assurance. Implemented in Thurrock through contract specs and provider quality framework (from Apr 2013).	From Apr 2012
9. Ongoing price negotiation work to achieve a fair price on high-cost placements. From April 2011	From Apr 2011
10. Market shaping and development of alternative provision for those with complex needs e.g. extra-care	2013/14
11. Budget / growth strategy (strategy for future funding of care provision. To be incorporated into Market Position Statement. From May 2013	From May 2013
12. Provision of a 2% inflationary increase for residential older people providers (1% linked to performance).	April 2015
13.All providers reviewed service users and priority-ranked to assist support prioritization in event of lack of carers and reviewed by Contract Officers bi annually	"
14. Business continuity plan for adult social care regularly reviewed to ensure up to date and sufficient in light of the risk. (This is not currently up to date due to capacity issues, all plans require review)	"
15. Prepare for the potential for Thurrock to take emergency action, if required and notify CQC accordingly. From Dec 2012	May 2013
16. 'Step-up to care' training programme developed and implemented for non-care staff to act in emergency. (this list is out of date and requires updating)	From Jan 2013
17. Prioritization of the rapid response assessment service to manage emergency calls and ease pressure on hospital admissions and residential care admission.	
18. Spot purchase contact to take on work retained by in house team	April 14

19. Restructure of fieldwork /contract/safeguarding and joint reablement teams to ensure need for efficiency is managed without compromising quality and regulatory function.								
Residual Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	**Implementation Date**	**Progress**
20. Provision of increase (1% plus 1% for performance) for OP Residential providers from April 2015	April 2015	
21. As part of Care Act implementation plan prepare for statutory services to intervene in the event of provider failure	From April 2015	
22. Agree new process for agreeing emergency home care packages to ensure consistency of approach to respond to unprecedented market pressure	During 15/16	
23. Agree funding increase for specific home care packages to ensure market failure of current providers is avoided.	Ongoing	

Target Risk Rating	Target Date:	31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

<u>Rationale for Applying High (Red) Target Rating</u>:

There are significant pressures on adult social care. This includes continued demand for services, increased complexity of care needs for those requiring a service, and year on year budget reductions. This in turn is placing significant pressure on our external providers who provide the majority of care needs to service users with eligible care needs. The Council has negotiated hard over the years to secure efficiencies in commissioned social care services. In addition, providers have had no or very little inflationary uplift. This is a situation that is set to continue. The consequence of the pressures on the current provider market has the potential to bring that market to crisis point. The fragility of the market place is compounded by the difficulty in recruiting and retaining the numbers of staff required to meet demand, ensuring those staff have the right skills, and paying staff enough to retain them in the market place. Some providers have already raised concerns about their ability to continue providing care, and the Council has provided ‘sticking plaster’ solutions through on-off uplifts. There is no easy answer and the ongoing financial situation finds making a workable solution very difficult.

The pressures are expected to continue and will not be alleviated in the short term. A target date of 31/03/16 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated to reflect the changes to the situation and the risk. It is predicted that the risk will remain at the higher (red) level as at the 31/03/16 and a target rating of Critical/Likely applied.

UNMANAGED / INHERENT RISK

Risk Description	**Risk Owner**
The Care Act 2014 is the biggest change to Adult Social Care legislation since the 1948 National Assistance Act. The Act fundamentally changes the basis upon which social care is assessed and the parameters around what is and is not eligible through moving to a broader “well being” definition of need. There is also a new statutory duty for adult safeguarding in partnership with health and the police. In the longer term the introduction of a new financial regime implementing the recommendations of the Dilnot report will change the way that social care is funded. Failure to successfully implement the Act will leave the Council exposed to significant reputational and legislative risk resulting in the potential for legal challenge and an inability to control expenditure in an already difficult financial position. Part 1 of the Act came into operation as of 1st April, and key risks will relate to potential increase in demand from the implemented changes. The focus of the Council’s work on the Care Act for 2015/16 will be monitoring how well embedded part 1 changes are, understanding the true costs of the changes – e.g. increase in demand, and preparing for the implementation of part 2 of the Act.	Les Billingham

Link to Corporate Priority
The introduction of the new Act links to the corporate priorities to build pride, responsibility and respect and to improve health and well being. The need to implement the Act alongside contributing to the Council’s need to identify significant efficiencies will place a further pressure on resource levels.

Inherent Risk Rating	Date:	16/04/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 16/04/2015	**Residual Risk Rating as at:** 16/04/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 31/03/2016
4 8 12 **16** 3 6 9 12 2 4 6 8 1 2 3 4 Likelihood / Impact	4 8 12 16 3 6 9 **12** 2 4 6 8 1 2 3 4 Likelihood / Impact	4 8 12 16 3 6 9 12 2 4 6 8 1 2 3 4 Likelihood / Impact	4 8 12 16 3 6 9 12 2 4 6 8 1 2 3 4 Likelihood / Impact	4 8 12 16 3 6 9 12 2 4 6 8 1 2 3 4 Likelihood / Impact	4 8 12 16 3 6 9 **12** 2 4 6 8 1 2 3 4 Likelihood / Impact

Comments
Programme management of this major legislative change would, in any normal year, be the major focus for the directorate. However we are currently having to programme manage and deliver a number of complex and wide ranging programmes of work; the care act, better care fund s75, short term service efficiency and improvement projects and long term cultural change and transformation. Thurrock is a very low spending authority per capita on adult social care and also faces significant reductions to funding via the national austerity programme. Risks of non-delivery of any, or all, of these important programmes are exacerbated by these factors. Mitigation in the form of securing resources in the short term to provide adequate programme management, delivery and specialist expertise where required is necessary. The risks associated with the implementation of the Care Act are as yet unquantified which is one of the reasons this risk will remain high risk – even post-implementation.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. The financial risks through the implementation of Dilnot have been highlighted through the Medium Term Financial Strategy	Feb - Apr 2014
2. Implementation of changes associated with part 1 of the Act – e.g. carers' assessment, information and advice portal, resource allocation system	Mar – Apr 2015
3. Appointment of Care Act Project Manager – Finance – to manage the implementation of the changes associated with implementing part 2 of the Act (changes to charging)	April 2015
4. Training of social care practitioners	Mar - Apr 2015

Residual Risk Rating	Date:	16/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
5. Development of project plan for implementing changes to charging for adult social care	April 2015	
6. Development of means of measuring how well embedded part 1 changes are	May 2015	
7. Undertake financial modelling of impact of part 2 changes	May/June 2015	
8. Review Care Act project arrangements	May 2015	
9. Regional and national benchmarking – e.g. via Regional Care Act Group	On-going	
10. Engagement workshops	December 2015	
11. Impact analysis of final guidance	October 2015	

Target Risk Rating	Target Date:	31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

Rationale for Applying High (Red) Target Rating:

Whilst the Government has recently announced that the implementation of part 2 of the Care Act has been delayed to 2020 (care cap, extension to the means test) which has in turn reduced the financial impact associated with the implementation of the Act, the impact of part 1 is still relatively unknown. For example, the impact of applying the new national eligibility threshold and the impact of carers being able to request an assessment regardless of the needs of the person they are caring for. The Council will be undertaking an impact assessment of part 1 changes towards the end of the year, allowing sufficient time for bedding-in. That said, given the delay to part 2 of the Act, the risk rating is likely to be lower than previously stated and will bring this risk below the 'red' risk threshold (e.g. suggest the risk level is now 9 rather than 12). This change and revised target rating will be reflected in the next review, which is scheduled to commence in September.

Corporate Risk No. 3 / Heading - Health and Social Care Transformation 2015 / 16

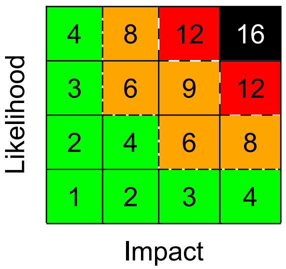
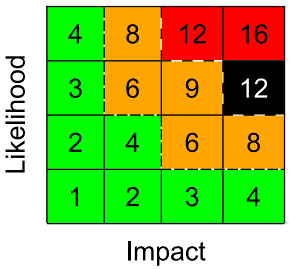
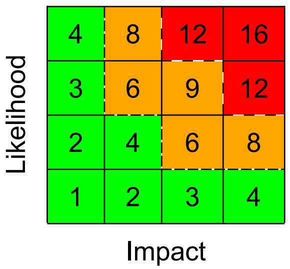
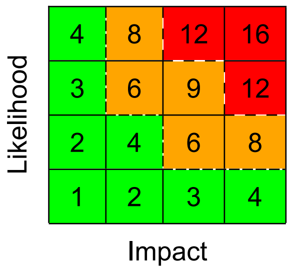
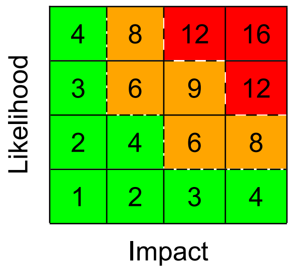
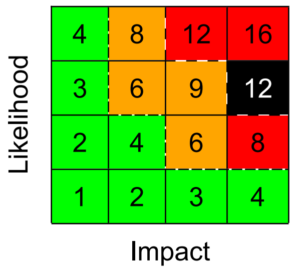
UNMANAGED / INHERENT RISK

Risk Description	**Risk Owner**
Adult Social Care and the NHS are finding it increasingly difficult to meet demand for services, particularly when resource continues to decrease. With the expected ageing and growth of the population, we can expect age-related disease to continue to rise. Dementia for example is predicted to risk steeply in Thurrock, and by 2033 the population aged 85+ is projected to double. Two thirds of the resource spent on social care nationally is already spent on individuals with at least one long-term condition. For the NHS, the percentage spent is even higher. Lifestyle factors too will continue to compound the problem with Thurrock levels for smoking and obesity being significantly higher than the national average. Alongside a system that was designed in the 1940s and is no longer fit for purpose, a programme of major transformation is required. Further adding to the risk are the number of change programmes (all significant) being run concurrently: • Care Act Implementation (see Corporate Risk); • Short-term Efficiency (ASC contribution towards Council's savings target); • Whole System Redesign – including health and social care integration Thurrock Council in partnership with NHS Thurrock Clinical Commissioning Group (CCG) has developed a joint transformation programme which is overseen via an Integrated Commissioning Executive. The Programme will align all change programmes as mentioned above. Failure of the programme to achieve its objectives will lead to the inability of social care and health to be able to meet demand within existing resources. For adult social care, this would mean either not providing services to those people who were eligible to receive them which would leave the council open to challenge and also result in a failure to meet statutory duties; or continue to provide services to those who qualify but exceeding budget.	Roger Harris

Link to Corporate Priority
Build Pride, Responsibility and Respect Improve Health and Wellbeing

Inherent Risk Rating	Date:	15/04/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 15/04/2015	**Residual Risk Rating as at:** 15/04/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 31/03/2016
					

Comments
Programme management of this major legislative change would, in any normal year, become the major focus for the directorate. However we are currently having to programme manage and deliver a number complex and wide raging programmes of work; the care act, whole system redesign including health and social care integration, short term service efficiency and improvement projects. Thurrock is a very low spending authority per capita on adult social care and also faces significant reductions to funding via the national austerity programme. Risks of non-delivery of any, or all, of these important programmes are exacerbated by these factors. Mitigation in the form of securing resources in the short term to provide adequate programme management, delivery and specialist expertise where required is necessary.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place								**Date Implemented**
1. Programme Management arrangements established alongside programme initiation document 2. Some work already in progress – e.g. delivery of Care Act 2014 part 1 requirements, Better Care Fund Plan and section 75 agreement agreed, governance arrangements to oversee delivery of BCF Plan and the whole system redesign programme established – via Integrated Commissioning Executive 3. Close partnership working with Thurrock CCG already established 4. Separate risk register developed as part of the Programme Management arrangements 5. Programme arrangements revised to reflect new phase. S75 agreement approved and S75 disbanded. New Integrated Commissioning Executive established to oversee the delivery of both the BCF S75 agreement and the Whole System Redesign programme.								April 2014 " " " By Apr 2015
Residual Risk Rating	Date:	15/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action				**Implementation Date**	**Progress**			
6. Continue programme arrangements				Ongoing				
7. Develop work programme for the Integrated Commissioning Executive				May 2015				
8. Agree health and care system case for change				May 2015				
9. Develop work streams and work stream plans underpinning agreed case for change				May/June 2015				
10. Develop risk register for each project group				May/June 2015				
11. Development of BCF Section 75 agreement for 16/17				March 2016				
Target Risk Rating	Target Date:	31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

<u>Rationale for Applying High (Red) Target Rating</u>:

The health and care system in Thurrock and beyond are finding it increasingly difficult to meet demand for services. Demand continues to increase, whilst funding available reduces. The health and care system is interdependent and must shift towards prevention and early intervention and away from dealing with people at crisis point if it is to ever stem the tide of demand and use resources in the most effective way. Transformation will not happen overnight though and requires some radical change. Therefore whilst Adult Social Care has a transformation programme, and Adult Social Care and the CCG are developing their joint system transformation vision and direction of travel, a real impact will not be seen in the short-term. Failure to transform the health and social care system puts both the council and NHS at significant risk of being able to both meet and reduce demand.

The pressures are expected to continue and will not be alleviated in the short term. A target date of 31/03/16 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated to reflect the changes to the situation and the risk. It is predicted that the risk will remain at the higher (red) level as at the 31/03/16 and a target rating of Critical/Likely applied.

UNMANAGED / INHERENT RISK

Risk Description	**Risk Owner**
The Welfare Reform Act 2012 and the Local Government Finance Act 2012 have resulted in major changes to the welfare scheme, aiming to reduce the UK's welfare benefit costs by £18 billion over the next five years and promote work as more beneficial than claiming benefit. Embedded in the Acts are a range of measures designed to simplify, streamline and reform the payment of out of work, income, housing and disability related benefits; re-assess the fitness or otherwise of claimants to work; and provide employment related support. Both Acts have introduced significant reforms to the current system that have a direct impact on Council services: – The replacement of Council Tax Benefit with Localised Council Tax Support wef April 2013 – The introduction of a "size criteria" and limitation of Housing Benefit within the social rented sector wef April 2013 – The limitation of total benefits through an overall household "Benefit Cap" (From July 2013) – The reform of the Disability Living Allowance and its replacement with Personal Independence Plans wef October 2013 – The replacement of the abolished elements of the Social Fund which was administered by the Department of Works and Pensions (DWP), by a local scheme. The Council was allocated funding for 2013/2014 and 2014/2015 to create a local scheme to replace Crisis Loans and Community Care Grants which had been part of the social fund. From April 2013 the council set up a grant based scheme known as Essential Living Fund to replace these parts of the Social Fund*. – The replacement of all working age benefits (Income Support, income-related Employment and Support Allowance, income-based Jobseeker's Allowance, Housing Benefit, Child Tax Credits and Working Tax Credit) with a single unified benefit known as Universal Credit (to be completely in place by 2020) – Further possible changes may take place post general election, which could include: o Reduction to the total amount of benefits a household is entitled to (Benefit Cap). o Taxing Disability Living Allowance, Personal Independence Payment, and Attendance Allowance. o Reviewing contribution-based Employment Support Allowance, Jobseekers Allowance, and work-related activity group for ESA. o Reviewing the entitlement threshold to carers' allowance and Housing Benefit. o Limiting Child benefits to a number of children. The reforms could lead to: – Fewer people in receipt of benefits who may then look to the Council to provide them with a service – e.g. housing, homelessness, adult social care. – Additional demand for Council services as a consequence of demographic and migration changes brought about by the Welfare Reforms (e.g. people moving to Thurrock from London). – The Council funding the Essential Living Fund scheme from 2015/16, as the Government decided not to extend the current two year funding arrangements for 2013/14 and 2014/15.	Roger Harris

Link to Corporate Priority
Build Pride, Responsibility and Respect

Inherent Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & **Date:** 17/04/2015	**Residual Risk Rating as at:** 17/04/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 31/03/2016

Inherent Risk Rating & Date: 17/04/2015

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at: 17/04/2015

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Residual Risk Rating as at:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Target Risk Rating & Target Date: 31/03/2016

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Comments

The impact of the changes was being monitored by the Welfare Reform Group and Universal Credit Strategy Group which has now been combined into one group The Welfare Reform Strategy Group. In terms of the specific areas :

- The Essential Living Fund has had a lower take-up than expected (largely because it is cashless) and the arrangements with Southend are working well. The scheme will continue as per Cabinet approval in December for 2015/16; as such the Council will contribute £331,425 towards the running of the scheme, it is likely that no less than £266,925 will be available to eligible applicants during the fiscal year.
- The social sector size criteria have affected nearly 1,000 people. Discretionary Housing Payment has been used to minimise the impact; Housing Benefit arrears have been lower than expected; around 65 households have moved. The risk is over maintaining this position;
- The benefit cap only affected a very small number of people and has had minimal impact;
- The move from Disability Living Allowance to Personal Independent Plan is being monitored and numbers will grow as people switch at their review point. Delays remain the biggest problem. However, the DWP states that waiting times have now been reduced to 6 weeks.
- Localised Council Tax Support – again arrears are lower than expected but it is causing financial hardship for significant numbers of people, the long-term impact of which is hard to assess at this stage; The 2015/16 scheme has now been approved by full Council as at January and will remain the same as the last 2 years.
- Universal Credit – the process of its rolling out in Thurrock began in March 2015. At this stage it affects new claimants from single jobseekers such as people entitled to Job Seekers Allowance, and includes; Housing Costs and Tax Credits. The roll-out to all other categories of people including Couple's and families with children is continuing in a phased process in all chosen pilot areas, but is expected to be completed by 2016/2017.
- Universal Credit has faced significant delays because of IT and other implementation problems. There are opportunities to see if we can get joined up professional Benefits, Money and Employment advice and support services between the Council and the Job Centre Plus/Dept of Works & Pensions. The start of this has been to join up Housing Assessments and DWP assessments on the ground floor of the Civic Offices. This went live at the end of January 2015.
- A Delivery Partnership Agreement (DPA) was signed by Thurrock Council and the DWP, taking effect from the 16th of March 2015

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Welfare Reform Strategy Group and monthly meetings established.	From Apr 2013
2. Discretionary Housing Payment (DHP) policy and budget regularly reviewed by Benefits and Housing Services	From Apr 2013
3. Universal Credit Programme Board working with the Department of Works and Pensions and Job Centre Plus to plan and prepare for the impact of Universal Credit.	From Apr 2013
4. Council Tax Debt Management Team review of fair debt policy to ensure individuals impacted by Welfare Reform receive appropriate support during the Bailiff and Court Summons process to recover unpaid council Tax.	From Apr 2013
5. Service Level Agreement with Southend Council for the Essential Living Fund established for the year 2013/14 and renewed for the years 2014/15 and 2015/16.	From Apr 2013
6. Universal Credit Programme board working with the Department of Work and Pensions and job Centre Plus to plan and prepare for the impact of Universal Credit	From Apr 2014
7. A Delivery Partnership Agreement (DPA) was signed by Thurrock Council and the DWP, taking effect from the 16th of March 2015, This agreement will endeavour to: – DWP to provide reasonable support to the Authority to support the development and implementation of local service provisions (providing Data, guidance, products…etc.). – Monitor the impact and take appropriate actions. – Provide support around housing cost issues that may rise, e.g. setting up a *Personal Budgeting Support* scheme to assist Thurrock residents affected or potentially affected by the welfare changes. – Providing support to claimants to go online and stay on line. – Processing Local Council Tax Reduction Scheme. – Supporting claimants with complex needs (e.g. support with personal budgeting) – Working with Universal Credit Programme to inform and assist Landlords' through the current and prospective changes.	From Mar 2015
8. Housing Service: (i) Provide benefits, debt and money advice to council tenants affected by the Benefit cap and Social Sector Size Criteria / Under Occupancy. Examples include: Visits to residents at home and at outreach centres, partnership with Family Mosaic established to provide tenancy, financial advice and other support services to residents. (ii) Undertake monitoring and management of potential increased rent arrears/evictions: - Rents and Welfare team monitoring the level of rent arrears and endeavour to make contacts with those affected and provide advice and assistance in order to assist in sustaining their tenancies. - Finance inclusion officer working with tenants affected by the changes, maximizing income and reducing expenditure and Family Mosaic (partner) to providing tenancy, financial advice and other supporting services to resident. - Eviction & Prevention Panel tracking all evictions in the social sector resulting from the welfare reform and Head of Service undertaking evaluations to inform judgements on whether to proceed with the eviction process. (iii) Cap on Housing Benefit, Size Criteria (Including exclusion from entitlement to larger property than household requirement): – Housing Solutions teams provide assistance to tenants affected by the cap on housing benefit..	From Apr 2013

– Welfare Coordinator appointed Jan 2015 to oversee the implementation of the next phase of Universal Credit in Thurrock:
  - Minimizing disruptions leading to service users being detrimentally affected by such changes.
  - The development of a multi-agency approach strategy.
  - Creating closer inter-departmental working relationships and with key stakeholders such as DWP and HRMC (DPA agreed and in place since March 2016).
  - DPA endeavours to provide relevant services to vulnerable claimants, and those who require it. This plan is predominantly funded by DWP to facilitate the process of claims being made online.
  - Learning from best practices and other pilot schemes.

(iv) Homelessness and Temporary Accommodation – Thurrock Private Housing Sector team working with private landlords to promote to maintain standards, and to make affordable properties available for letting.

Residual Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	**Implementation Date**	**Progress**
9. Welfare Strategy Group to continue to meet monthly to monitor the impact, ensure the Council and partners are working together to respond to identified needs and to support local residents affected by the changes.	From Apr 2015	
10. Universal Credit Programme Board continue to work with the Department of Work and Pensions and Job Centre Plus to provide advice and support services to people impacted by the various welfare reforms.	From Apr 2015	
11. Continued implementation of the Delivery Partnership Agreement (DPA) by Thurrock Council and the DWP. Agreement includes: – DWP to provide reasonable support to the Authority to support the development and implementation of local service provisions (providing Data, guidance, products…etc.). – Monitor the impact and take appropriate actions. – Provide support around housing cost issues that may rise, e.g. setting up a *Personal Budgeting Support* scheme to assist Thurrock residents affected or potentially affected by the welfare changes. – Providing support to claimants to go online and stay on line. – Processing Local Council Tax Reduction Scheme. – Supporting claimants with complex needs (e.g. support with personal budgeting) – Working with Universal Credit Programme to inform and assist Landlords' through the current and prospective changes.	From Apr 2015	
12. Housing Service to continue: (i) To provide benefits, debt and money advice to council tenants affected by the Benefit cap and Social Sector Size Criteria / Under	From Apr 2015	

Occupancy. Examples include: Visits to residents at home and at outreach centres, partnership with Family Mosaic established to provide tenancy, financial advice and other support services to residents.

(ii) To undertake monitoring and management of potential increased rent arrears/evictions:

- Rents and Welfare team monitoring the level of rent arrears and endeavour to make contacts with those affected and provide advice and assistance in order to assist in sustaining their tenancies.
- Finance inclusion officer working with tenants affected by the changes, maximizing income and reducing expenditure and Family Mosaic (partner) to providing tenancy, financial advice and other supporting services to resident.
- Eviction & Prevention Panel tracking all evictions in the social sector resulting from the welfare reform and Head of Service undertaking evaluations to inform judgements on whether to proceed with the eviction process.

(iii) Cap on Housing Benefit, Size Criteria (Including exclusion from entitlement to larger property than household requirement):

- Housing Solutions teams provide assistance to tenants affected by the cap on housing benefit..
- Welfare Coordinator appointed Jan 2015 to oversee the implementation of the next phase of Universal Credit in Thurrock:
  - Minimizing disruptions leading to service users being detrimentally affected by such changes.
  - The development of a multi-agency approach strategy.
  - Creating closer inter-departmental working relationships and with key stakeholders such as DWP and HRMC (DPA agreed and in place since March 2016).
  - DPA endeavours to provide relevant services to vulnerable claimants, and those who require it. This plan is predominantly funded by DWP to facilitate the process of claims being made online.
  - Learning from best practices and other pilot schemes, for example different options with wider implications are currently being considered such as:
    - Arranging for assistance in paying Council Tax when required.
    - Exploring options for providing debt advice.
    - Encouraging claimants to open bank accounts, and working with banks to provide such options.
    - All major local banks now offer a basic account for people receiving benefits

Target Risk Rating	Target Date:	31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

Rationale for Applying High (Red) Target Rating:

The Welfare Reform Act 2012 and the Local Government Finance Act 2012 have resulted in major changes to the welfare scheme. Both Acts have introduced significant reforms to the current system that have a direct impact on Council services and the Council's Welfare Reform Group are regularly monitoring the impact of the changes and actions to address the position. The July's budget's announcement indicated further changes to the welfare system which are likely to put additional pressures on the Local Authority services and resources, these include:

Changes	Mitigation
1. 1% reduction in social rent for the next four years, this is the equivalent of 8% over the duration (on the basis of needing to reduce social rent by 1%, and not receiving the 1% on top of Consumer Price Index).	To be confirmed. Awaiting further information to enable the position to be evaluated.
2. Market value rent for social tenants households earning £30,000 per year or more	To be confirmed when system for the evaluation of earnings established.
3. As of April 2017 the Benefit Cap for families in Thurrock will be reduced from £26,000 to £20,000. And to £13,400 for single claimants.	Continue to work closely with DWP to support adults to return to work via apprenticeships, training schemes, and other initiatives.
4. From April 2017 Eighteen to Twenty-one years old applicants will not be eligible for Housing Benefit (only vulnerable applicants would be entitled to the benefits).	Continue to work closely with DWP and relevant agencies to support young adults obtaining work via apprenticeships, training schemes, and other initiatives.
5. Working age benefit will be frozen for four years from April 2017.	Developing an advisory service to sign-post and assist affected households with budgeting, accessing alternative resources…etc.
6. Reduction of income threshold for tax credits from £6,420 to £3,850 from April 2016 (Earning will reduce benefits considerably earlier).	To be confirmed but likely that appropriate advisory service will be provided
7. ESA applicants categorized within the work related activity component will no longer be eligible to receive the additional £30 per week increment from April 2017.	Ensuring households affected are made aware of the changes, and supported.
8. Entitlement to Child Tax Credit will be restricted to two children only from April 2017.	Assisting households with budgeting.
9. Backdating of Housing Benefits will be restricted to maximum statutory period of one month only.	Ensuring all affected households are contacted and provided with support at early stages.
10. As of April 2017 parents will only be able to claim income support up to the child's age of three.	Developing an advisory service to sign-post and assist affected households with budgeting, accessing alternative resources…etc.

The reforms and impact of the changes will not be alleviated in the short term. A target date of 31/03/16 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated to reflect the changes to the reforms and the risk. At this time it is predicted that the risk will remain at the higher (red) level and a target rating of Critical/Likely applied.

Corporate Risk No. 16 / Heading - Children’s Social Care, Service Standards & Inspection Outcome 2015 / 16

INHERENT RISK

Risk Description	Risk Owner
Failure to manage the increases in demand and budget/ resource pressures for Children’s Social Care could lead to a breakdown in the quality or performance of the service provided to vulnerable children and results in less favourable outcomes from inspection and damage to reputation of the service does meet the required standards	Andrew Carter

Link to Corporate Priority
- Create a great place for learning and opportunity - Improve health and wellbeing

Inherent Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

DASHBOARD

Inherent Risk Rating & Date: 17/04/2015	**Residual Risk Rating as at:** 17/04/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 31/03/2016

Each rating grid (Likelihood × Impact):

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Comments
This risk evaluates the impact of increased demand and resource pressures on children’s social care quality of service and provision. This risk remains from the previous year as inspection has not yet taken place. The pressures outlined throughout the 2014/15 year 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 although as anticipated it has led to an increase in the volume of work to children’s social care, this is ongoing. The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children’s Services including from the Children’s Social care budget will be risk assessed to mitigate the impact on front line services.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Quality Assurance and Safeguarding functions are in place and robustly applied. Functions extended to include the establishment of Quality and improvement Group.	2014/15 and Ongoing
2. Project management of the inspection process is in place with trial runs completed to ensure that the data required by Ofsted is accurate and provided in a timely manner.	November onwards
3. A review of all policies has taken places to ensure that they have been updated and staff	Nov2014 – March 2015
4. Joint delivery of the 'Early Offer of Help Strategy' and associated services are now embedded to meet the new the duty placed on Council's to coordinate an early offer of help to families who do not meet the criteria for social care services and ensure that the 'step down and step up' processes are robustly managed.	From Apr 2012
5. Internal quality assurance audits to evidence appropriate application of thresholds.	From Sept 2012
6. Ongoing data analysis to enable us to benchmark and target areas for improvement	From Apr 2014
7. Placement Review – an external reviews of high cost placements.	From Apr 2013

Residual Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
8. Ongoing implementation and/or application of actions 1 - 7 above.	From Apr 2015	

Target Risk Rating	Target Date:	Refresh 31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

<u>Rationale for Applying High (Red) Target Rating</u>:

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. This risk remains from the previous year as inspection has not yet taken place. The pressures outlined throughout the 2014/15 year 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 although as anticipated it has led to an increase in the volume of work to children's social care, this is ongoing. The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children's Services including from the Children's Social care budget will be risk assessed to mitigate the impact on front line services.

The service has to be demand and needs lead and cannot fail to respond to the needs of a child due to budget or resource constraints. 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. An incident of civil disorder could result in more young people being placed in custody and a resulting increase in remand costs to the local authority.

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. Trends can be predicted based on previous levels of demand but these are subject to variance.

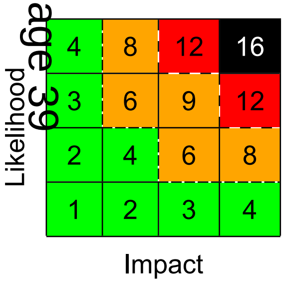
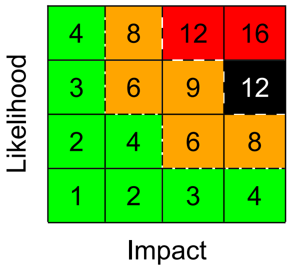
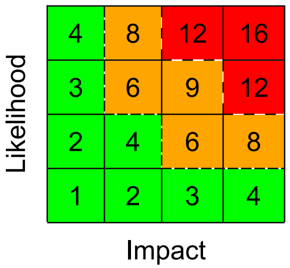
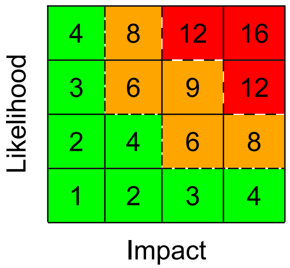
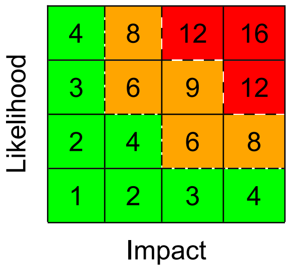
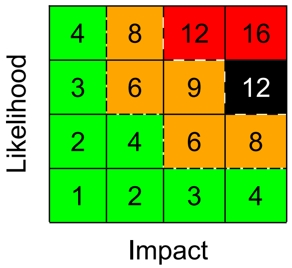
The pressures outlined above will not be alleviated in the short term and the risk rating will remain at the higher (red) level for the period covered. A target date of 31/03/16 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated.

Corporate Risk No. 17 / Heading - Children's Social Care, Safeguarding and Protecting Children and Young People 2015 / 16

INHERENT RISK

Risk Description								**Risk Owner**
Failure to ensure that all children and young people in need of help or protection are safeguarded and supported could result in them not achieving their full potential and increasing the risk of a child death or serious injury.								Andrew Carter
Link to Corporate Priority								
- Build pride, responsibility and respect - Create a great place for learning and opportunity - Improve health and wellbeing								
Inherent Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 17/04/2015	**Residual Risk Rating as at:** 17/04/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 31/03/2016
					

Comments
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 SET Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood. The introduction of the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases. The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Southend, Essex & Thurrock Child Protection procedures established and reviewed March 2015	Ongoing
2. Local Safeguarding Children's Board established, progress reported annually and guidance reviewed March 2015	Ongoing
3. Quality assurance and safeguarding function of Children's Social Care established	Ongoing
4. Legal framework and court action	Ongoing
5. Thurrock Multi Agency Safeguarding Hub introduced Sept 2014 and services commissioned as part of the Early Offer of Help Strategy	From Sept 2014
6. Case Audits	Ongoing
7. Quality assurance framework	Ongoing

Residual Risk Rating	Date:	17/04/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
8. Ongoing implementation and/or application of actions 1 - 7 above.	From Apr 2015	

Target Risk Rating	Target Date:	Refresh 31/03/2016	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

Rationale for Applying High (Red) Target Rating:

The nature of the work in terms of safeguarding and supporting children at risk of harm means that this will always be a high risk area although through the application of the S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood.

The risk of children and young people coming to harm cannot be completely eliminated and the risk level needs to remain high and ensure clear vigilance across the council and partner agencies. New and emerging risk factors will arise and there is always a potential for agencies 'not knowing, what they don't know' that needs to be guarded against.

The introduction of the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases.

The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur.

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

Within the context of this work we have a high level and critical risk that is being proactively managed. The management of the risk across partner agencies is reducing the likelihood of such risk, where the potential for such risks are known but cannot reduce the potential magnitude for the child in incidents such as child death or permanent disability. The unknown element of risk for families not known to the service means that overall the likelihood remains high. Families are also not static and risk is a constant changing variable within known families.

The risk rating therefore remains as a constant throughout the period covered. A target date of 31/03/16 has been applied to the risk, which is the time when the documentation will be fully reviewed, refreshed and updated.

Corporate Risk No. 18 / Heading - Business Continuity Planning 2015 / 16

UNMANAGED / INHERENT RISK

Risk Description	**Risk Owner**
Since 1st April 2015 Emergency Planning no longer undertakes Business Continuity on behalf of all Council functions. That responsibility has transferred to local managers. Failure of the Council and/or local managers to coordinate and maintain Business Continuity Planning would lead to the business continuity management arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting Thurrock	David Bull Directors Board

Link to Corporate Priority
A well-run organisation.

Inherent Risk Rating	Date:	20/03/2015	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 20/03/2015	**Residual Risk Rating as at:** 20/03/2015	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Residual Risk Rating as at:**	**Target Risk Rating & Target Date:** 30/09/2015

Each of the six panels shows the same matrix:

Likelihood				
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4
	Impact			

Comments

The Council has recently undergone some significant change and reshaping (e.g. restructures, office moves, remote working, closing of Culver Centre, etc) and a total refresh of business continuity arrangements needed to update plans. As of 31st March 2015 Business Continuity will no longer be the responsibility of the Emergency Planning Team and will sit with service managers, this will mean no central coordination of Business Continuity. It is also important to highlight that Business Continuity is a Statutory Duty for Local Authorities under the Civil Contingencies Act 2004. Business Continuity Planning and Disaster Recovery Support Group to be established to coordinate a review of Business Continuity Plans across the Council.

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EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Review of Business Continuity Plans – Exercise undertaken between April and October 2014. 75% of BCPs reviewed and returned to Public Protection	Apr - Oct 2014
2. Programme for the development and implementation of critical incident plans for schools commenced March 2014. BC team working with Education Department the development and implementation of critical incident plans for schools to ensure that Thurrock Schools are resilient in their operation.	Ongoing from March
3. Programme of BC Exercises commenced of critical functions and services. Five reviews of service BCPs undertaken between April to October 2014, with consideration given to Third Party suppliers and their BC arrangements. Further BC exercise of Highways & Transportation function undertaken in December 2014.	Apr - Dec 2014
4. Further review of Business Continuity Plans commissioned Feb 2015 to update plans to take into account office moves, restructures, closure of the Culver Centre, etc. As at 20/03/2015 only four updated plans submitted to the Emergency Planning Team.	From Feb 2015
5. BC Review of Team function – Review of BC team undertaken. Decision taken to transfer the BC function from the Emergency Planning Team to Service Managers with effect from 1st April, 2015.	Dec 2014 - March 2015

Residual Risk Rating	Date:	20/03/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / TARGET RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
6. Continue review of Business Continuity Plans (commenced Feb 2015) to update plans to take into account office moves, restructures, etc	From April 2015	
7. Directors Board to consider the position and way forward.	From April 2015	
8. Director of Planning and Transportation to commission review of Public Protection (including Business Continuity Planning function)	From May 2015	
9. Establish BCP/DR Support Group	June 2015	
10. Approach for the review of Business Impact Analysis, Business Continuity Plans to be developed by the BCP/DR Support Group	June 2015	
11. Approach for the review of BIAs/BCPs to be introduced to Directors Board	June 2015	
12. Individual Council services to: • Review and update BIAs and BCPs • Identify their current applications in use and services delivered from their BIA reports and BCPs along with: (a). The Recovery Point Objective (RPO = the maximum point in	July 2015	

time they can roll back to in the event of data loss) (b). The Recovery Time Objective (RTO = the maximum time sustainable to reach the RPO). 13. BCP/DR Support Group to review/check feedback from each Service to ensure returns complete and realistic. 14. Review to consider the position and ongoing approach/support function for BCP.	 Aug 2015 Sept 2015	

Target Risk Rating	Target Date:	Refresh 30/09/2015	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

<u>Rationale for Applying High (Red) Target Rating</u>:

With effect from the 1st April 2015 the responsibility for Business Continuity transferred from the Emergency Planning Team to local managers and the risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to business continuity planning arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting the authority.

A business continuity support group has been established and is currently working with the Digital Board and Directorates to ascertain the current status of Business Continuity Plans for the departments.

The risk is expected to remain at the higher level until assurance is obtained that the business continuity plans for the critical functions identified are adequate and effective.

A review to consider the position and ongoing support function for Business Continuity Planning is scheduled for September 2015

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24 September 2015	ITEM: 6
Standards and Audit Committee	
Internal Audit Progress Report 2015/16	
Wards and communities affected: All	**Key Decision:** Non-key
Report of: Gary Clifford – Internal Audit Manager	
Accountable Head of Service: Sean Clark – Head of Corporate Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is public	

Executive Summary

The Draft Internal Audit Plan 2015/16 was discussed by the Standards & Audit Committee at their meeting of 16 July 2015. This report sets out progress against the Internal Audit Plan 2015/16 and is the first progress report presented to the Standards & Audit Committee in the current municipal year.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Consider reports issued by Internal Audit in relation to the 2015/16 draft audit plan.

2. Introduction and Background

2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.

2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the

Standards & Audit Committee about the operation of the internal control environment.

2.4 The audits contained in the Internal Audit Plan 2015/16 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 (some assurance but a number of weaknesses) and Red (negative assurance opinion). Following comments made by the members of the Standards & Audit Committee at the meeting of the 16th July 2015, we will revisit our categorisation of the levels of assurance opinion when the new audit software is implemented.

3.2 We have summarised below (3.3 to 3.5), those reports that have been issued as final since the beginning of April 2015. The key findings of these reports are shown at Appendix 1.

3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:

- Education Transport
- Warren Primary School
- Housing Benefits

3.4 The following reports received an **Amber/Green** assurance rating for the control framework in its area:

- Horndon-on-the-Hill Primary School
- Orsett C of E Primary School
- Somers Heath Primary School

3.5 The following report received an **Amber/Red** assurance rating for the control framework in its area:

- Direct Payments (Adults)
- Direct Payments (Children)
- Supported Living (Contract Review)

A full copy of the management summary and action plans with responses for these 3 reviews is included at the end of Appendix 1.

3.6 We have also included all those reports that are draft reports and work in progress within the table which forms part of the introduction to the progress report at Appendix 1.

4. Reasons for Recommendation

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

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

5.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.

5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.

5.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

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

6.1 The Council's corporate priorities were used to inform the annual audit plan 2015-16. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

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

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

7.2 Legal

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

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

7.3 **Diversity and Equality**

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

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

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

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

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

- Draft Strategy for Internal Audit 2015/16 to 17/18 and Internal Audit Plan 2015/16
- Internal Audit Reports issued in 2015/16.

9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford
Internal Audit Manager
Thurrock Council Internal Audit Service

Standards & Audit Committee

Internal Audit Progress Report 2015/16

Date of Committee: 24th September 2015

Introduction

The draft internal audit plan for 2015/16 was presented to the Standards & Audit Committee on 16th July 2015. This report provides the first update on progress against that plan.

Table showing Reports issued as Final, Draft Reports issued to Client and Work in Progress

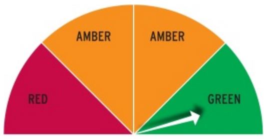
Assignment	Status	Opinion	Actions Agreed (by priority) High	Medium	Low
Audits to address specific risks					
Direct Payments (Adults)	Final	Amber/Red	1	2	1
Direct Payments (Children)	Final	Amber/Red	2	2	0
Education Transport	Final	Green	0	0	1
Horndon-on-the-Hill Primary School	Final	Amber/Green	0	2	4
Orsett C of E Primary School	Final	Amber/Green	0	3	4
Somers Heath Primary School	Final	Amber/Green	0	3	2
Supported Living (Contract Review)	Final	Amber/Red	1	3	1
Warren Primary School	Final	Green	0	1	2
Fostering	Draft with Client	N/A	N/A	N/A	N/A
Children's Centres	Draft with Client	N/A	N/A	N/A	N/A
Street Lighting	Draft with Client	N/A	N/A	N/A	N/A
Special Guardianship	Work in Progress	N/A	N/A	N/A	N/A
School Condition Funding	Work in Progress	N/A	N/A	N/A	N/A
Procurement Cards	Work in Progress	N/A	N/A	N/A	N/A
Register of Interests, Gifts & Hospitality	Work in Progress	N/A	N/A	N/A	N/A
Safeguarding of Assets (Appointeeship and Deputyship)	Work in Progress	N/A	N/A	N/A	N/A
Insurance	Work in Progress	N/A	N/A	N/A	N/A
Procurement in Schools	Work in Progress	N/A	N/A	N/A	N/A
Spend under £75K	Work in Progress	N/A	N/A	N/A	N/A
Core Assurance					
Housing Benefits	Final	Green	0	0	5

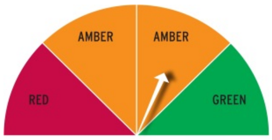
The reports on Direct Payments (Adults), Direct Payments (Children) and Supported Living (Contract Review) received an Amber/Red assurance opinion and have been included in more detail at the end of this progress report.

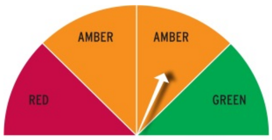
The Internal Audit Service has also been supporting the Corporate Fraud & Investigation Directorate on two on-going investigations and the National Fraud Initiative.

In addition, the Internal Audit manager is also leading on the transfer of the Corporate Finance Department to an Electronic Document and Records Management System which will result in more effective and efficient working practices and a reduction in the costs of storing documents at off-site locations. Training on the new system is due to commence in September 2015.

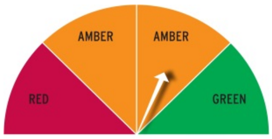
Key Findings from Internal Audit Work

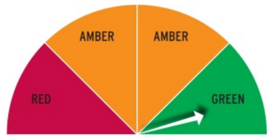
Assignment: Education Transport	**Opinion: Green**	
Headline Findings: Our review of Education Transport did not identify any areas of concern around the design and adequacy of the control framework. The review focussed on the policies, procedures, assessments, applications and budgets for denominational and post 16 education transport following the agreement of Cabinet on 19th March 2014, to the introduction of a three tier charging regime based upon a discounted rate. This was introduced from September 2014. The aim of the new scheme was to generate savings, whilst supporting lower income families through the introduction of an Exceptional Circumstances Policy.		

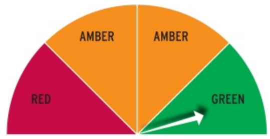
Assignment: Horndon-on-the-Hill Primary School	**Opinion: Amber/Green**	
Headline Findings: Our review of Horndon-on-the-Hill Primary School identified 2 medium and 4 low recommendations around the adequacy of the control framework. 4 of the 6 recommendations from the previous review had been implemented. Those recommendations remaining outstanding have been repeated within this review.		
Action and Response	**Responsible Officer**	**Date**
Action - The school should obtain evidence that the adults providing the Brownies and Football Club lettings have obtained the relevant DBS clearance and record the number as evidence that they have checked. **Response** – Agreed.	Primary School Manager	September 2015
Action - Letters need to be sent out to parents as soon as they start to get in arrears on paying their child's dinner money. If necessary, when the arrears reach £10, the parents should be asked to supply sandwiches until the debt is repaid. This will reduce the likelihood of arrears escalating further. **Response** - Agreed.	Headteacher Admin Assistant	September 2015

Assignment: Orsett C of E Primary School	**Opinion: Amber/Green**	
Headline Findings: Our review of Orsett C of E Primary School identified 3 medium and 4 low recommendations around the adequacy of the control framework. 3 of the 5 recommendations from the previous review had been implemented. Those recommendations remaining outstanding have been repeated within this review.		
Action and Response	**Responsible Officer**	**Date**
Action - To ensure appropriate authorisation of expenditure is taking place, all items must be supported by an official authorised order before the	Headteacher	September 2015

purchase is made This will ensure management reports are kept up to date and accurately reflect the school's financial position. **Response** - Staff will be informed to make sure the office is aware of items being ordered.		
Action - Cross checks must be made between the contract drawn up by EPM and the payroll reports to ensure that the Council are paying the correct salary. **Response** - Agreed.	Bursar/Headteacher	September 2015
Action - All staff working extra hours must complete an additional duties claim form stating the number of hours worked, signed by the claimant and authorised by the Headteacher. Claims must not be submitted to payroll until the Bursar receives the fully completed additional duties form. **Response** – Agreed.	Bursar/Headteacher	September 2015

Assignment: Somers Heath Primary School	**Opinion: Amber/Green**	
Headline Findings: Our review of Somers Heath Primary School identified 3 medium and 2 low recommendations around the adequacy of the control framework. 7 of the 9 recommendations from the previous review had been implemented. Those recommendations remaining outstanding have been repeated within this review.		
Action and Response	**Responsible Officer**	**Date**
Action - All Purchase Orders raised must be authorised. Where they exceed £5k, they must be signed by the Chair of Finance in addition to the school's signatory, as per the school's financial regulations. To ensure appropriate authorisation of expenditure is taking place, all items must be supported by an official authorised order before the purchase is made This will ensure management reports are kept up to date and accurately reflect the school's financial position. **Response** - Agreed.	Bursar Headteacher	Implemented immediately
Action - Members of staff claiming overtime or extra hours, should complete an overtime claim form and sign, before handing to the Deputy Head for authorisation. This ensures there is an audit trail to support payments. **Response** - Agreed.	Deputy Head Bursar	September 2015
Action - All personnel files must include a signed letter of appointment; evidence of appropriate qualifications and two references. This provides evidence that all relevant HR procedures have been followed and complied with. **Response** – Agreed.	Headteacher Bursar	September 2015

Assignment: Warren Primary School	**Opinion: Green**	
Headline Findings: Our review of Warren Primary School identified 1 medium and 2 low recommendations around the adequacy of the control framework. 4 of the 5 recommendations from the previous review had been implemented. The recommendation remaining outstanding has been repeated within this review.		
Action and Response	**Responsible Officer**	**Date**
Action - All Purchase Orders raised which are in excess of £5k must be signed by the Chair of Finance in addition to the Headteacher's signature as per the school's financial regulations. To ensure appropriate authorisation of expenditure is taking place, all items must be supported by an official authorised order before the purchase is made This will ensure management reports are kept up to date and accurately reflect the school's financial position. **Response** - Agreed.	Headteacher Business Manager	Implemented immediately

Assignment: Housing Benefits	**Opinion: Green**	
Headline Findings: Our review of Housing Benefits did not identify any areas of concern around the design and adequacy of the control framework. The objective of the review was to ensure accurate and timely processing and payment of Housing Benefits to eligible claimants, and covered policies and procedures, staff training, supporting evidence, key performance indicators, accuracy, overpayments, authorisation of payment runs, write-offs, claims monitoring, fraud management, system reconciliation, statutory returns and management reporting and review. There were 5 low recommendations. 4 of the 6 recommendations from the previous review had been implemented. The recommendations remaining outstanding have been repeated within this review.		

1 Executive Summary

1.1 INTRODUCTION

An audit of Direct Payments was undertaken as part of the approved internal audit periodic plan for 2015/16

Direct Payments are payments made by councils directly to individuals who have been assessed as having eligible needs for certain services. Subject to a few exceptions, councils must offer people who qualify for services the option of having a direct payment if they are eligible. Direct Payments are one way in which people can direct their own support by purchasing the assistance or services that the council would otherwise provide.

All service users undergo a means tested assessment to establish if they can contribute towards the cost of their care. The Council issue payment to the Service Users every 28 days in advance, with the assessed client contribution taken from this. The Service Users are responsible for paying any invoices from care suppliers and accounting to the Council for any money spent.

In 2014-15 the number of people in receipt of Direct Payments was 460, an increase of 220 (48%) since the last audit in February 2011. The total amount paid in 2014-15 was £3,599,557, an average of £7825 for each adult. The money returned which was unspent by the clients amounted to approximately £258,000.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	Direct Payments are managed effectively as per legislation and Council guidance.
Risk	The approval and authorisation of Direct Payments for new clients and amendments for existing clients may not be valid, accurate and current. The calculation and disbursement of Direct Payments may not be carried out accurately. Financial reviews may not be carried out regularly. Client's care needs may not be reviewed.

1.2 SCOPE OF THE REVIEW

To provide an overall opinion on the control framework and risk management arrangements within the area under review by evaluating the extent to which controls have been applied. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls to be reviewed and limitations to the scope of the work were agreed during the audit planning process:

Control activities to be tested:

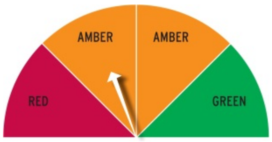
- Approval and authorisation processes, calculations, payments, financial and care assessment reviews.

Limitations to the scope of the audit:

- Testing will be sample based and therefore any findings will be based on this sample. This review was limited to Adults' Direct Payments. Children's payments were covered as a separate review.
- In addition, our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.3 CONCLUSION



Taking account of the issues identified, whilst Thurrock Council can take some assurance that the controls upon which it relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Overall Effectiveness and Design of control framework

- Overall, there appeared to be a lack of documentation to support all of the Direct Payments being made to the clients as some Agreements were not up to date and changes in commissioning could not be verified. Also, some of the files could not be easily found.
- Financial Assessments were not always reviewed annually as per agreement.
- The Council did not provide Direct Payment to service users who had debts owing to the Council.

Application of and compliance with control framework

- Checks were carried out to ensure the client's closing bank balance was within the 8 weeks tolerance required by the Policy and any excess funds were requested back.
- Social Workers were informed where it is identified that Direct Payments had not been used appropriately.
- Cases referred to Social Workers were dealt with promptly. However, they did not always carry out annual reviews as per the Direct Payment Agreement.
- Requests to clients for further information/refunds were not always followed up promptly.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Risk	**High**	**Medium**	**Low**
The approval and authorisation of Direct Payments for new clients and amendments for existing clients may not be valid, accurate and current.	0	0	1
The calculation and disbursement of Direct Payments may not be carried out accurately.	1	0	0
Financial reviews may not be carried out regularly.	0	1	0
Client's care needs may not be reviewed.	0	1	0
Total	**1**	**2**	**1**

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are used to highlight good practice or provide management with ideas or suggestions that they may wish to implement. Suggestions do not appear in the Action Plan and do not impact on our overall opinion.

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
1.1	It is recommended that a signed Direct Payment agreement is retained on every file. This evidences that the client has read and understands all of their responsibilities under the agreement.	Low	Y	Introduction of open objective – This will highlight the issue moving forward and should prevent error and gain control. – We would need to ascertain which ones don't have an agreement in place, In progress a meeting is arranged with BIDS to see if a report can be run off with all Direct Payment Users we will then check each file to see if the correct agreement is in place.	Ongoing	Direct Payments Officer
2.1	Social Workers should submit a new Direct Payment Agreement to the DP Officer any time there are	High	Y	The customer journey practice manual has been updated and all staff reminded to update any DP	End June 15	Senior Performance & Information

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	changes to commissioning. This ensures there is an audit trail to confirm increases or reductions in the level of care, and consequently, the payments made.			agreement after any change Again this will be discussed in the meeting with BIDS to ensure all changes are recorded.		Manager
3.1	Financial Assessments should be reviewed annually in line with the Direct Payment Agreement as changes in clients' circumstances could mean they are eligible to contribute more, or less, towards the cost of their care.	Medium	Y	Reports for reviews are run every month these are controls that mitigate these oversights. The reports are Assessment within or outside last 12 months, clients pending review, clients movement & clients pending financial assessment. Clearly there is an issue with the reports themselves which we will investigate The task to check the reports has been allocated. We are in the process of going through all the assessments to identify those outside the 12 month period. A report has been run which has been passed to several members in the team this should now be well underway. I am in the process of comparing the reports run to manual samples of review dates to narrow the issue before logging this via BIDS/ContrOCC as it will minimise cost.	Ongoing	Interim Customer Finance Manager

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
4.1	Steps should be taken to ensure all Direct Payments are reviewed annually as stated in the Direct Payments Agreement. Failure to do so could result in clients' changing needs not being identified and met and as a consequence, the Council over or under paying for the care actually needed.	Medium	Y	Customer journey practice manual to be updated and all staff advised of new approach to reviews which includes decision that DP reviews to always be reviewed at least annually. We will monitor compliance as part of reviews performance management process.	End of July 15	Fieldwork Services Manager

1 Executive Summary

1.1 INTRODUCTION

An audit of Direct Payments (Children) was undertaken as part of the approved internal audit periodic plan for 2015-16.

Direct Payments are cash payments made to people who have been assessed and are eligible to receive services for their disabled child from Thurrock Council. Direct Payments can be used very flexibly to meet the child's assessed needs - examples include employing someone to help parents look after their child, contracting with a care agency, day care, short breaks etc. The payment itself is made to adults with parental responsibility for a disabled child and they are accountable to the Council for the way in which the money is spent. They are required to indicate their understanding of their duties in relation to Direct Payments before they can begin to receive them and to account for all monies spent in the time frames agreed.

In 2014-15 the number of children in receipt of Direct Payments was 87 and the total amount paid was £505,373, an average of £5,809 for each child. The money returned which was unspent by the clients amounted to approximately £27,000.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	Direct Payments are managed effectively as per legislation and Council guidance.
Risk	The approval and authorisation of Direct Payments for new clients and amendments for existing clients may not be valid, accurate and current. The calculation and disbursement of Direct Payments may not be carried out accurately. Financial reviews may not be carried out regularly. Client's care needs may not be reviewed.

1.2 SCOPE OF THE REVIEW

To provide an overall opinion on the control framework and risk management arrangements within the area under review by evaluating the extent to which controls have been applied. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls to be reviewed and limitations to the scope of the work were agreed during the audit planning process:

Control activities to be tested:

- Approval and authorisation processes, calculations, payments, financial and care assessment reviews.

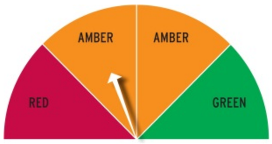
Limitations to the scope of the audit:

- Testing will be sample based and therefore any findings will be based on this sample. This review was limited to Children's Direct Payments. Adults are being covered as a separate review.

- In addition, our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.3 CONCLUSION



Taking account of the issues identified, whilst Thurrock Council can take some assurance that the controls upon which it relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Overall Effectiveness and Design of control framework

- Overall, there appeared to be a lack of documentation to support all of the Direct Payments being made to the clients i.e. not all Direct Payment Agreements on file, some authorised finance forms missing etc.
- There were a number of errors identified which resulted in some payments being incorrectly paid. In general, these were small amounts which could be reclaimed. However, in 1 case, involving 2 children in the same family, both of whom received a Direct Payment, the overpayment amounted to approximately £20,000.
- There is no reconciliation between payments made directly to the client and those made to Essex Coalition for Disabled People (ECDP) who manages the payment on behalf of the client. This resulted in a duplicate payment being made with both the client and ECDP receiving the payment. This overpayment has been reimbursed back to the Council.

Application of and compliance with control framework

- Checks are carried out to ensure the client's closing bank balance is within the 8 weeks tolerance required by the Policy and any excess funds are requested back.
- Social Workers are informed where it is identified that Direct Payments have not been used appropriately.
- Cases referred to Social Workers are dealt with promptly. However, they do not always carry out annual reviews as per the Direct Payment Agreement.
- Requests to clients for further information are not always followed up.
- Clients do not always use the dedicated bank account properly and do not always provide bank statements and/or receipts for cash payments.
- Mileage expenditure is being paid without claim forms being completed in respect of journey start and finish details.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Risk	**High**	**Medium**	**Low**
The approval and authorisation of Direct Payments for new clients and amendments for existing clients may not be valid, accurate and current.	0	1	0
The calculation and disbursement of Direct Payments may not be carried out accurately.	1	0	0
Financial reviews may not be carried out regularly.	0	1	0
Client's care needs may not be reviewed.	1	0	0
Total	**2**	**2**	**0**

There has been no previous audit review which only covered Children's Direct Payments. Previous reviews have tended to concentrate more on Adult Direct Payments but some of the recommendations relating to this report are similar to those raised for Adult's payments.

2 Action Plan

The priority of the recommendations made is as follows:

Priority	**Description**
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are used to highlight good practice or provide management with ideas or suggestions that they may wish to implement. Suggestions do not appear in the Action Plan and do not impact on our overall opinion.

Ref	**Recommendation**	**Risk Rating**	**Agreed (Y/N)**	**Management Action to address recommendations**	**Completion Date**	**Responsible Person**
1.1	It is recommended that a signed Direct Payment agreement is retained on every file. This evidences that the client has read and understands all of their responsibilities under the agreement.	Medium	Y	Will make sure moving forward that any forms are uploaded onto the Integrated Children's System (ICS).	Immediate	Team Manager
2.1	It is recommended that a finance form is completed for every client and is checked by the Team Manager to ensure the correct amount is being paid. When calculations for increases and one off payments are made, these	High	Y	The finance form should be checked by the children's team manager. Moving forward any alterations to paid amounts will not be accepted via email or any other form other than a new completed finance form.	Immediate	Children's Team Manager/ Direct Payment Finance Officer

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	should also be checked by the Team Manager. In addition, there should be a reconciliation process between those clients paid by the Council and those paid through ECDP to ensure there is no duplication of payments. These independent checking and reconciliation processes should reduce the likelihood of further errors occurring and ensure the correct payments are made.			Reconciliation between Council and ECDP accounts could prove difficult and result in further charges to the authority as it is unlikely that such requests have been factored into the existing contract. Additionally there could be data sharing issues relating to the payment of PA accounts that would need consideration. This may need further consultation with the contract manager.		
3.1	It is recommended that where there is not a clear trail of information/ evidence, including having proper and all bank statements, receipts where services are paid for in cash and sufficient details on mileage claimed, the DPO should follow up in a timely manner. Failure to comply should result in the withdrawal of payments until the correct procedures are followed. This will help to ensure money is spent appropriately in supporting the client.	Medium	Y	In principal this recommendation is sound however the report indicates a 43% increase since the last audit. Due to resources we only have 1 officer to perform all of these tasks and functions. This makes following up on cases and in depth investigations difficult and resource intensive. Additionally we must acknowledge that audit systems must not be viewed as overly burdensome to the	Ongoing	Direct Payments Officer

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
				individual else we could face challenges in the authority. We have now put in place an extra admin resource to support the direct payment officer with the returns payment process. Further discussions with CWD team are ongoing to make sure correct information and advice is given when the Direct Payment is initially set up.		
4.1	Steps should be taken to ensure Direct Payments are reviewed annually as stated in the Direct Payments Agreement. Failure to do so can result in clients' changing needs not being met and, as a consequence, the Council over or under paying for the care actually needed.	High	Y	Moving forward, there should not be any cases that are not reviewed annually as resources have increased with an additional Family Support Worker being employed. A small number are still outstanding but will be picked up.	By the end of Sept 2015	Service Manager/ Team Manager

1 Executive Summary

1.1 INTRODUCTION

An audit of a sample of contracts for Supported Living and other housing support schemes for Adults with learning disabilities was undertaken as part of a series of thematic reviews on the approved internal audit periodic plan for 2015/16.

The Authority has a number of Supported Living schemes which aim to support adults with learning disabilities and facilitate clients to live independently. This also includes support for families and young people who are facing homelessness. This is described as a preventative measure for those determined as vulnerable groups.

There are a number of service providers contracted to supply supported living arrangements; such as accommodation, floating support and day opportunities. Audit selected 7 contracts with 2 of the providers; Family Mosaic and Thurrock Lifestyle Solutions (TLS). The objective was to establish whether the tender process had been completed in accordance with the Council's Constitution, relevant procurement practices and EU regulations. Audit also reviewed the relevant contracts in place to confirm that the document retention policy had been adhered to. In addition, by sample, confirm that the performance indicators and payment systems were managed in accordance with requirements.

Subject	Year	Value
Supported Living contracts (6)	2010 - 2016	Total contracts **£4,789,943** approximately
Supported Living Budget spend	2014/15	**£957k** approximately
Day Opportunities Contract (1)	Annual for 3 years	**£1.5m** p.a. approximately

1.2 SCOPE OF THE REVIEW

To check that procurement of contracts is in compliance with legislation and the Council's Constitution. The awarding of contracts is backed up by appropriate documentation and evidence.

Control activities to be tested:

- Procurement, Contractual arrangements, Contract, Management, Monitoring.

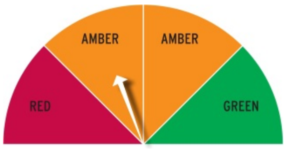
Limitations to the scope of the audit:

- The scope of the audit will be limited to reviewing processes in place. Conclusions will be based upon sample testing of transactions relevant to the current financial year to date.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

- The audit will focus on the specific contracts selected and concentrate on how they were managed. Therefore, it will not provide assurance on contract management across the whole of the Council.

The approach taken for this audit was a Risk-Based Audit.

1.3 CONCLUSION



Taking account of the issues identified, whilst the Council can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

The audit concluded that the tender processes were satisfactory. However, some significant issues in relation to monitoring and managing contracts once they were formed were evident in 2 of the 7 contracts reviewed. Although significant improvements had been made with regards to the implementation of stronger controls to monitor service provision, financial reconciliation processes were absent. Inadequate financial controls meant that the Authority had been unable to evaluate whether the contracts provided value for money. Quality outcomes were confirmed as measured. The performance framework for those sampled was satisfactory. However, verification of data was insufficient as it was stated that there was a lack of adequate resource.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Overall Effectiveness and Design of control framework

- The Day Opportunities contract stated that supporting evidence should be supplied with the invoice to show adjustments to the Base Payment. This system was not in place at the commencement of the contract.
- There was recent evidence of contract monitoring by the Adult Social Care Contracts Team in respect of the number of clients who were using the Day Opportunities service. However, there was no reconciliation process between the usage and the costs stated on the invoices.
- The stated lack of adequate resources to manage the Day Opportunities contract effectively meant that some documentation could not be verified i.e. returns, invoices, client surveys, and savings. Therefore, it could not be determined that value for money was being obtained.
- The Base Payments for Day Opportunities were set up on Oracle but not on ContrOCC resulting in clients not being monitored individually at the commencement of the contract. This resulted in potential income not being identified, pursued and collected until it was identified as an issue at a later date.

Application of and compliance with control framework

- Evidence of the tender processes was confirmed on file for the audit sample taken.

- Contracts were confirmed as in place with the exception of the Generic Floating Support Scheme. However a deed of variation to the original contract, which was raised in 2014, was evident.
- Spreadsheet monitoring of clients receiving social care was evident for contracts in place within the Adult Social Care Contracts Team.
- A performance framework was in place to check and report progress on quality objectives using workbook returns. Any issues arising from the returns were discussed with the service provider and reported.
- Customer surveys were stated as being undertaken by the service provider and the results submitted on the workbook return.
- Meetings with service providers were confirmed as being held quarterly and discussions included subjects such as legislation, policy, training and safety.
- Contract compliance visits were confirmed as being undertaken annually. An East of England Workbook was applied and scored for each provider. Issues were raised and discussed with service provider directly. Results were recorded.
- The Day Opportunities contract was drawn up by Trowers and Hamlins. However, a copy of the original document was not sent to the Authority's Legal Services.
- There was no evidence of contract variations being monitored or agreed formally for the Day Opportunities contract.
- There was no evidence of purchase orders being reconciled to contract spend for the Day Opportunities contract.
- The Learning Disabilities Pilot Scheme contract expired this year. The pilot scheme was created using a waiver under the Council's Constitution at the Director's discretion not to tender under EU regulations. However, a local tender exercise was undertaken to obtain value for money. This contract expired on 31/03/15.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

The recommendations address the risks within the scope of the audit as set out below:

	Priority		
Area	**High**	**Medium**	**Low**
Contract procedure rules and the procurement process may be ineffective leading to inefficiency and lack of value for money	1	3	1
Total	**1**	**3**	**1**

1.5 ADDITIONAL FEEDBACK

The following staff gave their time and co-operation during the review, and we would like to record our thanks:
Adult Social Care: - Service Manager - Contract compliance & Brokerage - Senior Contracts Manager - Joint Commissioning Officer (Supported Housing & Prevention) - Fieldwork Service Manager - Complex care and Transition Team Manager - Contract Compliance Intelligence Officer - Customer Finance Residential - Business Support Admin Team Manager - Performance & Information Officer Legal Services: - Contract and Procurement Solicitor - Administration Support Officer Procurement Services: - Senior Procurement Manager - Senior Procurement Officer - Procurement Officer

2. Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
1.1	It is recommended that a copy of the terms and conditions and the specification details for the original block contract with TLS for supported living should be held on file in the department in line with document retention policy. A copy should also be provided to Legal. In addition, a sealed copy of the Day Opportunities contract should be sent to Legal Services to retain in their records. This will help to reduce delays if disputes arise around contractual issues.	Medium	Yes	The terms and conditions together with the specification will be placed in the contract team files and a copy provided to Legal. A sealed copy of the Day Opportunities file will be provided for legal	30-9-15	Strategic Lead Commissioning
1.2	It is recommended that a contract escalation mechanism is set up to report any significant issues that arise as a result of compliance monitoring visits and/or external inspections affecting service delivery or safeguarding. This will	Medium	Yes	There is a mechanism with other contracts, the recommendation will be put in place in full	30-9-15	Strategic Lead Commissioning and Contracts Team Manager

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	assist the Authority in monitoring the contract and help to ensure significant issues are addressed promptly through a formal process.					
1.3	The quarterly meetings should provide an opportunity to register specific issues that need to be followed up. If necessary, a separate meeting should be arranged. This reduces the likelihood that issues are not dealt with in a timely and effective manner.	Low	Yes	A separate monthly meeting is now in place between the CEO of TLS and the Commissioning Strategic Lead and Commissioning Officer to allow for more detailed discussion as required these are minuted and kept on file.	Completed	Strategic Lead Commissioning
1.4	It is recommended that an urgent review of the contract management process and a lesson learned exercise is undertaken, before the next tender process due shortly. It is important that key controls are put in place to monitor the payment process and ensure that value for money is obtained where possible, in addition to high quality service provision.	High	Yes	The recommendation will be put in place and the tender process will review the lessons learned ensuring that robust financial processes are established regarding payment monitoring	This will be on going and reviewed in 3 months' time	Strategic Lead Commissioning, Commissioning Officer and Contracts Team Manager
1.5	It is recommended that the quarterly returns and satisfaction survey data are periodically checked to ensure they are accurate and correctly reported in	Medium	Yes	A process will be put in place immediately to ensure that this happens	30-9-15	Strategic Lead Commissioning and Contracts Team Manager

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	accordance with the agreed methodology. This will assist in monitoring that performance and satisfaction levels are in line with the contract.					

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24 September 2015	ITEM: 7
Standards and Audit Committee	
Regulation of Investigatory Powers Act (RIPA) 2000 – Quarterly Activity Report	
Wards and communities affected: N/A	**Key Decision:** N/A
Report of: Fiona Taylor, Head of Legal Services and Monitoring Officer	
Accountable Head of Service: Fiona Taylor, Head of Legal Services and Monitoring Officer	
Accountable Director: Lyn Carpenter - Chief Executive	
This report is public	

Executive Summary

This report provides an update on the usage and activity of RIPA requests during April 2015 to June 2015 (Quarter 1).

1. Recommendation(s)

1.1 To note the statistical information relating to the use of RIPA from April 2015 to June 2015.

2. Introduction and Background

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

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

2.3 The RIPA 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 The number of Thurrock RIPA directed surveillance authorisations processed from April 2015 to June 2015 is 0 (nil). Below is a breakdown showing the areas the authorisations relate to for this period (along with year to date figures):

	April 2015 - June 2015	2015/16 – Year to date volumes
Trading Standards	0	0
Fraud	0	0
Regulatory	0	0
Covert Human Intelligence Source (CHIS authorisations	0	0

The table below shows the number of requests made to the National Anti-Fraud Network (NAFN) for Communication Data requests:

	April 2015 – June 2015	2015/16 requests to date
Service Data	1 (Trading Standards)	1
Subscriber Data	0	0

Notes:

- Service Data – Is information held by a telecom or postal service provider including itemised telephone bills and/or outgoing call data.
- Subscriber Data – Includes any other information or account details that a telecom provider holds e.g billing information.

4. Reasons for Recommendation

4.1 This report provides an update on the usage and activity of RIPA requests for April 2015 to June 2015.

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

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**

Management Accountant

There are no financial implications directly related to this report.

7.2 Legal

Implications verified by: **Chris Pickering**

Principal Solicitor – Employment and Litigation

Legal implications comments are contained within this report above.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**

Community Development and Equalities Manager

There are no such implications directly related to this report.

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

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

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

- None.

9. Appendices to the report

- None.

Report Author:

Lee Henley
Information Manager
Chief Executive's Office

24 September 2015	ITEM: 8
Standards and Audit Committee	
2014/15 Annual Complaints Report	
Wards and communities affected: All	**Key Decision:** Non-key
Report of: Lee Henley – Information Manager	
Accountable Head of Service: Jackie Hinchliffe – Head of HR, OD & Transformation	
Accountable Director: Lyn Carpenter – Chief Executive	
This report is: Public	

Executive Summary

Corporate complaints:

- A total of 1616 complaints have been received within the reporting year 2014/15. This is a decrease compared with 2013/14 full year volumes, as during 2013/14 2549 complaints were received. However this decrease is linked to a change in our complaints process, with the introduction of a concerns stage across all service areas from 1st January 2014.

- A total of 2486 concerns have been received in the reporting period.

- The combined total of complaints and concerns received for the reporting period is 4102. During 2013/14, 3575 complaints/concerns were received and processed, so the reporting period has seen an increase in overall numbers received.

- Some services, by virtue of the nature of the type of service provided, receive the highest volume of complaints. For the reporting period, the top four expressions of dissatisfaction relate to the following services:

  - Housing repairs
  - Estate Management
  - Council Tax
  - Missed Waste Collections

- The reporting period has highlighted the following (and where possible a rationale has been provided within 2.3.5 of this report):
  - Children's Services - There is an increase in both complaints and concerns received for school admissions, although few are upheld.

- Housing Repairs:
  - The combined total of concerns and complaints received during 2014/15 (1053), represents a decrease in the combined total for 2013/14 (1109).
- Estate Management:
  - 2014/15 has seen a significant increase in concerns received.
  - 2014/15 has seen a reduction in complaints received.
- Housing Solutions:
  - 2014/15 has seen a significant increase in concerns received.
  - 2014/15 has seen a reduction in complaints received.
  - 14% of closed complaints were upheld.
- Transforming Homes:
  - 2014/15 has seen a significant increase in concerns received (90 received during 2014/15 compared to nil for 2013/14). However it should be noted:
    - 2014/15 is the first full year for our Transforming Homes programme
    - During 2013/14, a number of concerns would have been sent directly to the contractor (without being logged on our complaints system). Work is on-going to ensure going forward the council has full visibility of all concerns received for this area.
- Council Tax:
  - The combined total of concerns and complaints received during 2014/15 (310) is a similar number to the total received during 2013/14 (300).
  - 14% of closed complaints were upheld.
- Housing Benefit:
  - The combined total of concerns and complaints received during 2014/15 (171) has increased compared to 2013/14 (126).
- Missed Waste Collections:
  - During 2014/15, the combined total of concerns and complaints received (332) represents a decrease in the combined total for 2013/14 (555).
- Parking:
  - The combined total of concerns and complaints received during 2014/15 (126) has increased compared to 2013/14 (21).
- Pot Holes:
  - The combined total of concerns and complaints received during 2014/15 (70) has increased compared to 2013/14 (43).

- During the reporting period, 41% of complaints have been upheld. This is an improvement compared with 2013/14, as 48% of complaints were upheld.

- For the reporting period, 98% of complaints were responded to in timeframe. This performance is encouraging when considered against the backdrop of the national austerity measures and the impact of reduced resources within the council.

- The average response time for responding to LGO enquiries is 16 days. This is an improvement on 2013/14, where a year end average figure of 21 days was achieved. 4 cases investigated by the LGO were upheld.

- A total of 9 formal enquiries have been received from the Housing Ombudsman. The Housing Ombudsman does not have a standard timeframe for the council to issue a response and each request is managed on a case by case basis. However, all initial enquiries were responded to within the timeframes set by the Housing Ombudsman.

- A total of 758 MP enquiries were received, of which 92% were responded to within timeframe. During 2013/14, performance within timeframe was reported as 98%, so this is a dip in performance (although there was an increase in enquiries received).

- A total of 2913 Members enquiries were received, of which 98% were responded to within timeframe. The reporting period has also seen an increase in Members' enquiries that have been logged, as during 2013/14 2023 were received.

Children's Social Care (CSC):

- The department recorded 263 representations (including 107 compliments) under the Children's Statutory Social Care complaints procedure. 54 stage 1 complaints were received for Children's social care for this period. In addition, two complaints progressed to stage 2 complaint investigations and two complaints progressed to stage 3. The department also addressed 2 Ombudsman enquiries, 21 MP enquiries and 16 member enquiries as well as 59 concerns.

Adult Social Care (ASC):

- A total of 356 representations were recorded as received for this reporting period which included 68 complaints, 1 Ombudsman enquiry, 33 concerns, 16 MP enquiries and 40 Member enquiries and 198 compliments.

  The service aims to successfully resolve issues and concerns at the point they are raised and promotes the same approach from commissioned providers. This approach means that more matters are being appropriately dealt with before they are escalated into the statutory complaints process.

1. Recommendation(s)

1.1 To note the statistics and performance for the reporting period 2014/15.

2. Introduction and Background

2.1 This report sets out details relating to the council's complaints statistics and performance for the period 2014/15.

2.2 Adult's and Children's Social Care have separate statutory complaints procedures which are managed by the respective Directorates.

2.3 Volumes and performance for complaints and concerns

2.3.1 During the reporting period, a total of 1584 complaints were due a response, and performance at each stage is as follows:

Complaint stage	Volume	Responded to within timeframe
Stage 1	852	98%
Stage 2	566	98%
Stage 3	166	97%

2.3.2 The table below outlines complaint/concerns volumes received over recent years and the percentage of complaints due a response and processed within timeframe:

Year	Complaints Received	Complaints Responded Within Timeframe	Concerns Received	Complaints/ Concerns Totals
2014/15	1616	98%	2486	4102
2013/14	2549	97%	1026	3575
2012/13	3505	91%	N/A	3505
2011/12	2618	97%	N/A	2618
2010/11	3187	89%	N/A	3187

With effect from 1st April 2013, the council implemented an informal stage when processing Housing complaints. This informal stage resulted in issues being recorded as a concern as opposed to a complaint and represents an enhanced level of customer service, as the service area is tasked with contacting the individual via telephone in order to resolve the issue informally.

Leadership Group agreed that the council would adopt this process change across all service areas as a mechanism to drive forward improvements in the way we interact with our residents, service users and customers. This change then took place from 1st January 2014.

The reporting period has seen a decrease in complaint volumes compared with 2013/14. However this decrease is linked to the change in our complaints process, with the introduction of the concerns stage across all service areas from 1st January 2014.

2.3.3 The table below shows the most common complaints and concerns received per Directorate for the reporting period.

Notes:

- Figures in brackets represent 2013/14 full year volumes.
- 2013/14 concerns – As detailed above for Housing the concerns process commenced on 1/4/13. For all other service areas, the concerns process commenced on 1/1/14 (4th quarter within 2013/14).

Directorate	Issue Nature	Complaints Received	Upheld Complaints per area	Concerns Received	Concerns not closed off	Concerns escalated to complaints
Children's Services	Admissions	14 (2)	3	10 (0)	2	1
	SEN	3 (3)	1	3 (0)	0	0
	Children's Social Care Complaints	54 (66)	-	59 (34)	6	-
Adult, Health & Commissioning	Adults Social Care	68 (56)	10	33 (37)	7	-
Housing	Repairs	580 (557)	219	473 (552)	38	101
	Estate Management	167 (182)	49	248 (101)	21	46
	Housing Solutions	73 (80)	10	102 (51)	10	15
	Transforming Homes	86 (72)	49	90 (0)	11	28
Serco	Council Tax	143 (268)	20	167(32)	4	24
	Housing Benefit	62 (101)	20	109 (25)	4	15
	Contact Centre	18 (65)	6	48 (12)	5	6
Central Services	Finance	9 (6)	2	8 (0)	0	3
	Legal	5 (0)	1	2 (0)	0	0
	Complaints	2 (6)	0	0 (0)	0	0
	FOI and Data Protection	7	4	0	0	0
Environment	Missed waste collection	85 (514)	62	247 (41)	1	25
	Environmental Health Trading Standards	13 (28)	0	50 (0)	3	2
	Non return of bins	16 (50)	14	44 (0)	1	6
Planning & Transportation	Parking	42 (21)	6	84 (0)	12	7
	Planning Decision	25 (29)	2	19 (0)	2	3
	Pot holes	16 (30)	5	54 (13)	6	2

2.3.4 During the reporting period, 2486 concerns have been logged. Of these:

- 2295 were responded to.
- 191 remain active on the complaints system and have not been closed off.

It should be noted that for the concerns above that remain active, it does not necessarily mean that the concern was not responded to by the service area. It could be that the issue was dealt with and the Complaints Team were not updated. Going forward more work on this will be undertaken by the Complaints Team to enable greater transparency over the management of concerns (this will include monthly reports sent to Heads of Services showing active concerns).

2.3.5 A summary of the table in 2.3.3 above is shown below:

- Children's Services:
    - There is an increase in both complaints and concerns received for school admissions, although few are upheld.
    - The increase in volume was to be expected due to pressure on school places. The majority of complaints received by Admissions are in relation to the council not being able to offer places in accordance with parents' preferences: they are not about the quality of the interaction with council staff.
- Housing Repairs:
    - The combined total of concerns and complaints received during 2014/15 (1053), represents a decrease in the combined total for 2013/14 (1109).
    - 38% of complaints were upheld.
    - 101 concerns were escalated to a complaint.
- Estate Management:
    - 2014/15 has seen a significant increase in concerns received. This is attributed to an increase in condition of property related concerns received following on from the void inspection process which are currently classified on our complaints database under Estate Management. However these concerns going forward should/will be classified as condition of property concerns (and not under Estate Management).
    - 2014/15 has seen a reduction in complaints received.
- Housing Solutions:
    - 2014/15 has seen a significant increase in concerns received, which has been attributed to:
        - An increase in applicants presenting to Thurrock from outside the authority which include self-referral or referral via other external sources.
        - Residents in private rented accommodation not adhering to their tenancy agreement resulting in the landlord taking action to end the tenancy. These cases are typical of families and the expectation from applicants that Thurrock assume responsibility for re-housing.
    - 2014/15 has seen a reduction in complaints received.
    - 14% of closed complaints were upheld.
- Transforming Homes:
    - 2014/15 has seen a significant increase in concerns received. This is due to:
        - The number of properties that are now being transformed across Thurrock, which represents the first full financial year of the Transforming Homes programme.

    - During 2013/14, a number of concerns would have been sent directly to the contractor (without being logged on our complaints system).
  - 57% of closed complaints were upheld.
- Council Tax:
  - The combined total of concerns and complaints received during 2014/15 (310) is a similar number to the total received during 2013/14 (300).
  - 14% of closed complaints were upheld.
- Housing Benefit:
  - The combined total of concerns and complaints received during 2014/15 (171) has increased compared to 2013/14 (126).
  - The reason for the increase in concerns is due to welfare reform changes and the impact on the claimant resulting in individuals challenging decisions.
- Missed Waste Collections:
  - During 2014/15, the combined total of concerns and complaints received (332) represents a decrease in the combined total for 2013/14 (555).
- Parking:
  - The combined total of concerns and complaints received during 2014/15 (126) has increased compared to 2013/14 (21).
  - The reporting period has seen an increase in concerns/complaints received against staff in this area. The service area are working towards a new training programme to support an improvement in this area and to achieve a reduction in complaints.
- Pot Holes:
  - The combined total of concerns and complaints received during 2014/15 (70) has increased compared to 2013/14 (43).
  - The council has changed its policy for receiving and dealing with information regarding the highway. Previously issues were recorded as a Service Request in the service area but this system has now been superseded by these issues being logged as concerns/complaints. In addition to this, heavy rainfall and localised flooding in 2014/15 led to a large number of potholes occurring.

2.4 Children's Social Care (CSC)

- Children's Social Care operates a statutory complaints procedure. For the reporting period, 54 stage 1 complaints were recorded as received, of which 41 were completed with an outcome. Four complaints were upheld, 9 complaints were partially upheld and 28 complaints were not upheld. Of the 13 not completed, 1 was closed as outside the statutory timescale, 3 were withdrawn and 9 were in the process of investigation.

- Two complaints were progressed to stage 2 independent investigation stage. Both complaints were concluded and were partially upheld.

- Two complaints progressed to stage 3 review panel. Both complaints had outcomes partially upheld and the learning has been taken forward by Senior Management and disseminated to staff.

2.5 Adult Social Care (ASC)

- 68 complaints were investigated in accordance with the statutory adult social care complaints procedure. Ten complaints were upheld, 10 were partially upheld, 23 complaints were not upheld and 10 complaints were in the process of being investigated at the end of this reporting period. Fifteen complaints were withdrawn.

2.6 Complaint outcomes

2.6.1 The table below outlines the % of upheld complaints across all stages during the reporting period. Figures in brackets represent 2013/14 annual statistics.

Stage	Total complaints due	Complaints upheld	% upheld
Stage 1	852 (1731)	375 (887)	44% (51%)
Stage 2	566 (599)	235 (253)	42% (42%)
Stage 3	166 (170)	44 (56)	27% (33%)
Totals	1584 (2500)	654 (1196)	41% (48%)

2.6.2 All stage 3 complaints are subject to a pre-assessment by senior officers within the Complaints Team. It should be noted that of the 166 stage 3 complaints received a total of 44 were cancelled on the system. A stage 3 complaint can be cancelled for two reasons:

- Following a meeting with the complainant together with the service area which has resulted in satisfactory resolution.
- Where a senior officer within the Complaints Team is of the view that the Directorate could do further work to negate a formal stage 3, the complaint is returned for further management. The complainant is then informed of this.

2.7 Quality checking

2.7.1 The Corporate Complaints Team, as part of its quality checking programme, check complaints responses to ensure they are fit for purpose. For stage 1 complaints the team validated 38% of responses, and for stage 2 complaints the team validated 72%. Findings from the validation exercises have resulted in:

- Responses being reshaped to ensure they are grammatically correct
- Inappropriate responses not being released to the complainant due to content
- Breaches of data protection not taking place
- Responses being returned to the Directorates due to failure to address all points which have been raised by the complainant

2.8 Ombudsman Enquiries

2.8.1 Appendix 2 is the council's Local Government Ombudsman (LGO) report for 2014/15. A high level summary of this report is below:

- 82 enquiries were received by the LGO. During 2013/14, 89 enquiries were received.
- Of the 11 cases investigated by the LGO, 5 have been reported as upheld, although the council's records show this as 4 upheld (and this has been raised with the LGO).
  Note - During 2013/14 28 cases were investigated with 18 upheld.
- Details of upheld complaints for 2014/15 are shown below:
  - Council Tax Benefit - Delays in re-assessing a claim resulting in an incorrect council tax bill being produced.
    Learning - To process information in a timely manner ensuring our billing process is accurate.

  - Adult Social Care – The council did not communicate effectively a decision taken to reduce funding (in relation to a direct payment payment for travel provision).
    Learning – To issue clear communications for all decisions made.

  - Waste/Recyling - Bins not collected regularly.
    Learning – To monitor collections when complaints/concerns are raised with the council.

  - Children's Services – A core assessment was not provided by the council and it remains unclear as to whether information was produced allowing this report to be completed (following the departure of a Social Worker)
    Learning – The council must ensure that relevant records of their dealings with clients are produced and located in a shared location.

2.8.2 The LGO set the council a deadline of 28 days to respond to first enquiries. However the council has implemented a 21 day deadline in order to maintain an effective level of performance.

2.8.3 Performance for responding within the reporting period averages at 16 days for LGO enquiries which is within target and an improvement on 2013/14 (as our average timeframe was 21 days).

2.8.4 Below are the council's average LGO response times over the past 5 years.

- 2010/11 - 21 days
- 2011/12 – 15 days
- 2012/13 – 15 days
- 2013/14 – 21 days
- 2014/15 – 16 days

2.8.5 The Housing Ombudsman does not have a default timeline for responding to enquiries. Timelines are usually set by the Ombudsman dependent upon the level of detail of the enquiry. However, the council continues to bring forward timelines wherever possible to ensure effective performance. Performance for responding to Housing Ombudsman enquiries within the reporting period averages at 22 days (for 9 enquiries).

2.9 Compliments

2.9.1 During the reporting period 552 compliments were received (449 external and 103 internal). Compliments data per Directorate is detailed below:

Directorate	Total compliments	External	Internal
Central Services	23	11	12
Children's Services	11	9	2
Social Care Children's and Adults	322	266	56
Housing	65	49	16
Environment	85	72	13
Planning & Transportation	20	18	2
Serco	26	24	2

2.9.2 The table below shows compliments received since 2010/11.

Year	Compliments received
2014/15	552
2013/14	629
2012/13	631
2011/12	765
2010/11	963

2.10 MP and Councillor Enquiries

2.10.1 During the reporting period enquiries were received as follows:

- 2913 councillor enquiries were received, with 98% responded to within timeframe.
- 758 MP enquiries were received, with 92% responded to within timeframe.

During 2013/14, 364 MP enquiries were received with 98% responded to within timeframe. Therefore current performance represents a dip in performance however the reporting period shows an increase in MP enquiries received.

The reporting period has seen an increase in Members' enquiries that have been logged, as during 2013/14 2023 were received.

2.10.2 In the last reporting period it was reported that the council had started to receive enquires via the MEP. A total of 6 enquiries were received, classified as follows:

Housing	2 regarding damp and mould
Serco	1 regarding benefit entitlement
Serco	1 request to suspend a court hearing
Transportation	1 request for home to school transport
Corp Governance	1 enquiry in relation to a subject access request

2.10.3 MP enquiry trends and common themes are outlined below:

Directorate	Enquiry Type	Volume
Housing	Repairs	196
	Customer Services	44
	Antisocial behaviour	29
	Thurrock Choice Homes	38
Planning & Transportation	Planning Decision / Advice	20
	Parking	6
Children's Services	School Admissions	17

2.10.4 Councillor enquiry trends and common themes are outlined below:

Directorate	Enquiry Type	Volume
Housing	Repairs	700
	Transfer issues	76
	Housing Transformation	93
	Antisocial behaviour	78
Environment	Waste & Recycling	51
Planning & Transportation	Parking	46
Serco	Council Tax	42

2.11 Learning lessons from complaints

2.11.1 The most important aspect of any complaints management framework is the ability to demonstrate that the council can show evidence that it is learning from complaints received. Appendix 1 details a sample of case studies which outline learning from upheld complaints.

2.11.2 Case studies from upheld complaints are published on the council 'You Said We Did'. Following the redesign of the council webpage there has been a delay in updating some case studies. However work is in progress with the Web Team to remedy this.

2.11.3 As a result of council wide changes and the need to make best use of council resources the Corporate Complaints Team no longer provide monthly reports on complaint performance for every Directorate. However, cumulative management information (MI) is submitted to senior performance officers where requested to enable more detailed analysis to take place on the types of feedback received. The team will continue to provide MI to services as and when requested.

2.12 Compensation

2.12.1 Records confirm that within the reporting period financial compensation payments have been extended as outlined below:

Directorate	Complaint Stage	Financial remedy
Housing	Stage 1	£200
	Stage 3	£200
	Stage 3	£350
	Housing Ombudsman	£800
	Total	**£1550**

3. Issues, Options and Analysis of Options

3.1 There are no options associated with this paper.

4 Reasons for recommendations

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

5 Consultation (including Overview and Scrutiny, if applicable)

5.1 This report was discussed/agreed at Performance Board and was sent to Directors Board.

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

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

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

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

7 Implications

7.1 Financial

Implications verified by: **Mike Jones**

Management Accountant

There are no direct financial implications with this report.

7.2 Legal

Implications verified by: **David Lawson**

Deputy Head of Legal and Deputy Monitoring Officer

- Both the Courts and the Local Government Ombudsman expect complainants to show that they have exhausted local complaints / appeal procedures before commencing external action.

- The implementation of our learning from complaints and listening to our residents should lead to a reduction of complaints received and a reduction in those going to the Ombudsman or the Courts.

- Social Care for Adult and Children are required to follow a separate procedure stipulated by the Department of Health (DOH) and Department for Education & Skills (DFES).

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**

Community Development and Equalities Manager

- The Information Management Team will continue to work with relevant officers to provide data that can be broken down into race, gender and disability themes in order to address any inequalities in relation to service delivery. This initiative will also support our aim of using complaints data as a service improvement tool.

7.4 Other implications

None

8 Background papers used in preparing the report

- Information has been obtained from the council complaint system.

9. Appendices to the report

- Appendix 1 – case studies from upheld complaints
- Appendix 2 – LGO report

Report Author:

Lee Henley
Information Manager

Case study – Debt Recovery Service

What you said

Miss Q had complained to the council with regard to alleged harassment from the Debt Recovery Service relating to a charge which had been applied to her for non-attendance at a course delivered by the council. Miss Q stated that she had contacted the service to inform them that she did in fact attend the course and their records are therefore incorrect.

Additionally, Miss Q alleged that there had been a breach of data protection whilst she had attempted to address her concerns, as the details of another individual had been included in email correspondence to Miss Q by the council.

The service informed Miss Q that they would reimburse her the charge they had applied for course non-attendance, however despite waiting several months this had still not been received. Her case was then referred to the Corporate Complaints Team for an independent investigation.

What we did

The independent investigation concluded that the complaint had not been handled in line with the complaints procedure although it recognised that the service had attempted to address the complainant's concerns through email communication. The concerns regarding the alleged data protection breach were investigated but were unfounded.

The intervention from the independent investigating officer ensured that the reimbursement of the charge applied was acted upon immediately, and Debt Recovery was advised to make no further contact with Miss Q. An apology was extended to Miss Q for the inconvenience she had been caused and as a goodwill gesture the service also extended further training opportunities at no extra cost to Miss Q.

The learning from the investigation was that the service must follow the complaints procedure at all times and ensure complaint outcomes are robustly acted upon and monitored and tracked. This would have avoided unnecessary contact from the complainant.

How we expect our services to get better

The learning will result in improved service delivery.

Case study – Housing recharges

What you said

Mrs T complained that she has been invoiced in relation to property recharges six months after she had moved into another council property and that the applied charges were not her full responsibility. She states that some of the rechargeable repairs were the responsibility of the previous tenant and therefore she was not in agreement to paying the costs. Her case was referred to the council's Debt Recovery Department to seek recovery of monies due. In view of the continued dissatisfaction the case was referred to the Corporate Complaints Team for an independent investigation to be carried out.

What we did

The investigation concluded there to be insufficient evidence to substantiate the claim that the tenant should meet the full costs of recharges. There was lack of photographic and documentary evidence on file. Officers advised that the initial recharge costs are provided 'at a point in time', i.e. at the point of viewing and that it was possible that these would change once the tenant had moved out as at this stage any further rechargeable repairs would become evident. However, there was no evidence to support that this had been communicated with the resident and it was not detailed on any paperwork.

As a result of this the rechargeable invoice was amended to only include the costs where there was clear evidence in place, an apology was extended to the complainant for any inconvenience caused.

The investigation recommended that the service review its current forms and procedures when considering and applying recharges, this was shared and agreed with the Repairs Manager who had already commenced a review of the service.

How we expect our services to get better

The revised procedures will ensure that the service have clear evidence in place when requesting payment from residents relating to remedial repairs following tenancy moves.

Case study – Waste & Recycling missed collections

What you said

Mr K had complained that his waste bins had been repeatedly missed over several weeks and following investigation the service informed him that they had spoken with crew members and reminded them of the required level of service they are expected to deliver. Unfortunately despite this there were still repeated incidents of missed collections and the case was escalated to the final stage of the council's complaints procedure.

What we did

As part of the investigation a review of the collection service / route was undertaken and the case was discussed with senior officers. The investigating officer instructed that the collections for Mr K be monitored for the next four weeks to ensure that there are no further reports of missed collections. This was completed and Mr K reported no further incidents.

The service was again reminded of the importance to comply with the appropriate service level requirements.

How we expect our services to get better

The council will instruct monitoring of waste collections if there are continued reports of missed collections, this will ensure that our residents are not subject to inconvenience and dissatisfaction.

Case study – Human Resources Recruitment

What you said

Miss S applied for a post with the council and following interview she was informed she was not successful. She was of the view that the recruitment and selection process was flawed in that it did not comply with equal opportunities; additionally that she had been informed that all other applicants had scored higher than her at interview despite being informed initially that only one applicant had scored higher. The complaint was investigated initially by the service but due to the continued dissatisfaction of Miss S, it was agreed that an independent investigation could be conducted at the final stage of the council's complaints procedure.

What we did

As part of the investigation Miss S was interviewed, as was officers involved in the interview process and officers within Human Resources.

The investigation concluded that the council had complied with equal opportunities and this was not a matter of concern. There were a total of three officers appointed to the positions. With regard to the allegation concerning the scoring of other applicants, the investigation concluded that two of the applicants interviewed had scored higher than Miss S at the interview stage and evidence, by way of interview scoring sheets and interviewees notes had confirmed this. It transpired that the other successful applicant had been interviewed in a prior round of interviews for the post and this is in line with the council's recruitment policy. However, the supporting paperwork confirming the score sheets for this successful applicant could not be located and was therefore not presented to the independent investigating officer as part of his enquiries. Subsequent discussions with officers however did conclude that the third applicant was more suitable.

The investigating officer concluded that the absence of record keeping was key learning from this complaint and the need to retain relevant and accurate recruitment records is an essential requirement.

How we expect our services to get better

The investigation recommended that going forward the council implements a control to ensure service areas return to Human Resources key recruitment paperwork before an offer of employment can be made. This work has commenced and will ensure full visibility of record keeping and recruitment decisions.

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Appendix 2

Local authority report – Thurrock Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/

Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Thurrock C	4	21	3	14	6	6	17	11	82

Decisions made

	Detailed investigations carried out						
Local Authority	Upheld	Not Upheld	Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
Thurrock C	5	6	6	16	9	39	81

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24 September 2015	ITEM: 9
Standards and Audit Committee	
2014/15 Access to Records Report	
Wards and communities affected: All	**Key Decision:** Non key
Report of: Lee Henley – Information Manager	
Accountable Head of Service: Jackie Hinchliffe – Head of HR, OD & Transformation	
Accountable Director: Lyn Carpenter – Chief Executive	
This report is: Public	

Executive Summary

- During 2014/15, the council processed 98% of Freedom of Information (FOI) requests within the legal timeframe. This is based on 548 FOI requests that were processed.
- There has been a decrease in the number of FOI requests logged during the reporting period. This is due to the council implementing processes in order to reduce the volume of requests that are logged and processed as FOI requests. 430 requests were diverted away and processed as routine enquiries by services areas and the Information Governance Team.
- Based on data captured within the FOI database, it has been estimated that the average FOI request takes 3 hours 20 minutes to process.
- The council challenge and/or refuse requests when it is believed that the requestor has used a false name, where we have reasonable grounds to believe the applicant is acting as part of a campaign or in consort with others, or where their questions do not meet the other validity requirements for FOI.
- The council refuse requests where it is estimated that the time taken to process the request exceeds 18 hours. During 2014/15, 26 requests were refused due to the 18 hour threshold.
- During 2014/15 the council received 21 Subject Access Requests under the Data Protection legislation. 71% of these requests were processed within timeframe.
- The Information Governance Team is continuing to ensure an increased amount of data is identified for routine publication online. This work forms part of the Transparency Agenda and aims to increase openness and accountability; whilst reducing unnecessary processing of FOI requests.

1. Recommendation(s)

1.1 To note the performance and statistics for 2014/15 for both FOI and Data Protection.

2. Introduction and Background

2.1 Freedom of Information

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

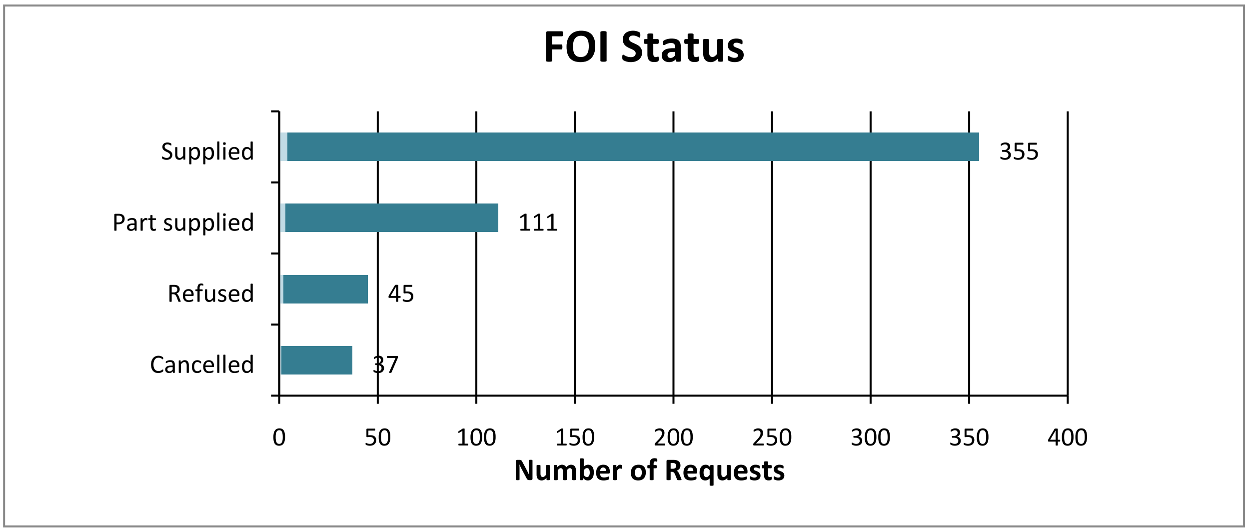
2.1.2 From 1 January 2005 the Freedom of Information (FOI) Act 2000 was fully implemented. This resulted in access to recorded information held by the council being made available, allowing anyone to submit a written request to see information about almost anything that is recorded.

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

2.1.4 During 2014/15, 548 FOI requests were recorded on the council's FOI tracking system. The table below details year-on-year volume and performance data since the introduction of the FOI legislation:

Year	Number of Requests	% responded to in time
2004/2005	53	98%
2005/2006	275	99%
2006/2007	252	98%
2007/2008	225	97%
2008/2009	366	96%
2009/2010	512	99%
2010/2011	547	99%
2011/2012	599	97%
2012/2013	495	93% (would have been 98% if we exclude mailbox error)
2013/2014	662	98%
2014/2015	548	98%

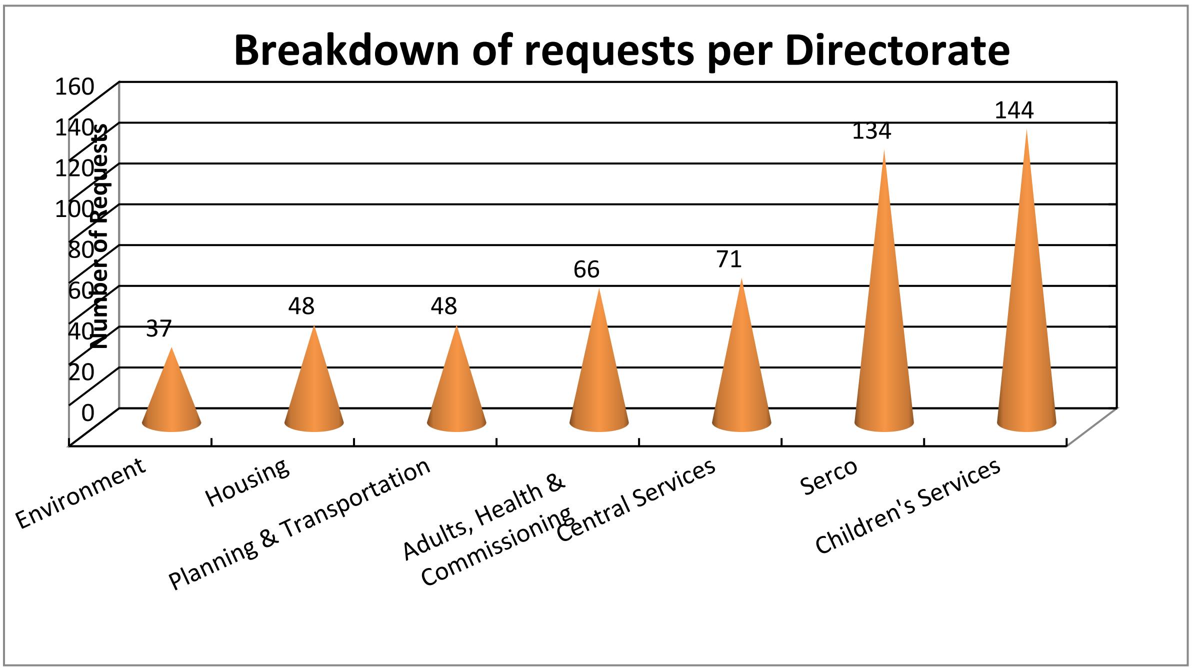
2.1.5 Of the 548 received, 11 were not answered within 20 working days. The chart below shows that of the 548 FOI requests received in 2014/15, 355 (65%) were supplied with all information requested, 45 (8%) were refused, 111 (20%) were part supplied, 37 (7%) were cancelled.



2.1.6 The average number of days taken to answer a Freedom of Information request for 2014/2015 was 14.5 working days. During 2013/14 the average time taken was 14 working days.

2.1.7 Based on 548 requests processed within 2014/15, it has been estimated that the average FOI request takes 3 hours 20 minutes to process.

2.1.8 The chart below shows requests received per Directorate:



2.1.9 The top 5 FOI themes received during 2014/15 were:

- Looked after Children
- School Placements
- Procurement/Contracts
- HR/Employment
- Business Rates

2.1.10 The chart below shows the type of exemptions and refusals that were relied upon (based on a total of 156 requests that were part supplied or refused). Some of the exemptions allow the council to withhold information where disclosure would cause significant prejudice to the council's business at a particular time, and which is therefore not in the public interest to release. Please note the chart below does equate to 156, as more than one exemption can be relied upon per request.

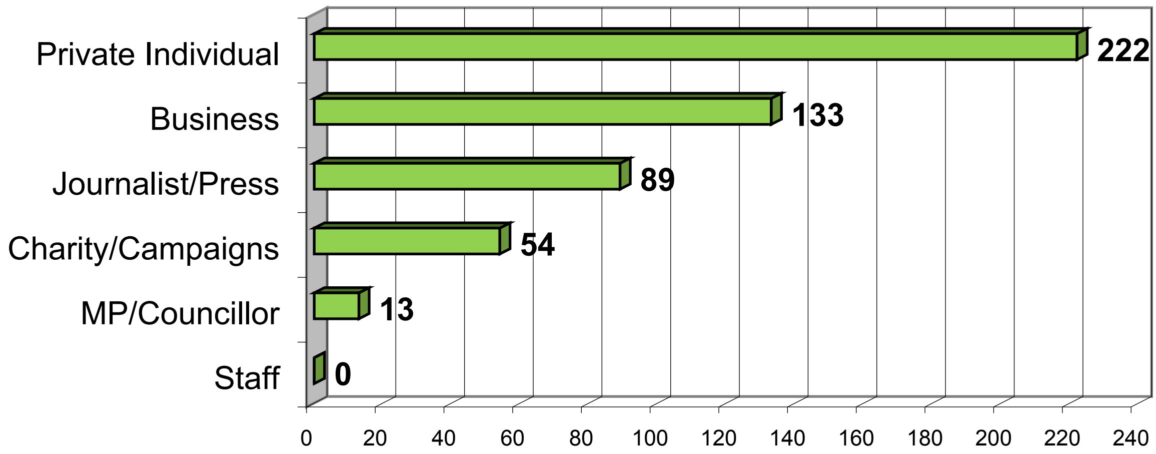
2.1.11The Information Governance Team maintains responsibility for making decisions on the application of Exemptions (to withhold information) under the Act. These are recorded and evidenced to support the approach taken, and to demonstrate how the Public Interest Test has been applied for Qualified Exemptions. This part of the process is vital to prevent and respond to complaints about FOI responses where data has been withheld, either partially or in full.

2.1.12 The Information Governance Team respond to complaints received regarding FOI and Environmental Information Regulations (EIR) requests. During 2014/15 there were 2 FOI/EIR complaints that were escalated to the Information Commissioner's Office (ICO). A summary of these complaints is detailed below:

- Case 1 - The council originally withheld information in relation to an EIR request, however following a complaint to the ICO and an Internal Review by the council, the requested information was released. This request related to Land Charges data.
- Case 2 - The council originally withheld information in relation to an FOI request. Following an Internal Review, the council then supplied all information held as part of the request. The ICO are of the view that the council has supplied all information available (although criticised the council for not meeting the original FOI deadline and not advising the requestor of our reasons for refusing to supply part of the response in the first instance). The requester has escalated their concerns to an Information Tribunal. This is ongoing and the request relates to costs to run our council tax department.

2.1.13 The chart below identifies where FOI requests to the council originated from (this excludes the 37 cancelled requests).

Who FOI requests were made by



2.1.14 The council refuse requests where it is estimated that the time taken to process the request exceeds 18 hours. The first task our FOI co-ordinators undertake when requests are formally logged is to work with service areas to assess how long a request is likely to take. Any requests estimated to take in excess of 18 hours will be refused. Estimates must be justified and records kept supporting our decisions. During 2014/15, 26 requests were refused (in full) due to the 18 hour threshold.

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

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

2.1.17 The Information Governance Team continues to implement processes to reduce the volume of FOI requests that are recorded and processed. This includes processing (where possible) requests as routine enquiries and/or diverting requestors to our website where information may be generally available or available as part of a previous FOI response. During 2014/15, 430 requests were diverted away from FOI.

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

- Replies were received from 12 councils' (the request was sent to approximately 90 Councils/organisations in scope for FOI).
- Performance is strong for the majority of Councils who responded.

2.2 Data Protection

2.2.1 Principle 6 of the Data Protection Act states that personal information must be processed in accordance with the rights of data subjects. This can result in anybody making a request to the council about any information we hold on them and these are referred as Subject Access Requests (SAR). Requests range from very specific records (such as Council Tax, Benefits claim history or complex social care records) to a wide range of records (such as all information held by the Council).

2.2.2 When the SAR process is utilised, the council have 40 calendar days in which to complete the request. The timeframe is met at the point at which we have prepared all files for disclosure and have invited the applicant to collect their records from the council.

2.2.3 During 2014/15, the council received 21 requests where the fee was paid and the full SAR process implemented. Of the 21 requests, 71% of requests were processed within the statutory timeframe.

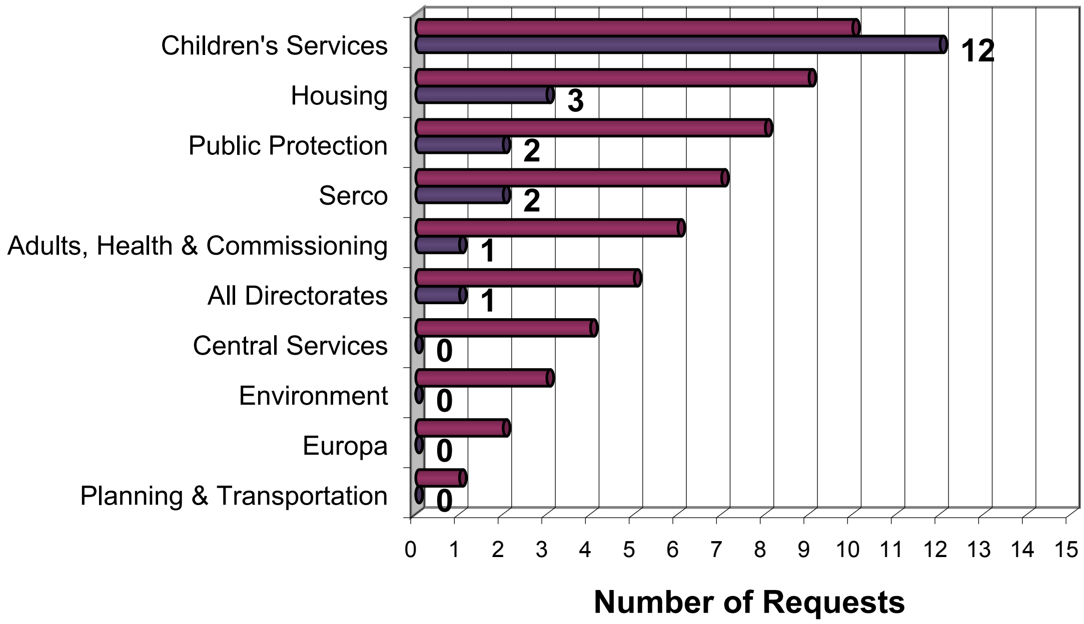
2.2.4 During 2014/15 the council did not receive any Data Protection complaints from the ICO.

2.2.5 The table below shows volumes of requests and performance over a 5 year period. The ICO have also confirmed that in the future they are going to be implementing formal monitoring of council's response rates on data protection in terms of timeframes (at the moment this is only checked if complaints are made). The dip in performance during 2014/15, was in the main due to files/records not being returned to the Information Governance Team in a timely manner. Measures have been put in place to help improve this going forward.

Year	**Number of Requests**	**% responded to in time**
2010/2011	32	97%
2011/2012	51	55%
2012/2013	25	80%
2013/2014	29	90%
2014/2015	21	71%

2.2.6 The chart below shows where the data was owned (i.e. those departments holding data on the applicant) for the 21 requests. This shows that Children's Services received the most requests for 2014/15.

Subject Access Requests – Data Owners



3. Issues, Options and Analysis of Options

3.1 There are no options associated with this paper.

4. Reasons for Recommendation

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

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

5.1 This report was discussed/agreed at Performance Board and was sent to Directors Board.

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

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

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

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

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

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**

Management Accountant

- The council can charge £10 to process a SAR under the Data Protection Act.

- Financial penalties for Data Protection breaches have increased to up to £500K and the Information Commissioners Office (ICO) have been given more powers to check for compliance.

7.2 Legal

Implications verified by: **David Lawson**

Deputy Head of Legal & Deputy Monitoring Officer

- FOI failure could result in regulatory intervention as the ICO are now starting to target poor performing councils for FOI which will lead to reputational damage.

- There are various avenues available to the Information Commissioner's Office to address an organisation's shortcomings in relation to the collection, use and storage of personal information. These avenues can include criminal prosecution, non-criminal enforcement and audit. The Information Commissioner also has the power to serve a monetary penalty notice on a data controller.

- The council must also comply with the Code of Practice issued under section 46 of the Freedom of Information Act 2000. The Information Commissioner may issue practice recommendations to an authority considered to be non-compliant with the Code specifying the steps that should be taken to ensure conformity. Failure to comply with such a recommendation could lead to an adverse report to Parliament in relation to the authority, by the Information Commissioner.

- The council must also be mindful of its duties under the Public Records Acts 1958 and 1967, the Local Government (Records) Act 1962, the Local Government Act 1972, the Local Government (Access to Information) Act 1985 and any other record-keeping or archives legislation.

7.3 **Diversity and Equality**

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

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

7.4 **Other implications**

None

8. Background papers used in preparing the report

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

9. Appendices to the report

Appendix 1 - Benchmarking

Report Author:

Lee Henley

Information Manager

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<u>**Appendix 1 -Freedom of Information Benchmarking results 2015**</u>

Council	Number of FOI requests received during 2014/15	% that were replied to within 20 working days	The majority of the request come from	Most popular subjects asked for				
				1	2	3	4	5
Thurrock Council	548	98.0%	Individuals	Looked after children	School Placements	Procurement / Contracts	HR / Employment	Business Rates
Leicestershire	1018	93.0%	nk	Street History Reports	Public Health Funerals	School admissions	Sales Questions	Statistical questions across the authority
London Borough of Barnet	1840	98.0%	Individuals	Parking, roads and pavements	Finance, contracts, spending and salaries	Planning, conservation and regeneration	Children, young people and families	Schools and Education
Leicester City Council	1315	99.0%	Individuals	Business Rates	Children taken into care	Parking tickets	Data Contract / tender info	Public Health Funerals
Merton Council	1487	87.0%	nk	Business Rates	Data following PCNs	Contract data	Contact details and structure charts	Cost of care
Charnworth Borough	662	98.0%	nk	Building Control and Land	IT information requests	Business Rates		
Oxfordshire	1181	97.0%	nk	nk	nk	nk	nk	nk
Bedford	1505	99.6%	nk	Business Rates	Public Health Funerals	Property searches	Budget	Education/ children's requests
Cherwell Council	579	82.5%	Individuals	Business Rates	nk	nk	nk	nk

Council	Number of FOI requests 2014/15	% that were replied to within 20 working	The majority of the request come from	Most popular subjects asked for				
				1	2	3	4	5
Basingstoke and Deane Borough	761	90.0%	Commercial	CON29 questions	Contract information (particularly IT	Business Rates	Public Health Funerals	Affordable housing/S106 Agreements
West Berkshire District Council	1291	96.4%	nk	Property search information	Contracts information, and budgetary spend on contracts	Stats of children in care, children who have disappeared form care and similar is asked a lot	Business Rates	Public Health Funerals
Wokingham Council	1102	88.0%	Jounalists	Business Rates	Public Health Funerals	Childrens Services related (various)	Contracts and contact details	Highways related (various)
Sutton Council	1333	85.0%	Commercial	Childrens Social Care	Housing Issues	Other Social care issues	Workforce composition	

24 September 2015	ITEM: 10
Standards and Audit Committee	
Audit Results Report for the Year Ended 31 March 2015	
Wards and communities affected: All	**Key Decision:** Non-Key
Report of: Sean Clark, Head of Corporate Finance	
Accountable Head of Service: Sean Clark, Head of Corporate Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is Public	

Executive Summary

This report details the findings of external auditors from their review of the 2014/15 financial statements.

Officers have worked effectively with all members of the external audit team to resolve queries in an efficient and timely manner.

1. Recommendation(s)

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

2. Introduction and Background

2.1 The Council has continued to work effectively with external audit to build on the positive improvements noted in the 2013/14 financial statements. The issues identified in the prior year have been addressed and the overall quality of the financial statements has been reviewed and improved in 2014/15 and the audit has progressed well and in a shorter timeframe to date.

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

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

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

3. Issues, Options and Analysis of Options

3.1 The only uncorrected misstatement relates to a capital invoice that should have been included in the 2014/15 financial statements. This has not been amended as the issue was isolated and the amount is not material. It is also noted this would not impact on the revenue outturn position of the Council. The invoice will be reflected in the 2015/16 financial statements.

4. Reasons for Recommendation

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

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

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

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

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

7. Implications

7.1 Financial

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

The statements are largely governed by the Code. Apart from reporting the Council's financial position as at 31 March 2015, there are no financial implications arising directly from this report.

7.2 Legal

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

There are no specific implications from this report.

7.3 **Diversity and Equality**

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

There are no specific implications from this report.

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

There are no specific implications from this report.

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

- There are various working papers within Corporate Finance.

9. Appendices to the report

- Both statements will be circulated to members following the meeting.
- Audit Results Report - Ernst & Young

Report Author:

Sean Clark

Head of Corporate Finance

Corporate Finance

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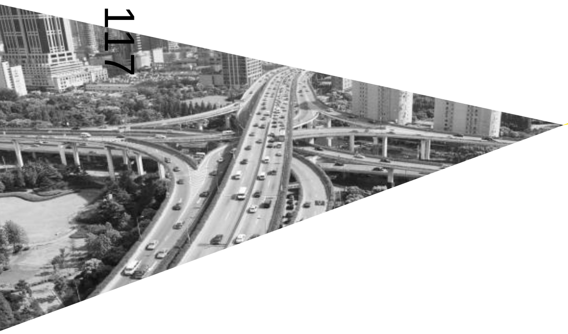
Thurrock Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

9 September 2015



EY

Building a better
working world

Contents

Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit, Scrutiny and Transformation Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 9 September 2015, we expect to issue an unqualified opinion on the financial statements, subject to the completion of the outstanding work detailed on page 10**.** Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- At the time of drafting this report, we have not yet completed our work in this area. However, based on the work we have completed to date, we expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

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

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion, once we have completed work on the Whole of Government Accounts.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

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

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Purpose of our work

- Our audit was designed to:
  - Express an opinion on the 2014/15 financial statements and the consistency of other information published with them
  - Report on an exception basis on the Annual Governance Statement
  - Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)
  - Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

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

As a component auditor, we also follow the group instructions and report the results on completion of the WGA work through the assurance statement to the NAO and to the Council.

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

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

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

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

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Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Management override		
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.	► Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewed accounting estimates for evidence of management bias; ► Evaluated the business rationale for any significant unusual transactions; and ► Reviewed capital expenditure on property, plant and equipment to ensure it met the relevant accounting requirements to be capitalised.	► We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing. ► Our testing did not identify any expenditure which had been inappropriately capitalised.

Addressing audit risks – other audit risks

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

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
Change in accounting for schools In December 2014, CIPFA/LASAAC issued LAAP Bulletin 101 Accounting for Non-Current Assets Used by Local Authority Maintained Schools which provided further guidance on the practical application of the Accounting Code of Practice to non-current assets used by schools, where the assets are owned by a third party. The Council will need to consider the nature of the agreements in place locally for each of their schools to determine the appropriate accounting approach and whether the land and buildings should be recognised in the Council's accounts.	Our approach focussed on: ► The Council's assessment of their accounting treatment for each relevant school against the LAAP bulletin; ► Review of accounting treatment for any changes required to balance sheet assets; and ► The valuation expertise used by the Council.	► Our work confirmed that the Council's assessment and treatment of Local Authority maintained schools was reasonable.

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Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- The following areas of our work programme remain to be completed. We will provide an update of progress at the Standards and Audit Committee meeting:
  - Investments and borrowings (receipt of outstanding bank confirmations, including schools)
  - Capital expenditure, financing and minimum revenue provision (MRP) calculation
  - Amounts reported for resource allocation decisions note
  - Clearance of outstanding queries
  - Completion of the work to support our value for money conclusion
  - Whole of Government Accounts
  - Manager and Director review of audit work and financial statements
  - Receipt of a Letter of Representation
- Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

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Uncorrected misstatements

- We have identified one misstatements within the draft financial statements, which management has chosen not to adjust.
- We ask the Standards and Audit Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation.
- Appendix A to this report sets out the uncorrected misstatements.

Corrected misstatements

- Our audit identified a number of further misstatements which our team have highlighted to management for amendment. These have been corrected during the course of our work. We do not consider any of the errors identified to be significant and therefore have not provided further details of these corrected misstatements.

Other matters

- As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
  - Qualitative aspects of your accounting practices; estimates and disclosures;
  - Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - Any significant difficulties encountered during the audit; and
  - Other audit matters of governance interest
- We have one matter we wish to report to you.
- We had difficulty in reviewing and testing some year end estimates for debtor and creditors balances. This is due to the method used by the Council to account for these balances. Rather than raising a new debtor/creditor in year and reversing this out of the accounts after the year end when paid, the balance is continually rolled forward in the ledger. This led to difficulties in identifying which balances represented genuine current year assets or liability at year end for audit testing.
- We did not identify any specific errors in the year end debtor or creditor position. However, to facilitate a more timely process for the production and audit of accounts in future years, management should review the approach to raising year end debtors and creditors to ensure clear audit trails to support year end estimates for debtor and creditor balances can be provided for audit.

Financial statements audit – application of materiality

Our application of materiality

- When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning materiality	We determined planning materiality to be £6.3 million (2014: £7.1 million), which is 2% of gross expenditure reported in the accounts of £317 million adjusted for losses on disposal of non-current assets and other investment and taxation income. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Tolerable error	We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We have set tolerable error at the upper level of the available range because there were no significant corrected errors in the Council's 2013/14 financial statements and only two uncorrected errors, neither of which are likely to re-occur.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.32 million (2014: £0.35 million).

Financial statements audit – application of materiality (cont.)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

Area	Strategy applied
Remuneration disclosures, including severance payments, exit packages and termination benefits	Our audit strategy was to check the bandings reported in the financial statements, test the completeness of the disclosures and make sure that the disclosures were compliant with the Code. We checked transactions back to the payroll system and supporting documentation.
Related party transactions	Our audit strategy was to obtain and review declarations from senior officers and members of the Council for any material disclosures and make sure that the disclosure was compliant with the Code. We carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company, to test the completeness of the disclosure.
Members' allowances	Our audit strategy was to test the completeness of the disclosure and make sure that it was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- We have tested the controls of the Council only to the extent necessary for us to complete our audit. The controls tested were for Accounts Payable, Accounts Receivable, Schools Balances and Housing Benefits. We are not expressing an opinion on the overall effectiveness of internal control.
- We have reviewed the Annual Governance Statement and can confirm that:
  - It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - It is consistent with other information that we are aware of from our audit of the financial statements.
- We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

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Request for written representations

- We have requested a management representation letter to gain management's confirmation in relation to a number of matters. In addition to the standard representations, we have requested the following specific representation:
  - *The Council has reviewed their accounting treatment for non-current assets used by maintained schools and are satisfied that the changes made are appropriate.*

Whole of Government Accounts

- Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- We are currently completing our work in this area and will report any matters that arise to the Audit Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

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

Criteria 1 – arrangements for securing financial resilience

- 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- We identified a significant risks in relation to this criteria in relation to the level of budget gap for future years reflected in the Council's Medium Term Financial Strategy (MTFS). As part of out planning we noted that, to date the Council has responded well to the financial pressure resulting from the continuing economic downturn.
- However, the Council continues to face significant financial challenges over the next three to four years, due to loss of Central Government funding and pressures from inflation, demographics and the impact of new legislation.
- To address the specific risk we have identified, we have undertaken a more detailed review of the Council's MTFS and the key assumptions within this. We have also looked at the level and planned use of reserves and the Council's track record in delivering previous budgets and savings plans, as well as progress on addressing the budget gaps identified in the current MTFS. Our key findings in relation to these areas are set out on the next page of this report.
- At the time of drafting this report, we have not yet completed our work in this area.

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- We did not identify any significant risks in relation to this criteria and have no issues to report.
- Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.

Arrangements for securing financial resilience

As noted in our conclusion, the Council has continued to respond well to the financial challenges it is facing. The size of that challenge is however increasing and there are a number of significant uncertainties that could have a significant impact on the Council's future financial stability. We have set out below further details on how the Council has responded to the challenges it is facing along with our understanding of the current financial position - OUTSTANDING

Section 6

Independence and audit fees

Independence and audit fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 2 March 2015.
- We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards and Audit Committee on 24 September 2015.

- We confirm that we have met the reporting requirements to the Audit, Scrutiny and Transformation Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 2 March 2015.

Audit fees

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

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	188,053	178,297	Includes additional work on the Council's revised treatment for MRP
Certification of claims and returns	21,010	21,010	
Non-Audit work	11,750	n/a	Teachers' Pension claim
	10,000	n/a	Advisory work with Xantura on development of Children's Safeguarding Profiling Model

- We have incurred additional audit time in reviewing the Council's proposed revised treatment of their Minimum Revenue Provision (MRP). This has resulted in an additional fee of £9,756 which has been agreed with the Head of Finance.
- We confirm that we have undertaken non-audit work outside of the Audit Commission's Audit Code requirements, as shown above. We have adopted necessary safeguards in our completion of this work.

Section 7

Challenges for the Coming Year

Challenges for the coming year

Highways Network Asset (formerly Transport Infrastructure Assets)

- The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.
- This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.
- This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.
- Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.

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Action required

- CIPFA have produced LAAP bulletin 100, which provides a suggested timetable for actions to prepare for this change. This has been supplemented by the issue of the Code of Practice on Transport Infrastructure Guidance Notes (May 2015) and ITC (July 2015).
- The Council will need to demonstrate it has assessed the impact of these changes and undertaken work to:
  - Determine the completeness of base information, working closely with highways and other relevant departments.
  - Ensure that valuation information is appropriate to the Council, and that national valuation indicators are not used without consideration of their appropriateness locally.
  - Consider the Impact for the HRA or non-highways General Fund
- We will discuss the potential impact for the Council as part of our planning for 2015/16.

Section 8

Appendices

Appendix A – uncorrected audit misstatements

- The following misstatements, which are greater than £0.32 million, have been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- These items have not been corrected by management.

Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
B/S – Fixed Asset Additions B/S – Capital creditors	Relates to expenditure on the construction of new housing. Regular invoices are received for payment based on completion of the work to date. We identified one invoice which was received in April for work done in 2014/15 which had been included in 2015/16. We extended out testing to review all construction invoices received in April relating to housing construction. We did not find any further issues.	F	£879,382 (£879,382)	
Cumulative effect of uncorrected misstatement			£0	£0

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Key

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

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

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

ey.com

24 September 2015	ITEM: 11
Standards and Audit Committee	
Financial Statements and Annual Governance Statement Update	
Wards and communities affected: All	**Key Decision:** Non-Key
Report of: Sean Clark, Head of Corporate Finance	
Accountable Head of Service: Report of: Sean Clark, Head of Corporate Finance	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is Public	

Executive Summary

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

1. Recommendation(s)

That the Standards and Audit Committee:

1.1 Having consideration to the comments within the Audit Results Report considered earlier on the agenda, approve the Financial Statement subject to any further changes presented to the committee;

1.2 Note the issues contained within, and approve, the Annual Governance Statement; and

1.3 Approve the letter of representation on behalf of the Council to be signed by the Chair of the committee once the audit is near completion.

2. Introduction and Background

2.1 Financial Statement

2.1.1 The Financial Statement sets out the financial performance for the 2014/15 financial year and the Council's financial position as at 31 March 2015.

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 once again came within budget and has maintained reserves 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 and 2011 in relation to the publication of a statement on internal control.

3. Issues, Options and Analysis of Options

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

4. Reasons for Recommendation

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

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

5.1 The accounts were open to the public for inspection.

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

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

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**

Head of Corporate Finance

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

7.2 Legal

Implications verified by: **David Lawson**

Deputy Head of Legal & Governance

There are no direct legal implications arising from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**

Community Development & Equalities Manager

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

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

None

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

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

9. Appendices to the report

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

Report Author:

Sean Clark

Head of Corporate Finance

Corporate Finance

Thurrock Borough Council

Statement of Accounts

2014/15

Draft

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Cash Flow Notes

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Notes to the Collection Fund Statement

1. Statement of Accounts

The Statement of Accounts comprise of the following statements:

(i) The ***Movement in Reserves Statement*** shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves and Unusable Reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Balance for Council Tax setting and housing rent setting purposes.

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

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

- Usable Reserves – those the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable Reserves – those the Council 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 generally accepted accounting practices, rather than simply the amount to be funded from rents and government grants.

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

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These accounts have been prepared in accordance with the Code of Practice 2014/15 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

3. Financial Performance

General Fund

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

- Depreciation – the writing down of the value of an asset over its useful life;
- Revaluation/Impairments – where an asset has been re-valued, any reduction in value may be a charge against the service and some increases may be reflected as a credit against the service;
- Pension Fund Adjustments – the amount that the Council pays Essex County Council is 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.

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

The financial outturn was reported to Cabinet on 10 June 2015 and is set out below:

General Fund Outturn by Service Areas:	Revised Budget £'000	Outturn £'000	Variance £'000
Adults, Health and Commisssioning	36,238	36,191	(47)
Commercial Services	2,506	2,463	(43)
Chief Executive Delivery Unit	2,868	2,844	(24)
Chief Executive Department	6,316	5,880	(436)
Children's Services	35,506	35,316	(190)
Environment	22,264	22,529	265
Housing	687	691	4
Planning and Transportation	8,081	8,211	130
Public Protection	2,098	2,088	(10)
Serco / Corporate Savings	16,808	16,834	26
Treasury Management	1,645	1,596	(49)
Financed by:			
Budgeted Use of Reserves	(2,468)	(2,468)	0
Non-Specific Grants	(3,702)	(3,442)	260
National Non-Domestic Rates	(31,484)	(31,316)	168
Revenue Support Grant	(35,855)	(35,937)	(82)
Council Tax	(53,365)	(53,365)	0
Operating Net Surplus	**8,143**	**8,115**	**(28)**

This table above confirms that the Council underspent against the agreed budget envelope by £0.028m

This is despite significant pressures faced during the financial year namely relating to corporate savings targets and an increase in the costs of looking after children. Savings delivered under the Shaping the Council programme identified proposals to meet these pressures. This programme identified further pressures through restructuring costs that are also reflected in the outturn position. There were then further exceptional transactions which increased the resources available to the Council – the most significant are noted below:

Minimum Revenue Provision – a change in approach to the prior year calculation released £3.5m, while a revised approach to the current year created an in-year saving of £1.9m.

HRA Commercial Properties – these were reassessed and considered no longer specific to HRA tenants providing a benefit of £0.7m.

Capital Financing - £0.75m had been set aside for capital schemes that will now be funded through prudential borrowing.

Non-Domestic Rates – A safety net payment of £1.07m was received in 2014/15 following a reduction in business rates income caused by an increase in the provision for appeals in the prior year.

Housing Revenue Account

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

HRA Outturn by Service Areas:	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Rent and Income	(48,181)	(47,986)	195
Repairs and Maintenance	11,348	11,497	149
Supervision and Management	10,348	10,020	(328)
Financing and Overheads	24,655	24,176	(479)
Service Improvement	105	133	28
New Build and Regeneration	1,738	(312)	(2,050)
Grand Total	**13**	**(2,472)**	**(2,485)**

After a favourable level of income against the budget, the HRA generated a surplus in year of £2.49m. A major contributing factor to this was in New Build and Regeneration – this reflected costs originally treated as revenue being capitalised as new developments are approved. In addition Supervision and Management were underspent following projects to transform the service and Financing and Overheads were underspent as borrowing has not reached the expected levels during the year.

The surplus generated in year has been set aside in the HRA Development Reserve while the unallocated HRA Balance remains at £2.65m.

Capital Expenditure

The total capital expenditure for 2014/15 amounted to £54.436m. A summary of this expenditure analysed by service is set out below and also shows the sources of financing:-

Service	Budget £000s	Total £000s	Variance £000s
Learning & Universal Outcomes	16,208	10,324	5,884
Adult Social Care	168	72	96
Housing General Fund	1,880	1,653	227
Housing Revenue Account	29,634	30,486	(852)
Environment	1,025	643	382
Planning and Transportation	5,269	3,328	1,941
Transformation	6,261	4,000	2,261
Commercial Services	251	176	75
Chief Executives	0	0	0
Chief Executives Delivery Unit	5,254	3,754	1,500
Total	**65,950**	**54,436**	**11,514**

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	21,772	15,190	6,582
Supported Borrowing (SCER)	43	12	31
Usable Capital Receipts	378	345	33
Earmarked Usable Capital Receipts	5,536	4,836	700
Major Repairs Reserve	16,450	16,450	0
Grants	19,236	15,871	3,365
Developers Contributions	1,194	589	605
Trusts	152	160	(8)
Reserves	1,189	983	206
Total	**65,950**	**54,436**	**11,514**

The following are key headlines for capital investment:

- £20.27m spent on transforming Council homes, with the replacement of kitchens, bathrooms, electric, boilers, windows and roofs. The transforming homes programme aims to refurbish every Council home in Thurrock, maximise energy efficiency and rid properties of damp and mould (gross spend between 2013/14 and 2014/15 of £35.76m).

- The completion of a new nursery block and four additional classrooms at Graham James Primary Academy, with a gross spend of £2.97m over the period 2013/14 to 2014/15.

- The completion of new classrooms and facilities at Little Thurrock Primary School, with a gross spend of £3.44m over the period 2013/14 to 2014/15.

- The completion of new classrooms and facilities at Bonnygate Primary School, with a gross spend of £1.16m over the period 2013/14 to 2014/15.

- The building of four permanent classrooms at Quarry Hill Academy, which replaced three temporary buildings, with a gross spend of £1.13m over the period 2013/14 to 2014/15.

- £3.29m spent on improvements to the highways infrastructure, including works to Tank Lane, Sandown Road, improvements to footpaths and cycling facilities.

Pensions

Thurrock Council is a member of the Local Government Pension Scheme that is administered by Essex County Council. There are a number of entries included within the accounts that are further explained in Note 36 to the accounts but ,in summary, the Comprehensive Income and Expenditure Statement includes the amounts due for the year whilst the Balance Sheet includes the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The liability has increased by £22.15m to £161.95m between 31 March 2014 and 31 March 2015.

Material and Unusual charges/credits to the accounts

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

Some further material items to note in 2014/15 are:

Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is the amount set aside from the general fund to repay borrowing taken out by the Council to fund capital expenditure. There are a number of methods which can be used to calculate the MRP which are in accordance with statutory requirements and the Department of Communities and Local Government guidance. The Council has reviewed these options in 2014/15 as well as undertaking a detailed review of the amounts put aside in previous years. As a result, there is a net £3.54m increase to the general fund balance to correct cumulative errors identified from prior year calculations. This is not material and hence not a prior period adjustment. Going forward the policy for MRP has been amended to ensure all outstanding debt is paid off fully over the next 50 years.

Long Term Investments

The Council's original investment in a short-term pooled fund matured during 2014/15. The Council replaced this with a long term investment of £20m in the Local Authority Property Fund of Churches, Charities and Local Authorities (CCLA) Investment Management Ltd in November 2014. This was undertaken to secure a higher return than available through cash deposits. This is reflected in the Balance Sheet as a long term investment with dividends reflected within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Account.

Significant changes in accounting policies

The key changes in 2014/15 are set out below:

Minimum Revenue Provision

As noted above the policy for MRP has been amended in 2014/15. For supported borrowing the Council now proposes to pay back the entire debt over a 50 year timeframe. The previous method was on a reducing balance basis and did not pay back the entire debt in a comparable timeframe. For unsupported borrowing the Council has amended the policy of providing for amounts on an equal instalment method over the lives of the funded assets. This has been replaced by an annuity method and the change provides some initial short-term benefit to the Council while continuing to meet the statutory financial reporting requirements.

Schools

Land and buildings of Voluntary Controlled and Foundation schools have been included on the Council's Balance Sheet following CIPFA clarification on accounting for schools issued during 2014/15.

4. Future Financial Issues

Economic Outlook

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

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

The Council is currently benefitting from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates are now expected to increase over the course of the next year and the debt profile will be considered going forward. This is closely reviewed and the Medium Term Financial Strategy assumes a phased move to fixed rates from 2017/18.

Event After the Balance Sheet Date

The Council is currently in negotiations to bring a range of services back in-house. It is expected the Council will charge termination costs of £9.9m to the Council's accounts once formal agreement is reached. It is projected this will be by July 2015 with a view to the Council reassuming responsibility for services in December 2015.

General Fund

For the period 2016/17–2018/19, 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 £24.502m to be delivered.

The Council has currently set a budget that is balanced for the period 2015/16. The Council is considering the implications of the financial position to the delivery of services and the achievement of priorities going forward and these will be consulted on in the coming months.

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

Capital and Treasury Issues

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

The Council restructured its debt in August 2010 and has taken advantage of the low interest rates offered by temporary borrowing. The Council continues to monitor the economic forecasts for when interest rates may increase. When this happens there will be a material increase in expenditure as the Council moves to higher fixed rate debt. The Medium Term Financial Strategy assumes this to take place from 2017/18.

The Council will be in a position to access the South Essex Local Enterprise Partnership funding for highways from 2015/16 and going forwards. This is likely to be in the region of £90m.

5. Specific Accounting Issues

Business Rates

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

However some of the inherent risk in the previous system is now shared between the Council and the preceptors. The most significant risk has remained the risk of a reduction in business rates as a result of appeals by businesses against their assessed rateable value. As the last full valuation of rateable values undertaken was in 2010 this means any successful appeals will impact on business rates charged for each year since 2010. The Council's share of the total provision made is £7.27m and the impact of this is that the Council will need to provide funding in future periods to fund the deficit created by this provision.

Other Items

The Council has reviewed the treatment of all categories of schools and considered the impact of revised guidance issued by CIPFA. As a result one voluntary controlled School and one foundation School have been recognised on the Council's balance sheet in 2014/15. The total value of these two schools is £1.4m. This is not material to the Council and hence this change has not been applied retrospectively.

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 Head of Corporate Finance, 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 and Corporate Governance;

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

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

The Head of Corporate Finance's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;

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

- complied with the Code.

The Head of Corporate Finance has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Head of Corporate Finance's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2015.

Head of Corporate Finance

Date: 30 June 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, related notes 1 to 41, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, related notes 1 to 8, Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Head of Corporate Finance and auditor

As explained more fully in the Statement of the Head of Corporate Finance's Responsibilities set out on page 8, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

AUDITOR'S REPORT

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

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

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

400 Capability Green, Luton, Bedfordshire LU1 3LU

30 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2015 issued on 30 September 2015 we reported that, in our opinion, the financial statements:

- give a true and fair view of the financial position of Thurrock Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2015 issued on 30 September 2015 we reported that, in our opinion, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

In our report dated 30 September 2015, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

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

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

400 Capability Green, Luton, Bedfordshire LU1 3LU

xx October 2015

MOVEMENT IN RESERVES STATEMENT

Core Statement

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

MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £'000	Housing Revenue Account Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2014	**(8,011)**	**(2,654)**	**(20,511)**	**(5,921)**	**(2,293)**	**(14,777)**	**(54,167)**	**(354,498)**	**(408,665)**
Movement in Reserves in 2014/15									
Surplus or (deficit) on provision of services	11,251	(30,747)	0	0	0	0	**(19,496)**	0	**(19,496)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	**0**	5,093	**5,093**
Total Expenditure and Income	**11,251**	**(30,747)**	**0**	**0**	**0**	**0**	**(19,496)**	**5,093**	**(14,403)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(13,745)	27,630	0	411	2,293	2,933	19,522	(19,522)	**0**
Net Increase/Decrease before Transfers to/from Earmarked Reserves	**(2,494)**	**(3,117)**	**0**	**411**	**2,293**	**2,933**	**26**	**(14,429)**	**(14,403)**
Transfers to/from Other Reserves	(14)	0	0	0	0	14	**0**	0	**0**
Transfers to/from Earmarked Reserves (Note 17)	2,518	3,117	(4,652)	0	0	0	**983**	(983)	**0**
Increase/Decrease in Year	**10**	**0**	**(4,652)**	**411**	**2,293**	**2,947**	**1,009**	**(15,412)**	**(14,403)**
Balance at 31 March 2015	**(8,001)**	**(2,654)**	**(25,163)**	**(5,510)**	**0**	**(11,830)**	**(53,158)**	**(369,910)**	**(423,068)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
Core Statement

2013/14 Gross Exp £'000	2013/14 Gross Income £'000	2013/14 Net Exp £'000		2014/15 Gross Exp £'000	2014/15 Gross Income £'000	2014/15 Net Exp £'000
			Continuing Services:			
50,794	(13,248)	37,546	Adult Social Care	48,599	(11,868)	36,731
5,613	(3,412)	2,201	Central Services to the Public	5,261	(2,594)	2,667
123,858	(74,899)	48,959	Education and Children's Services	125,615	(79,099)	46,516
7,093	(1,060)	6,033	Cultural and Related Services	7,707	(1,281)	6,426
22,269	(2,132)	20,137	Environmental and Regulatory Services	20,093	(2,041)	18,052
6,656	(3,205)	3,451	Planning Services	4,929	(5,466)	(537)
11,442	(2,443)	8,999	Highways and Transport Services	11,841	(2,223)	9,618
32,590	(54,151)	(21,561)	Local Authority Housing (HRA)	(957)	(53,808)	(54,765)
69,412	(63,147)	6,265	Other Housing Services	66,922	(63,571)	3,351
			Acquired Services:			
5,700	(7,180)	(1,480)	Public Health	7,818	(8,797)	(979)
335,427	**(224,877)**	**110,550**	**Cost Of Services**	**297,828**	**(230,748)**	**67,080**
50,210	(8,856)	41,354	Other Operating Expenditure (Note 10)	38,530	(7,161)	31,369
15,683	(1,568)	14,115	Financing and Investment Income and Expenditure (Note 11)	14,230	(1,902)	12,328
22,781	(158,680)	(135,899)	Taxation and Non-Specific Grant Income (Note 12)	23,225	(153,498)	(130,273)
424,101	**(393,981)**	**30,120**	**(Surplus) or Deficit on Provision of Services**	**373,813**	**(393,309)**	**(19,496)**
0	(1,044)	(1,044)	Surplus or Deficit on the Revaluation of non-current assets (Note 23/30/31)	0	(11,860)	(11,860)
0	**(21,337)**	(21,337)	Remeasurement of the net defined benefit liability (Note 36)	0	18,346	18,346
0	**0**	0	Surplus or Deficit on the Revaluation of available for sale financial assets (Note 33)	0	30	30
0	**0**	0	Inclusion of Voluntary Controlled and Foundation Schools	0	(1,423)	(1,423)
0	**(22,381)**	**(22,381)**	**Other Comprehensive Income and Expenditure**	**0**	**5,093**	**5,093**
424,101	**(416,362)**	**7,739**	**Total Comprehensive Income and Expenditure**	**373,813**	**(388,216)**	**(14,403)**

BALANCE SHEET
Core Statement

31 March 2014 £000		Notes	31 March 2015 £000
777,977	Property, Plant & Equipment	30	823,526
2,407	Investment Property		2,322
3,254	Intangible Assets		2,279
21,288	Heritage Assets	28	22,266
0	Long Term Investments		19,970
759	Long Term Debtors		1,917
805,685	**Long Term Assets**		**872,280**
37,419	Short Term Investments	33	32,640
364	Assets Held for Sale	29	5,695
301	Inventories		259
18,105	Short Term Debtors	20	16,049
7,998	Cash and Cash Equivalents	37	8,166
64,187	**Current Assets**		**62,809**
(94,388)	Short Term Borrowing	33	(120,169)
(21,869)	Short Term Creditors	21	(23,733)
(706)	Leasing Liability		(744)
(3,723)	Short Term Provisions	19	(3,013)
(120,686)	**Current Liabilities**		**(147,659)**
(3,201)	Long Term Provisions	19	(4,832)
(189,125)	Long Term Borrowing	33	(189,875)
(139,807)	Pension Liability	36	(161,952)
(1,013)	Leasing Liability		(269)
(138)	Long Term Creditors		(222)
(7,237)	Capital Grants Receipts in Advance	24	(7,212)
(340,521)	**Long Term Liabilities**		**(364,362)**
408,665	**Net Assets**		**423,068**
(54,167)	Usable reserves	22	(53,158)
(354,498)	Unusable Reserves	23	(369,910)
(408,665)	**Total Reserves**		**(423,068)**

CASH FLOW
Core Statement

2013/14 £'000		Notes	2014/15 £'000
(30,120)	Net surplus or (deficit) on the provision of services		19,496
50,066	Adjustment to surplus or deficit on the provision of services for non cash movements		20,362
(21,889)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(21,375)
(1,943)	**Net Cash flows from operating activities**	**41**	**18,483**
(378)	Investing Activities	39	(43,682)
6,626	Financing Activities	40	25,367
4,305	**Net increase or decrease in cash and cash equivalents**		**168**
3,694	Cash and cash equivalents at the beginning of the reporting period		7,998
7,999	**Cash and cash equivalents at the end of the reporting period**	**37**	**8,166**

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

1.2 Accounting Estimation Techniques

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

1.3 Accounting Concepts

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

- ***Relevance*** – the financial statements provide information about the Council's performance and position that assists users of the accounts in assessing its stewardship of public funds and its economic decisions;

- ***Materiality*** – the financial statements disclose all items of a size and nature such that together they provide a true and fair presentation of the financial position and transactions of the Council;

- ***Faithful Representation*** – the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, is free from deliberate or systematic bias and material error, and has been prepared on the basis of prudence where there is any uncertainty;

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

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

- ***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 (including revenue recognition)

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5 Cash and Cash Equivalents

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

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

1.6 Contingent Liabilities

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

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

Teachers' Pension Scheme

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

Local Government Pension Scheme

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

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

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

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

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

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

- ***Service cost comprising:***

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

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

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

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

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

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

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

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

Discretionary Benefits

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

1.8 Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

1.9 Financial Instruments

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

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

Financial Assets

Financial assets are classified into four categories:

- ***Loans and receivables*** – these are financial assets that have fixed or determinable payments but are not quoted in an active market; and

- ***Available for sale assets*** – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments.

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

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

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

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

[1] Source: Code of Practice 2014/15

Sheet is the outstanding principal receivable in the loan agreement. The amount credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the loan agreement.

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

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

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

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

Financial Liabilities

Financial liabilities can be classified into:

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

Financial liabilities are initially measured at fair value, including any transaction costs if material, and are subsequently carried in the Balance Sheet at their amortised cost. Annual charges to the Comprehensive Income and Expenditure statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Comprehensive Income and Expenditure statement is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

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

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

1.10 Grants and Contributions

Capital Grants

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

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

Revenue Grants

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

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

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

1.11 Intangible Assets

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

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

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

1.12 Investment Property

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

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

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

1.13 Leases

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

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

Finance Leases – the Council as Lessee

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

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

Under the Prudential Framework the setting up of the long-term liability is deemed to be a credit arrangement, the cost of which must be included in the calculation of the Council's Capital Financing 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**

1.14 Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Council to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure statement in respect of its outstanding loans and obligations of a similar nature. This charge is known as the Minimum Revenue Provision. It is also permissible for the Council to make additional voluntary repayments. The policy was reviewed and amended in February 2015 and is now stated as:

The Council will set an aside an amount each year which it deems to be prudent and appropriate, having regard to statutory requirements and relevant guidance issued by DCLG.

The approach supporting this policy has also been amended to more prudently set aside annual amounts for the repayment of the Council's outstanding debt:

- For supported borrowing, the Council will set aside an annual amount of 2% of the total supported debt held by the Council as measured by the capital financing requirement.
- For prudential (or unsupported) borrowing the asset life (annuity) method has been adopted. This method involves making provision by instalments over the estimated useful life of the

asset in respect of which the borrowing was made. For assets purchased up to 2012/13 an equal instalment approach was taken over the asset life. For assets purchased from 2013/14 onwards an annuity approach has been taken which calculates the instalment due by reference to the relevant PWLB rates (which differ depending on the length of the loan taken out).

- For assets held under a finance lease the amount set aside is calculated from the reduction in the underlying lease liability relating to each leased asset.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the principles of SeRCOP. The full cost of overheads and support services are allocated/ apportioned to the service headings in the Comprehensive Income and Expenditure: (CI&E) statement to ensure the total cost of those serves is reflected in the accounts. Central costs which aren't allocated to services, as set out in SeRCOP, are:-

- Corporate and Democratic Core – costs relating to central corporate functions, such as those of the Head of Paid Service, as well as costs of democratic processes.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

1.16 Prior Period Adjustments

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

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

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

1.17 Property, Plant and Equipment

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

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

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

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

For the financial year 2014/15, a revaluation of 20% of Land and Building assets (excluding housing stock) was undertaken as well as a desktop review of council dwellings. For 2014/15 the valuations of the Council’s land and property for accounting purposes have been conducted by the Council’s own valuers for all assets except those relating to the former Development Corporation – these have been subject to review by GVA Grimley Limited). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the “Red Book”).

Impairments and Revaluation Losses

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

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

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

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

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

Depreciation

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

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

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

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

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

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

1.18 Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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 when it does not result in a non-current asset being carried in the Balance Sheet. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon Council Tax. These items comprise financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the Council, repayments of Government grant in respect of assets disposed of and amounts directed by the Secretary of State under section 16(2) of Part 1 of the Local Government Act 2003.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the

General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

1.21 Revenue Income Treated as Capital Receipts Under Statute

Normally capital receipts arise from disposals of interests in non-current assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or a loan made by the Council to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

1.22 Schools

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

The land and buildings of Community, Voluntary Controlled and Foundation Schools have been recognised on the Council's Balance Sheet as the Council controls the service potential of these assets. In respect of Voluntary Aided schools the service potential of the school buildings are deemed to be controlled by the Board of Governors and consequently these are not included in the Council's Balance Sheet. However the land held by these schools is controlled by the Council and is included on the Council's Balance Sheet.

The inclusion of Voluntary Controlled and Foundation schools land and buildings in the Council's balance sheet reflects clarification of the Code requirements by CIPFA during 2014/15. These assets were not included in the Council balance sheet in the prior year. The change in accounting policy has been applied prospectively as the value of these assets is not material to the Council.

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

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

Assets Held for Sale

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

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

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

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

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

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

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

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 2015/16 where the transaction was fully committed as at 31 March 2015 have been shown as Assets Held for Sale.

Disposals and De-recognitions

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

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

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

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

1.24 Value Added Tax (VAT)

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

1.25 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure statement or in the notes to the accounts, depending on how significant the sums are to an understanding of the Council's financial performance.

1.26 Heritage Assets

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

Historic buildings – these were initially valued at cost as community assets and were then revalued on a restoration basis with any increases or decreases in value recognised in the revaluation reserve or Comprehensive Income and Expenditure statement as appropriate. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's building surveyor – Geoffrey Bailey FRICS. It is noted the valuations are approximate and more accurate valuations by a specialist cost consultant are recommended but the Council is satisfied their valuations are materially accurate. Magazine No 5 at Purfleet and Coalhouse Fort at Tilbury are open to the public.

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's specialist valuer. These assets are held within the Grays museum and are accessible by the public.

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.

1.27 Collection of Local Taxes

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

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

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

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

The following standards have been issued but have not yet been adopted:

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRS's (2011-2013 cycle)
- IFRIC 21 Levies

IFRS 13 will impact on the valuation some assets and in particular those that are surplus to requirements. Currently the Council hold a significant number of these assets following the transfer of assets from the Thurrock Development Corporation. The valuation requirements for these assets will change significantly and require specialist valuer input to confirm the financial impact. This will be considered in 2015/16 but it is noted that while there may be impacts on the Comprehensive Income and Expenditure Account balances there will be no impact on the Council's General Fund.

The annual improvements to IFRS's represent minor changes and clarifications to existing standards and are not expected to have a material impact on the Council's financial statements.

IFRIC 21 will impact the Council where the Council is required to pay a levy. The point at which recognition of the levy occurs may change under the new requirements but there is no expected material impact on the Council's financial statements at present.

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;

- The Council is a partner to a long-term strategic service partnership contract under which several major services are provided to the Council. The Council has determined that this is not a PFI scheme – or service concession under IFRS – but does contain embedded leases which have been accounted for accordingly; and

- 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 has acquired the use of Property, Plant and Equipment by entering into either leases or arrangements that have a lease implicit within them. The Council considers the terms of the lease to determine whether the risks and rewards of ownership have passed to the Council and whether they should be reflected as a finance or operating lease.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the

Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce.	If the useful life of an asset reduces, depreciation increases and the carrying value of the asset will reduce. For every year an asset life is reduced this will result in an annual increase depreciation charge of £1.271m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions.	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £7.78m
Arrears	The Council's debtors and the overall provision for impairment are disclosed in Note 20. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	The Council has a bad debt provision for general purposes of £1.07m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.16m. The HRA bad debt provision is £0.253m. If debt over a year old was completely provided against this would require an additional provision of £0.06m.
Provisions	The Council makes provision for liabilities of uncertain timing or amount. The provisions made by the Council are set out in Note 19 to these financial statements. This also includes the proportion of a provision made in the collection fund for appeals received from business rate payers against their assessed amount of non-domestic rates. This has been set at £14.8m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%). These provisions are based on judgements by officers and by their nature may vary over time.	There is potential for provisions to be under or overstated as the uncertainty over the timing and amount of liabilities are resolved. The appeals against business rates assessments are considered to potentially vary by 5 per cent upwards or downwards which is equivalent to £0.74m.

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

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

These include figures for sums collected through Council Tax - the Council's proportion is £52.2m (£62.0m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £52.9m (£108.0m across all preceptors). The Council's proportion is reduced by £23.2m in central government tariffs and levies.

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

The Council's debt portfolio currently incurs interest of £8.1m. £5.6m million relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform. The debt of £160.9m was shown reflected in HRA expenditure in the prior year.

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £280m. These are shown in Note 24 to the accounts.

Note 6 RESTATEMENT OF 2013/14 COMPARATIVE FIGURES

There has been a restatement of the National Non-Domestic Rates tariff to show this item as part of income in the Financing and Investment Income and Expenditure line on the face of the Comprehensive Income and Expenditure Account. In the prior year this was netted off against the National Non-Domestic Rates income. The change is a recategorisation of this income as opposed to a prior period error and does not impact on the level of useable reserves brought forward from 2013/14. The change is also reflected in the prior year figures in Note 27.

Note 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2014/15 Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the CIES								
Amortisation of intangible assets	(651)	0	0	0	0	0	(651)	651
Charges for depreciation and impairment of non-current assets	(8,526)	(6,499)	0	0	0	0	(15,025)	15,025
Revaluation losses on property, plant and equipment	(2,670)	(479)	0	0	0	0	(3,149)	3,149
Revaluation gains reversing previous losses	8,162	39,231	0	0	0	0	47,393	(47,393)
Revaluation Depreciation Adjustments	0	(4)	0	0	0	0	(4)	4
Movement in the fair value of investment	187	0	0	0	0	0	187	(187)
Movement in the value of held for sale assets	0	(82)	0	0	0	0	(82)	82
Capital Grants and contributions applied	6,754	0	0	0	0	0	6,754	(6,754)
Donations of assets to the CIES	9	0	0	0	0	0	9	(9)
Revenue expenditure funded from capital under statute (REFCUS)	(6,927)	(119)	0	0	0	0	(7,046)	7,046
Grant Funding for REFCUS	5,854	0	0	0	0	0	5,854	(5,854)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(13,584)	(23,694)	0	0	0	0	(37,278)	37,278
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	4,612	0	0	0	0	0	4,612	(4,612)
Statutory provision for the financing of capital investment (Adjustment)	(3,537)	0	0	0	0	0	(3,537)	3,537

	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	2014/15 Usable Reserves							
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	4,012	4,012	(4,012)
Capital Grants and contributions unapplied credited to the CIES	1,079	0	0	0	0	(1,079)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	7,181	0	0	7,181	(7,181)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	2,099	5,679	0	(7,778)	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(90)	0	0	90	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(918)	0	0	918	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	14,157	0	0	(14,157)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	16,450	0	16,450	(16,450)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	34	0	0	0	0	0	34	(34)

	2014/15 Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(13,537)	(1,125)	0	0	0	0	(14,662)	14,662
Employer's pension contributions and direct payment to pensioners payable in year	10,281	582	0	0	0	0	10,863	(10,863)
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	(362)	0	0	0	0	0	(362)	362
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	(1,915)	0	0	0	0	0	(1,915)	1,915
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	(99)	(17)	0	0	0	0	(116)	116
Total Adjustments	**(13,745)**	**27,630**	**0**	**411**	**2,293**	**2,933**	**19,522**	**(19,522)**

	2013/14 Usable Reserves							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to CIES								
Amortisation of intangible assets	(644)	0	0	0	0	0	(644)	644
Depreciation of non-current assets	(8,334)	(6,512)	0	0	0	0	(14,846)	14,846
Revaluation and Impairment losses on Property, Plant and Equipment	(3,097)	(233)	0	0	0	0	(3,330)	3,330
Revaluation gains reversing previous losses	1,656	9,177	0	0	0	0	10,833	(10,833)
Movement in Market Value of Investment Property	2	(5)	0	0	0	0	(3)	3
Movement in value of held for sale assets	0	(112)	0	0	0	0	(112)	112
Capital Grants and Contributions Unapplied credited to the CIES	6,461	0	0	0	0	0	6,461	(6,461)
Revenue expenditure funded from capital under statute (REFCUS)	(3,787)	0	0	0	0	0	(3,787)	3,787
Grant Funding for REFCUS	1,801	0	0	0	0	0	1,801	(1,801)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(28,807)	(21,044)	0	0	0	0	(49,851)	49,851
Insertion of items not debited or credited to the CIES								
Statutory Provision for Repayment of Debt (MRP) Includes Finance Lease	5,928	0	0	0	0	0	5,928	(5,928)

	2013/14 Usable Reserves General Fund Balance £000	Housing Revenue Account Balance £000	Earmarked Reserves £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 Capital Grants Unapplied Account:								
Application of grants to capital financing (to capital adjustment account)	0	0	0	0	0	1,338	1,338	(1,338)
Capital Grants and Contributions Applied credited to the CIES	3,924	0	0	0	0	(3,924)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Capital Receipts applied to fund Capital Expenditure	0	0	0	4,449	0	0	4,449	(4,449)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	3,092	6,861	0	(9,953)	0	0	0	0
Contribution from the Capital Receipts Reserve tow ards administration costs of non-current assets	(108)	0	0	108	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(843)	0	0	843	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of Major Repairs Allow ance credited to the HRA	0	12,850	0	0	(12,850)	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	0	13,660	0	13,660	(13,660)
Adjustments primarily involving the Financial Instrument Adjustment Account:								
Amounts by w hich finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance w ith statutory requirements	132	0	0	0	0	0	132	(132)

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

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Note 8 EXCEPTIONAL ITEMS

There were no items of exceptional expenditure in 2014/15.

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2014/15 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 2014/15 before Academy Recoupment	-	-	128,326
B	Academy figure recouped for 2014/15	-	-	73,743
C	Total DSG after Academy Recoupment for 2014/15	-	-	54,583
D	Brought Forward from 2013/14	2,784	0	2,784
E	Carry Forward agreed to 2015/16			0
F	Agreed budgeted distribution in 2014/15	4,880	49,703	54,583
G	In Year Budget Adjustments	(256)	440	184
H	Actual Central Expenditures	4,502		4,502
I	Actual ISB deployed to schools		50,143	50,143
J	Local authority contribution 2014/15	0	0	0
K	Carry Forward to 2015/16	**2,906**	**0**	**2,906**

Comparatives for 2013/14 were as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Income	10,026	53,977	64,003
Less Expenditure	(7,242)	(53,977)	(61,219)
Carrying Forward to 2014/15	**2,784**	0	**2,784**

Notes

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

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

C This is the Net DSG figure issued by DfE in March 2015. For Funding Maintained Schools and Specific Education services to Schools and Academies.

D This figure brought forward from 2013/14, is unspent Central DSG Contingency.

E Any amount which the authority decided after consultation with the schools forum to carry forward to 2015/16 rather than distribute in 2014/15.

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

G Budget movements from Contingency to the Individual Schools Budget (ISB)

H Actual amount of central expenditure items in 2014/15, after contingency allocations to ISB.

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

J Any contribution from the local authority in 2014/15 which will have the effect of substituting for DSG in funding the Schools Budget.

K Carry forward to 2015/16.

Note 10 OTHER OPERATING EXPENDITURE

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

2013/14 £000		2014/15 £000
577	Levies	583
843	Payments to the Government Housing Capital Receipts Pool	918
39,933	Gains/losses on the disposal of non current assets	29,868
41,353	**Total**	**31,369**

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2013/14 £000		2014/15 £000
8,023	Interest payable and similar charges	8,062
6,576	Net interest on the net defined benefit liability	5,781
(299)	Interest receivable and similar income	(797)
(185)	Income and expenditure in relation to investment properties and changes in their fair value	(718)
14,115	**Total**	**12,328**

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2013/14 £000		2014/15 £000
(51,984)	Council tax income	(53,612)
(25,187)	Non domestic rates	(29,371)
(48,343)	Non-ringfenced grants	(39,457)
(10,385)	Capital grants and contributions	(7,833)
(135,899)	**Total**	**(130,273)**

Note 13 MEMBERS' ALLOWANCES

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

2013/14 £000	Members' Allowances	2014/15 £000
643	Allowances	657
1	Expenses	1
644	**Total**	**658**

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2014/15 is set out in the table below:

Senior Staff Emoluments 2014/15	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Graham Farrant	1	185,000	0	0	0	24,250	209,250
Assistant Chief Executive	2	103,000	0	0	0	14,729	117,729
Director of Children's' Services		132,000	0	0	0	15,048	147,048
Acting Head of Environment		143,930	0	0	0	0	143,930
Director of Housing		117,000	0	0	0	16,731	133,731
Director of Planning & Transportation		117,000	0	0	0	5,577	122,577
Director of Adults Health and Commissioning		125,502	0	0	0	17,947	143,449
Head of Corporate Finance		93,000	0	0	0	13,299	106,299
Head of HR OD & Transformation	3	93,000	0	0	0	13,299	106,299

Notes

1) This is a shared post with London Borough of Barking & Dagenham (LBBD) until the 31st January 2015 and Brentwood Borough Council from 1 February 2015 to 31 March 2015. LBBD paid a contribution of £95,697 towards the salary while Brentwood Borough Council paid a contribution of £7,383.

2) This is a shared post with London Borough of Barking & Dagenham (LBBD) until the 31st January 2015. LBBD paid a contribution of £42,917 towards the salary.

3) The Head of HR OD & Transformation and the Head of Corporate Finance report directly to the Chief Executive and forms part of the Directors' Board.

Further Information:

The Director of Public Health is a shared service with the Southend-on-Sea Council, the Council made a contribution of £77,636 towards the annual remuneration.

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

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

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

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

Remuneration of Senior Staff	2013/14	2014/15
Pay Band	Numbers of Employees	Numbers of Employees
50,001 - 55,000	28	26
55,001 - 60,000	44	42
60,001 - 65,000	22	12
65,001 - 70,000	14	23
70,001 - 75,000	12	10
75,001 - 80,000	5	6
80,001 - 85,000	3	2
85,001 - 90,000	4	4
90,001 - 95,000	3	5
95,001 - 100,000	1	2
100,001 - 105,000	0	0
105,001 - 110,000	0	0
110,001 - 115,000	0	0
115,001 - 120,000	1	0

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

Exit Package cost Band £	No of Compulsory Redundancies 2013/14	No of Compulsory Redundancies 2014/15	Other Departures 2013/14	Other Departures 2014/15	Total number of Exit package by cost 2013/14	Total number of Exit package by cost 2014/15	Total Cost of Exit Packages 2013/14	Total Cost of Exit Packages 2014/15
0 – 20,000	14	13	9	40	23	53	174,741	516,042
20,001- 40,000	11	8	2	18	13	26	347,249	678,915
40,001 – 60,000	5	1	0	2	5	3	227,753	127,857
60,001 – 80,000	4	0	0	3	4	3	271,812	222,688
80,001 – 100,000	1	0	0	0	1	0	86,043	0
100,001 – 250,000	2	0	0	2	2	2	224,426	228,505
Total	37	22	11	65	48	87	1,332,024	1,774,007

Note 15 RELATED PARTY TRANSACTIONS

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

Central Government

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

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 13.

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

Declarations were not received from Councillor A Kiely, Councillor V Morris and Councillor W Herd.

Officers

The Chief Executive declared he is a trustee to High House Production Park. This is an arts organisation whose transactions with the Council are noted in the table below. The Chief Executive did not take part in any discussion, decision or administration relating to the grant funding.

The Head of Corporate Finance declared he is treasurer to the Citizens Advice Bureau whose transactions with the Council are noted in the table below. The officer did not take part in any discussion, decision or administration relating to the funding.

The director of Children's Services declared she is a member on the trust board at St Clere's Co-operative Academy. The officer did not take part in any discussion, decision or administration relating to their funding.

Entity	Income £	Expenditure £	Debtor £	Creditor £
Chadwell Community Hub	6,084	532	0	0
High House Production Park	2,180	22,653	0	0
London Borough of Barking and Dagenham	99,655	469,113	29,534	76,888
Thurrock Asian Association	495	22,790	0	0
Thurrock CAB	156,523	156,991	0	130,010
Thurrock CVS	295	956,701	0	0
Transvol	29	158,700	0	0
St Clere's Co-operative Academy	0	132,051	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2014/15 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

External Audit Costs	2013/14 £000	2014/15 £000
Fees Payable to Ernst & Young:		
External Audit Services including Statutory Inspections	177	188
Certification of Grant Claims and Returns	21	21
Non-Audit Work	0	22
Total	**198**	**231**

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES

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

Balance at 1 April 2013 £000	Net Transfers (In)/Out £000	Balance at 31 March 2014 £000		Balance at 1 April 2014 £000	Net Transfers (In)/Out £000	Balance at 31 March 2015 £000
(6,447)	1,628	**(4,819)**	Balances held by Schools under a Scheme of Delegation	(4,819)	935	**(3,884)**
(1,260)	605	**(655)**	Revenue Grants Unapplied	(655)	0	**(655)**
(2,278)	1,099	**(1,179)**	Budget Management	(1,179)	(5,521)	**(6,700)**
(1,652)	127	**(1,525)**	Commuted Sums	(1,525)	220	**(1,305)**
(1,541)	1,253	**(288)**	DCLG DC Reserve	(288)	147	**(141)**
(2,262)	135	**(2,127)**	Grant Carried Forward	(2,127)	858	**(1,269)**
(1,000)	0	**(1,000)**	School Improvement Reserve	(1,000)	126	**(874)**
(2,714)	(67)	**(2,781)**	DSG	(2,781)	(125)	**(2,906)**
(2,791)	2,791	**0**	Development Reserve	0	(3,117)	**(3,117)**
0	(1,053)	**(1,053)**	Public Health Grant	(1,053)	186	**(867)**
(5,803)	719	**(5,084)**	Other Earmarked Reserves	(5,084)	1,639	**(3,445)**
(27,748)	**7,237**	**(20,511)**	**Earmarked Reserves**	**(20,511)**	**(4,652)**	**(25,163)**

The purposes of the above reserves are summarised as follows:

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

- The ***Revenue Grants Unapplied Reserve*** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement).The reserve will be drawn down once the associated expenditure has been incurred;

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

- The ***DCLG DC Reserve*** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.

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

- The ***Public Health Grant Reserve*** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.

- ***Other Reserves*** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2015.

Note 18 OPERATING LEASES

The Council as Lessor:

Operating Leases

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

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

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

2013/14 £000		2014/15 £000
1,670	Not later than 1 year	2,060
2,591	Later than 1 year and not later than 5 years	3,146
624	Later than 5 years	599
4,885		**5,805**

Note 19 PROVISIONS

A provision has been made to reflect the likely financial impact of business rate appeals against the Council. This represents the Council's proportion of the overall provision of £14.8m.

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

A judgement by the Supreme Court on 28 March 2012 confirmed that employers insurance liability applies to the time when employees were first exposed to asbestos as opposed to when symptoms appeared. This meant the MMI insurance cover would not be sufficient to cover all potential claims. The Councils' maximum exposure was estimated at £1.5m but officers have been advised a provision of £0.51m remains appropriate.

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	Total £000
Balance at 01 April 2014	(106)	(3,617)	(3,723)
Additional Provision made in 2014/15	0	0	0
Amounts Used in 2014/15	0	710	710
Balance at 31 March 2015	**(106)**	**(2,907)**	**(3,013)**
Balance at 01 April 2013	0	0	0
Additional Provision made in 2013/14	(106)	(3,617)	(3,723)
Amounts Used in 2013/14	0	0	0
Balance at 31 March 2014	**(106)**	**(3,617)**	**(3,723)**

Long Term Provisions	MMI Insurance £'000	Redundancy £000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2014	(404)	0	(2,752)	(45)	(3,201)
Additional Provision made in 2014/15	0	0	(1,609)	(67)	(1,676)
Amounts Used in 2014/15	0	0	0	45	45
Balance at 31 March 2015	**(404)**	**0**	**(4,361)**	**(67)**	**(4,832)**
Balance at 01 April 2013	(975)	(297)	0	0	(1,272)
Additional Provision made in 2013/14	0	0	(2,752)	(45)	(2,797)
Amounts Used in 2013/14	571	297	0	0	868
Balance at 31 March 2014	**(404)**	**0**	**(2,752)**	**(45)**	**(3,201)**

Note 20 SHORT-TERM DEBTORS

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

31 March 2014 £000		31 March 2015 £000
5,485	Central government bodies	2,327
137	Other local authorities	243
664	NHS bodies	0
3	Public corporations and trading funds	0
11,816	Other entities and individuals	13,479
18,105	**Total**	**16,049**

Note 21 SHORT-TERM CREDITORS

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

31 March 2014 £000		31 March 2015 £000
(2,998)	Central government bodies	(3,896)
(814)	Other local authorities	(3,692)
0	NHS bodies	(58)
(80)	Public corporations and trading funds	(15)
(17,977)	Other entities and individuals	(16,072)
(21,869)	**Total**	**(23,733)**

Note 22 USABLE RESERVES

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

31 March 2014 £000		Notes	31 March 2015 £000
(8,011)	General Fund Balance	(a)	(8,001)
(2,654)	Housing Revenue Account Balance	(b)	(2,654)
(20,511)	Earmarked Reserves	(c)	(25,163)
(5,921)	Capital Receipts Reserve	(d)	(5,510)
(2,293)	Major Repairs Reserve	(e)	0
(14,777)	Capital Grants Unapplied	(f)	(11,830)
(54,167)	**Total Usable Reserves**		**(53,158)**

The movements in the year and balances at 31 March of the Council's Usable Reserves are set out in the Movement in Reserves Statement supported by Note 7.

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

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

(c) Earmarked Reserves Balance
Resources earmarked for particular spending plans and contingencies. These are shown in more detail in Note 17.

(d) Capital Receipts Reserve
Proceeds of fixed asset sales available to finance capital expenditure or repay debt.

(e) Major Repairs Reserve
A resource provided from within HRA Subsidy to finance capital expenditure on dwellings and other property in the HRA.

(f) Capital Grants Unapplied
These are grants received for specific purposes but remain unspent at the end of each year.

Note 23 UNUSABLE RESERVES

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

31 March 2014 £000		Notes	31 March 2015 £000
(89,690)	Revaluation Reserve	(a)	(98,019)
(422,440)	Capital Adjustment Account	(b)	(454,057)
14,995	Financial Instruments Adjustment Account	(c)	14,961
139,807	Pensions Reserve	(d)	161,952
(2,004)	Collection Fund Adjustment Account - Council Tax		(1,642)
4,052	Collection Fund Adjustment Account - NNDR		5,967
0	Financial Instruments Available For Sale Account		30
782	Accumulated Absences Account		898
(354,498)	**Total Unusable Reserves**		**(369,910)**

(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.

2013/14 £000		2014/15 £000
(94,857)	**Balance at 1 April**	**(89,690)**
(1,745)	Upward revaluation of assets	(12,511)
701	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	652
(1,044)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(11,860)**
1,643	Difference between fair value depreciation and historical cost depreciation	1,540
4,568	Accumulated gains on assets sold or scrapped	1,990
6,211	Amount written off to the Capital Adjustment Account	**3,530**
(89,690)	**Balance at 31 March**	**(98,019)**

(b) Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account includes accumulated gains and losses on Investment Properties and gains recognised on any donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment prior to 1 April 2007 when the Revaluation Reserve was created to hold such gains. The source of the majority of postings in the table below can be seen in Note 7.

2013/14 £000			2014/15 £000
(441,176)	**Balance at 1 April**		**(422,440)**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
14,845	Charges for depreciation of non current assets (PPE)	15,029	
3,331	Revaluation and Impairment losses on Property, Plant and Equipment	3,149	
(10,833)	Revaluation gains reversing previous losses (PPE)	(47,393)	
644	Amortisation of intangible assets	651	
3,787	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	7,046	
1,060	Investment property w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	272	
43,128	PPE w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	33,025	
5,663	Assets Held for Sale w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,982	
(4,568)	Accumulated gains on assets sold or scrapped	(1,990)	
57,058		**13,770**	
(1,643)	Adjusting amounts w ritten out of the Revaluation Reserve		(1,540)
55,415	**Net written out amount of the cost of non current assets consumed in the year**		**12,230**
	Capital financing applied in the year:		
(4,449)	Use of the Capital Receipts Reserve to finance new capital expenditure	(7,181)	
(13,660)	Use of the Major Repairs Reserve to finance new capital expenditure	(16,450)	
(9,600)	Application of grants to capital financing from the Capital Grants Unapplied Account	(16,620)	
(5,928)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	(1,075)	
(3,157)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(983)	
0	Other Adjustments	**(1,424)**	
(36,794)			**(43,734)**
	Donated Assets		(9)
4	Movements in the market value of Investment Properties debited or credited to the CIES		(187)
112	Movements in assets held for sale debited or credited to the CIES		82
(422,440)	**Balance at 31 March**		**(454,057)**

(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.

2013/14 £000		2014/15 £000
15,127	**Balance at 1 April**	**14,995**
(132)	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	(34)
14,995	**Balance at 31 March**	**14,961**

(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.

2013/14 £000		2014/15 £000
157,965	**Balance at 1 April**	**139,807**
(21,337)	Actuarial gains or losses on pensions assets and liabilities	**18,346**
13,672	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	**14,662**
(10,493)	Employer's pensions contributions and direct payments to pensioners payable in the year	**(10,863)**
139,807	**Balance at 31 March**	**161,952**

Note 24 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure statement:

2013/14 £000		2014/15 £000
	Credited to Services:	
	Revenue	
(61,167)	Housing Benefit	(59,717)
(8,370)	Public Health Grant	(8,748)
(61,289)	Dedicated Schools Grant	(57,531)
(2,534)	Health Authority Social Care Funding	(3,656)
0	Unaccompanied Asylum Seekers Grant	(1,285)
(1,048)	Housing Benefit Admin Grant	(1,036)
0	Adult Community College	(1,196)
(7,093)	Other	(10,538)
	Capital	
(1,345)	DOE	(5,330)
(456)	Other	(524)
(143,302)	**Total**	**(149,561)**

2013/14 £000		2014/15 £000
	Credited to Taxation and Non Specific Grant Income:	
	Revenue	
(51,984)	Council Tax	(53,612)
(25,187)	National Non Domestic Rates	(29,371)
(43,605)	Revenue Support Grant	(35,937)
(1,314)	New Homes Bonus	(1,901)
(1,475)	Education Services Grant	(1,367)
(901)	Other	0
	Capital	
(3,715)	Department for Transport	(3,672)
(4,906)	Department for Education	(990)
0	Homes and Communities Agency	(1,672)
(1,764)	Other	(1,498)
(134,851)	**Total**	**(130,020)**

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 2014 £000		31 March 2015 £000
	Capital Grants & Contributions - Receipts in Advance	
(4,954)	Section 106	(5,993)
(1,392)	Department for Education	(237)
(161)	Department of Communities and Local Government	(136)
(4)	Environmental Trusts	(33)
0	Other Contributions	(109)
(726)	Port of London Authority	(704)
(7,237)	**Total**	**(7,212)**

Note 25 CONTINGENT LIABILITIES

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

Note 26 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place after this date that provides information about conditions existing at 31 March 2015 and hence the figures in the financial statements and notes have not been amended.

The Council has agreed with the strategic service partner to bring the services they provide back in-house. The Council will charge termination costs of £9.9m to the Council's accounts in 2015/16. The Council will reassume responsibility for services in December 2015.

Note 27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Directorate Income and Expenditure	Adults, Health and Commissioning	Commercial Services	Chief Executive's Delivery unit	Chief Executive's Office	Childrens Service	Environment	Housing Services	Housing Revenue Account	Planning and Transportation	Public Protection	SERCO	Total
2014/15 Figures	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(9,662)	(347)	(1,361)	(2,679)	(81,246)	(912)	(894)	(50,186)	(2,867)	(400)	(1,203)	**(151,757)**
Government Grants	(13,310)	0	(941)	(61,540)	(8,522)	(77)	1	(111)	(1,068)	(65)	(26)	**(85,659)**
Employee expenses	11,254	284	2,108	10,372	20,957	8,233	641	7,136	4,323	2,132	36	**67,476**
Other service expenses	47,909	2,484	2,997	59,678	104,125	13,057	944	40,671	7,824	422	18,027	**298,138**
Support service recharges	0	42	41	48	0	2,228	0	18	0	0	0	**2,377**
Grand Total	**36,191**	**2,463**	**2,844**	**5,879**	**35,314**	**22,529**	**692**	**(2,472)**	**8,212**	**2,089**	**16,834**	**130,575**

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

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2014/15 £000
Net expenditure in the Directorate Analysis	130,575
Additional segments not in the analysis	(62,101)
Amounts not included in the analysis included in cost of services	6,667
Amounts included in the analysis not included in cost of services	(8,061)
Allocation of support service recharges	0
Cost of Services in Comprehensive Income and Expenditure Statement	**67,080**

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Reconciliation to Subjective Analysis

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

2014/15 figures	Directorate Analysis £000	Additional segments not in analysis £000	Amount not Included in the Analysis Included in Cost of Services £000	Amounts Included in the Analysis not Included in Cost of Services £000	Allocation of Support Service Recharges £000	Cost of Services £000	Amounts Reported below Net Cost of Services £000	Total £000
Fees, charges & other service income	(151,757)	0	9,057	0	0	**(142,700)**	(7,120)	**(149,820)**
Interest and investment income	0	0	0	0	0	**0**	(1,902)	**(1,902)**
Income from council tax	0	0	0	0	0	**0**	(53,612)	**(53,612)**
Income from non-domestic rates	0	0	0	0	0	**0**	(52,596)	**(52,596)**
Government grants and contributions	(85,659)	0	(2,389)	0	0	**(88,048)**	(47,331)	**(135,379)**
Total Income	**(237,416)**	**0**	**6,668**	**0**	**0**	**(230,748)**	**(162,561)**	**(393,309)**

2014/15 figures	Directorate Analysis £000	Additional segments not in analysis £000	Amount not Included in the Analysis Included in Cost of Services £000	Amounts Included in the Analysis not Included in Cost of Services £000	Allocation of Support Service Recharges £000	Cost of Services £000	Amounts Reported below Net Cost of Services £000	Total £000
Employee expenses	67,476	40,759	0	0	0	**108,235**	0	**108,235**
Other service expenses	290,075	(74,298)	0	0	(29,087)	**186,690**	23,612	**210,302**
Support Service recharges	2,379	0	0	0	29,087	**31,466**	0	**31,466**
Depreciation, amortisation and impairment	0	0	(28,563)	0	0	**(28,563)**	0	**(28,563)**
Interest Payments	8,061	0	0	(8,061)	0	**0**	13,843	**13,843**
Precepts & Levies	0	0	0	0	0	**0**	583	**583**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	918	**918**
Value of Fixed Assets written out of I&E	0	0	0	0	0	**0**	37,029	**37,029**
Total expenditure	**367,991**	**(33,539)**	**(28,563)**	**(8,061)**	**0**	**297,828**	**75,985**	**373,813**
Surplus or deficit on the provision of services	**130,575**	**(33,539)**	**(21,895)**	**(8,061)**	**0**	**67,080**	**(86,576)**	**(19,496)**

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

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

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

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2013/14 £000
Net expenditure in the Directorate Analysis	140,258
Additional segments not in the analysis	(14,061)
Amounts not included in the analysis included in cost of services	27,297
Amounts included in the analysis not included in cost of services	(31,020)
Allocation of support service recharges	(11,924)
Cost of Services in Comprehensive Income and Expenditure Statement	**110,550**

Reconciliation to Subjective Analysis

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

2013/14 figures	Directorate Analysis	Additional segments not in analysis	Amount not Included in the Analysis Included in Cost of Services	Amounts Included in the Analysis not Included in Cost of Services	Allocation of Support Service Recharges	Cost of Services	Amounts Reported below Net Cost of Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(82,214)	(4,172)	3,763	0	0	**(82,623)**	(10,125)	**(92,748)**
Interest and investment income	0	0	0	0	0	**0**	(299)	**(299)**
Income from council tax	0	0	0	0	0	**0**	(51,984)	**(51,984)**
Income from non-domestic rates	0	0	0	0	0	**0**	(47,968)	**(47,968)**
Government grants and contributions	(92,253)	(60,625)	10,624	0	0	**(142,254)**	(58,728)	**(200,982)**
Total Income	**(174,467)**	**(64,797)**	**14,387**	**0**	**0**	**(224,877)**	**(169,104)**	**(393,981)**
Employee expenses	65,137	64,691	150	0	(10,363)	**119,615**	0	**119,615**
Other service expenses	235,666	(13,955)	4,773	(16,421)	(23,756)	**186,307**	22,781	**209,088**
Support Service recharges	(678)	0	0	0	22,195	**21,517**	0	**21,517**
Depreciation, amortisation and impairment	0	0	7,987	0	0	**7,987**	0	**7,987**
Interest Payments	14,599	0	0	(14,599)	0	**0**	14,599	**14,599**
Precepts & Levies	0	0	0	0	0	**0**	577	**577**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	843	**843**
Value of Fixed Assets written out of I&E	0	0	0	0	0	**0**	49,874	**49,874**
Total expenditure	**314,725**	**50,736**	**12,910**	**(31,020)**	**(11,924)**	**335,427**	**88,674**	**424,101**
Surplus or deficit on the provision of services	**140,258**	**(14,061)**	**27,297**	**(31,020)**	**(11,924)**	**110,550**	**(80,430)**	**30,120**

Note 28 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

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

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

There have been no additions or disposals of heritage assets between 2011/12 and 2014/15 with the only changes in asset values relating to revaluations.

	2011-12	2011-12	2012-13	2012-13	2013-14	2013-14	2014-15	2014-15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
Opening Carrying Value	19,879	123	20,751	122	21,166	122	21,166	122
Revaluations	872	(1)	415	0	0	0	978	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	**20,751**	**122**	**21,166**	**122**	**21,166**	**122**	**22,144**	**122**

Note 29 ASSETS HELD FOR SALE

2013/14 £000		2014/15 £000
777	**Balance outstanding at start of year**	**364**
	Assets newly classified as held for sale:	
5,363	Property, Plant and Equipment	9,397
	Revaluations and Impairments:	
(113)	Revaluation losses	(85)
0	Revaluation gains	0
	Assets declassified as held for sale:	
(5,663)	Assets sold	(3,982)
364	**Balance outstanding at year-end**	**5,695**

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement in 2014/15	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 2014	507,366	151,857	24,206	17,436	85,080	31	47,206	**833,182**
Additions / Donations	20,782	10,162	2,505	420	3,364	8,970	246	**46,449**
Additions - Other	0	1,408	15	0	0	0	0	**1,423**
Derecognition - Disposals	0	(200)	(320)	(133)	(21)	0	0	**(674)**
Derecognition - Other	(19,842)	(13,318)	0	(60)	0	0	0	**(33,220)**
Revaluations Recognised in Revaluation Reserve	1,390	1,727	0	0	0	0	7,161	**10,278**
Revaluations Recognised in Surplus/Deficit on Provision of Services	38,638	(543)	0	0	0	0	5,479	**43,574**
Assets reclassified (to)/from Held for Sale	(3,702)	(1,725)	0	0	0	0	(3,970)	**(9,397)**
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 2015	**544,632**	**149,368**	**26,406**	**17,663**	**88,423**	**9,001**	**56,122**	**891,615**

Movement in 2014/15	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 2014	(12,413)	(6,516)	(12,452)	(5,029)	(18,738)	0	(57)	**(55,205)**
Depreciation charge	(6,326)	(3,222)	(2,457)	(585)	(2,363)	0	(72)	**(15,025)**
Depreciation charge on previous impairment loss reversals	0	0	0	0	0	0	0	**0**
Depreciation written back to the Revaluation Reserve	1	499	0	0	0	0	101	**601**
Depreciation written back to Surplus/Deficit on Provision of Services	113	529	0	0	0	0	28	**670**
Impairments/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**
Impairments/reversals recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	166	60	8	0	0	**234**
Derecognition - Other	0	636	0	0	0	0	0	**636**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	**0**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	**0**
At 31 March 2015	**(18,625)**	**(8,074)**	**(14,743)**	**(5,554)**	**(21,093)**	**0**	**0**	**(68,089)**
NBV At 31 March 2014	**494,953**	**145,341**	**11,754**	**12,407**	**66,342**	**31**	**47,149**	**777,977**
NBV At 31 March 2015	**526,007**	**141,294**	**11,663**	**12,109**	**67,330**	**9,001**	**56,122**	**823,526**

Comparative 2013-14	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2013	502,978	177,432	19,701	16,980	80,069	0	46,770	**843,930**
Additions / Donations	16,457	3,633	4,751	456	5,011	31	472	**30,811**
Additions - Other	0	0	0	0	0	0	0	**0**
Reclassification of Former Development Corporation Assets	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	(190)	(246)	0	0	0	0	**(436)**
Derecognition - Other	(16,183)	(27,381)	0	0	0	0	0	**(43,564)**
Revaluations Recognised in Revaluation Reserve	232	254	0	0	0	0	0	**486**
Revaluations Recognised in Surplus/Deficit on Provision of Services	8,854	(1,766)	0	0	0	0	(36)	**7,052**
Assets reclassified (to)/from Held for Sale	(4,972)	(400)	0	0	0	0	0	**(5,372)**
Assets reclassified (to)/from Investment Property	0	275	0	0	0	0	0	**275**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2014	**507,366**	**151,857**	**24,206**	**17,436**	**85,080**	**31**	**47,206**	**833,182**

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

Note 30 PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2015 by the Council's own valuers and GVA Grimley Limited (for former Development Corporation Assets). The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1st April 2010 the Social Housing Factor, the amount by which the open market value is discounted for properties used for social housing was amended to 39%, in line with guidelines issued by the Department for Communities and Local Government. There has been no change to the Social Housing Factor during 2014/15.

A full valuation of council dwellings was undertaken at 1 April 2012 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at 31 March 2015. Six indices (Halifax, Nationwide, Land Registry, "Office for National Statistics", Right Move and Zoopla.co.uk) were referenced in order to reach a decision. There is compelling evidence from Right to buy valuations carried out over the year, in addition to that taken from the 3 main sources of information –i.e. Land Registry, Right Move and Zoopla, which points to increases in house prices in all post code areas between the 12 month period of 31 March 2014 and 31 March 2015. Based on the information gathered an increase in Council dwellings of 8% was applied. The next full valuation of council dwellings is scheduled to take place in 2017.

A desktop review of other land and building assets was undertaken as at 31 March 2015. Four categories were reviewed (Retail, Offices, Development Land and Industrial) and each indicated a 0% change.

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

Note 31 CAPITAL EXPENDITURE AND FINANCING

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

2013/14 £000		2014/15 £000
295,319	**Opening Capital Financing Requirement**	**293,160**
	Capital investment	
30,813	Property, Plant and Equipment	46,440
35	Intangible Assets	(325)
3,787	Revenue Expenditure Funded from Capital under Statute	7,046
0	Long Term Debtors	1,275

2013/14 £000		2014/15 £000
	Sources of finance	
(4,450)	Capital receipts	(7,180)
(26,416)	Government grants and other contributions (includes REFCUS & MRA)	(34,053)
	Sums set aside from revenue:	
(5,928)	• MRP (including finance leases liabilities)	(1,075)
293,160	**Closing Capital Financing Requirement**	**305,288**
	Explanation of movements in year	
(2,875)	Decrease in underlying need to borrowing (supported by government financial assistance)	2,617
716	Increase in underlying need to borrowing (unsupported by government financial assistance)	11,577
0	Assets acquired / adjusted under finance leases	(2,066)
(2,159)	**Increase/(Decrease) in Capital Financing Requirement**	**12,128**

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

2013/14 £000	Balance Sheet Item	2014/15 £000
777,977	Property Plant & Equipment	823,526
2,407	Investment Property	2,322
364	Assets Held for Sale	5,695
3,254	Intangible Assets	2,279
21,288	Heritage Assets	22,266
0	Long Term Debtors	1,275
(89,690)	Revaluation Reserve	(98,019)
(422,440)	Capital Adjustment Account	(454,056)
293,160	**Total Capital Financing Requirement**	**305,288**

Note 32 CAPITAL COMMITMENTS

As at 31 March 2015, the Council had authorised expenditure in future years of £11.589m. In addition a further £72.573m had been previously authorised for use in 2015/16 and 2016/17, giving a total future years' commitment of £84.162m. These commitments included contractual commitments of £19.638m.

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2014			31 March 2015	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
(94,120)	(94,120)	Temporary Market Debt	(119,898)	(119,898)
(268)	(268)	Long Term Loans maturing in less than 1 year	(271)	(271)
(94,388)	**(94,388)**	**Short Term Borrowing**	**(120,169)**	**(120,169)**
(160,889)	(165,387)	PWLB Debt	(160,889)	(222,127)
(28,233)	(46,497)	Long Term Market Debt	(28,233)	(56,676)
(3)	(3)	Bonds/Annuities	(753)	(753)
(189,125)	**(211,887)**	**Long Term Borrowing**	**(189,875)**	**(279,556)**
(11,412)	(11,412)	Other Creditors at Contract Amounts	(10,680)	(10,680)
(1,719)	**(1,719)**	**Total Leasing Liability**	**(1,011)**	**(1,011)**
(296,644)	**(319,406)**	**Total Financial Liabilities**	**(321,735)**	**(411,416)**
0	**0**	**CCLA Property Fund**	**19,970**	**19,970**
0	**0**	**Long Term Investments**	**19,970**	**19,970**
17,412	17,412	Tempoarary Investments	32,640	32,640
20,007	20,007	Fund Managers Investments	0	0
37,419	**37,419**	**Short Term Investments**	**32,640**	**32,640**
176	176	Cash held by the Council	93	93
5,073	5,073	Bank Current Accounts	2,115	2,115
3,649	3,649	Short term deposits with Financial	5,499	5,499
8,898	**8,898**	**Cash and Cash Equivalents**	**7,707**	**7,707**
10,207	10,207	Other Debtors at Contract Amounts	10,916	10,916
56,524	**56,524**	**Total Financial Assets**	**71,233**	**71,233**

b. Financial Instruments Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are made up as follows:

	2014/15			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	8,062	0	0	**8,062**
Total expense in Surplus or Deficit on the Provision of Services	**8,062**	**0**	**0**	**8,062**
Interest income	0	(405)	(393)	**(798)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(405)**	**(393)**	**(798)**
Net gain/(loss) for the year	**8,062**	**(405)**	**(393)**	**7,264**

	2013/14			
	Liabilities measured at amortised cost	Loans and receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	8,023	0	0	**8,023**
Total expense in Surplus or Deficit on the Provision of Services	**8,023**	**0**	**0**	**8,023**
Interest income	0	(213)	(86)	**(299)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(213)**	**(86)**	**(299)**
Net gain/(loss) for the year	**8,023**	**(213)**	**(86)**	**7,724**

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

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

31 March 2014 £000	Maturity Profile of Financial Liabilities	31 March 2015 £000
(105,412)	Less than 1 year	(130,430)
0	Between 2 and 5 years	(750)
(18,000)	Between 25 and 30 years	(18,000)
(10,000)	Between 35 and 40 years	(11,000)
(76,000)	Between 40 and 45 years	(100,000)
(85,889)	Over 45 years	(60,889)
(295,301)	**Total Financial Liabilities**	**(321,069)**

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

31 March 2014 £000	Maturity Profile of Financial Assets	31 March 2015 £000
51,229	Less than 1 year	68,916
51,229	**Total Financial Assets**	**68,916**

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2015.
- For market loans the Council's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2015;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months the carrying value is assumed to be the same as fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be either the principal outstanding or the billed amount;
- For investments held by the Council's Fund Managers the market value taken from the end of year valuations have been used;
- The fair value of creditors and debtors is taken to be the invoiced or billed amount; and
- The element of long term liabilities maturing in less than one year is now transferred to this category.

The fair value of financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loan.

Note 34 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

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

- ***Credit Risk*** – the possibility that other parties might fail to pay amounts due to the Council;
- ***Liquidity Risk*** – the possibility that the Council might not have funds available to meet its commitments to make payments as they fall due;

- ***Re-Financing Risk*** – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

- ***Market Risk*** – the possibility that financial loss might arise for the Council as a result of market changes in, for example, interest rate movements.

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the Code of Practice;

- By approving annually in advance at the start of the financial year a set of prudential indicators for the following three years limiting:

    1. The Council's overall borrowing. For 2014/15 the Operational Limit was £399.1m and the Authorised Limit was £429.1m;

    2. Its maximum and minimum exposures to fixed and variable rates. For 2014/15 the Upper Limit on Fixed Interest Rates was 100% and the Upper Limit of Variable Interest rates was 50%;

    3. The maturity structure of its debt. For 2014/15 the Upper Limit for less than 12 months was 100%; 12 months to 40 years was 60% and for 40 years to 50 years and above was 100% while the Lower Limit in all periods was 0%.

    4. Its maximum annual exposure to investments maturing beyond a year. For 2014/15 this limit was set at £15m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

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

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance Service to implement the approved strategies and policies.

Credit Risk

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

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2014	Amount at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure
	£000	£000	%	%	£000
Investec Target return Fund	9,878	0	0	0	0
CCLA Property Fund	0	20,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	10,140	10,000	0	0	0
Banks Rates A Long Term	6,450	7,500	0	0	0
Co-Op Bank	0	0	0	0	0
Un-rated Building Societies	13,550	13,000	0	0	0
Local Authorities	1,000	2,000	0	0	0
Cash	4	0	0	0	0
	41,022	**52,500**	**0**	**0**	**0**

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2015 and therefore not comparable to the balance sheet.

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

The Council does not generally allow credit for its trade debtors, and effectively £3.49m of the total balance was past its due date for payment at 31st March 2015. Therefore provision for bad debts of £1.33m has been calculated with reference to estimated default rates.

Liquidity Risk

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

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

All creditors are due to be paid in less than one year and are therefore shown in the less than one-year total in the financial liabilities table in Note 33c. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the Less Than 1 Year.

Refinancing Risk

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

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

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

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

The maturity analysis of financial liabilities and financial assets is set out in note 33c.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2015 and therefore not comparable to the balance sheet.

Market Risk

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

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

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

If all interest rates had been 1% higher with all other variables held constant then the financial effect at 31 March 2015 would have been:

2013/14 £000	Sensitivity Analysis	2014/15 £000
32,346	Decrease in fair value of fixed rate borrowings liabilities	48,451

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

Price Risk

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

Foreign Exchange Risk

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

Note 35 PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

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

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

In 2014/15 the Council paid a total of £3.295m, including £1.257m actual teachers' contributions, (£1.474m in 2013/14) in respect of teachers' retirement benefits. The employer's contribution rate remained at 14.1%.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

Note 36 DEFINED BENEFIT PENSION SCHEMES

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.

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2014/15 £000	Unfunded Benefits 2013/14 £000	Unfunded Benefits 2014/15 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	7,059	8,765	0	0
• administration costs	37	116		
Financing and Investment Income and Expenditure:				
• Net interest cost	6,576	5,781	438	426
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**13,672**	**14,662**	**438**	**426**
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)	(8,864)	(23,993)	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	(22,233)	0	(379)	0
• actuarial (gains) and losses arising on changes in financial assumptions	11,036	43,865	349	247
• other	(1,276)	(1,526)	0	(295)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(7,665)**	**33,008**	**408**	**378**

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2014/15 £000	Unfunded Benefits 2013/14 £000	Unfunded Benefits 2014/15 £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	(13,672)	(14,662)	(438)	(426)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	10,493	10,863		
• Retirement benefits payable to pensioners			656	663

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2015 is a £46.113m 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 2013/14 £000	Local Government Pension Scheme 2014/15 £000	Unfunded Benefits 2013/14 £000	Unfunded Benefits 2014/15 £000
Present value of defined benefit obligation	382,237	443,194	10,021	10,031
Fair Value of plan assets	(252,451)	(291,273)	0	0
Sub-total	129,786	151,921	10,021	10,031
Net liability arising from defined benefit obligation	129,786	151,921	10,021	10,031

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

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2014/15 £000	Discretionary Benefits Arrangements 2013/14 £000	Discretionary Benefits Arrangements 2014/15 £000
Opening fair value of scheme assets	**226,389**	**252,451**	**0**	**0**
Opening adjustment	-	1,231	-	-
Interest income	10,105	11,214	0	0
Remeasurement gain/(loss)	1,443	0	0	0
- The return on plan assets, excluding the amount included in the net interest expense	8,864	23,993	0	0
- Other	(37)	(116)	0	0
Contributions from employer	10,493	10,863	0	0
Contributions from employees into the sche	2,876	3,124	0	0
Benefits paid	(11,669)	(11,288)	0	0
Other (if applicable)	3,987	(199)	0	0
Closing fair value of scheme assets	**252,451**	**291,273**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields 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
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening balance at 1 April	384,354	392,258	(10,269)	(10,021)
Current service cost	10,708	10,688	0	0
Interest cost	16,681	16,995	(438)	0
Contributions by scheme participants	2,876	3,124	0	0
Liabilities extinguished on settlements	(391)	(2,430)	0	0
Remeasurement (gains) and losses:				
- Actuarial (gains) and losses arising from changes in demographic assumptions	(22,066)	(295)		
- Actuarial (gains) and losses arising from in financial assumptions	11,036	43,865	30	(247)
Benefits/Transfers paid	(11,013)	(10,625)	0	0
Curtailments & Settlements	729	308	0	0
Unfunded Pension Payments	(656)	(663)	656	663
Closing balance at 31 March	392,258	453,225	(10,021)	(9,605)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2013/14	Fair Value of Scheme Assets 2014/15
	%	%
Cash and Cash Equivalents	**2**	**2**
Equity instruments:	67	67
Sub-total Equity	**67**	**67**
Bonds		
- Corporate	8	10
- Government	8	4
Sub-total Bonds	**16**	**14**
Property	11	11
Private Equity	**11**	**11**
Alternative Assets	4	6
Total assets	**100**	**100**

	Fair Value of Scheme Assets 2013/14	Fair Value of Scheme Assets 2014/15
	%	%
Equity instruments:	67	67

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31-Mar-14	Local Government Pension Scheme 31-Mar-15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.7 yrs	22.8
* Women	25.1 yrs	25.2
Longevity at 65 for future pensioners:		
* Men	24.9 yrs	25.1
* Women	27.4 yrs	27.6
Rate of inflation	2.80%	2.30%
Rate of increase in salaries	4.60%	4.10%
Rate of increase in pensions	2.80%	2.30%
Rate for discounting scheme liabilities	4.40%	3.30%
Take-up of option to convert annual pension into retirement lump sum	60.00%	60.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, 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)	437,408	469,185
Rate of inflation (increase or decrease by 1%)	0	0
Rate of increase in salaries (increase or decrease by 0.1%)	453,951	452,503
Rate of increase in pensions (increase or decrease by 0.1%)	460,493	446,085
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	445,446	461,149
	1,797,298	1,828,922

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 2016.

Note 37 CASH AND CASH EQUIVALENTS

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

31/03/2014 £000		31/03/2015 £000
176	Cash held by the Council and in transit	93
4,173	Bank current accounts	2,574
3,649	Short-term deposits in UK banks & investments in money market funds	5,499
7,998	**Total Cash and Cash Equivalents**	**8,166**

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2013/14 £'000		2014/15 £'000
275	Interest Received	883
3	Interest Received Opening Debtor	12
(12)	Interest Received Closing Debtor	(140)
(2,337)	Interest paid	(2,297)
0	Adjustments for differences between EIR and actual interest payable	0
(457)	Interest Paid Opening Creditor	(484)
485	Interest Paid Closing Creditor	515
(2,043)	Total Operating Acivities	(1,511)

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

Note 39 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2013/14 £'000		2014/15 £'000
(29,722)	Purchase of property, plant and equipment, investment property and intangible assets	(48,632)
0	Purchase of short-term and long-term investments	(35,100)
0	Other payments for investing activities	(1,275)
9,074	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,688
7,200	Proceeds from shot-term and long-term investments	20,007
13,070	Other receipts from investing activities (including capital grants)	13,630
(378)	**Net cash flows from investing activities**	**(43,682)**

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2013/14 £'000		2014/15 £'000
197,000	Cash receipts of short and long-term borrowing	288,750
(114)	Other receipts from financing activities	470
(706)	Cash payments for the reduction of the outstanding liabilities (finance leases)	(744)
(196,500)	Repayments of short- and long-term borrowing	(262,250)
6,946	Other payments for financing activities	(859)
6,626	**Net cash flows from financing activities**	**25,367**

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2013/14 £'000		2014/15 £'000
(30,120)	**Net Surplus or (Deficit) on the Provision of Services**	**19,496**
	Adjust net surplus or deficit on the provision of services for non cash movements:	
14,846	Depreciation	15,029
(7,390)	Impairment and downward valuation	(44,162)
644	Amortisation	651
117	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	117
0	Financial Guarantee Adjustments	0
28	Increase/Decrease in Interest Creditors	31
(12,083)	Increase/Decrease in Creditors	5,324
(9)	Increase/Decrease in Interest and Dividend Debtors	(128)
(4,474)	Increase/Decrease in Debtors	1,884
(79)	Increase/Decrease in Inventories	42
2,961	Movement in Pension Liability	3,562
5,651	Contributions to/(from) Provisions	921
49,851	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	37,278
3	Movement in Investment Property Values	(187)
50,066		**20,362**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(12,186)	Capital Grants credited to surplus or deficit on the provision of services	(13,687)
142	Net adjustment from the sale of short and long term investments	0
(9,845)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,688)
(21,889)		**(21,375)**
(1,943)	**Net Cash Flows for Operating Activities**	**18,483**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2013/14 £'000		Notes	2014/15 £'000
	EXPENDITURE		
12,494	Repairs and Maintenance		11,380
21,682	Supervision and Management		19,388
288	Rents, rates, Taxes and Other Charges		200
(2,322)	Depreciation and Impairment of Non Current Assets	2	(32,169)
101	Debt Management Costs	8	69
347	Movement in the Allowance for Bad Debts		144
32,589	**Total Expenditure**		**(988)**
	INCOME		
(45,271)	Gross Rent from Dwellings	1	(45,093)
1,053	Less Voids		638
(44,218)	**Net Rent from Dwellings (sub total)**		**(44,455)**
	Non Dwelling Rents:		
(731)	Shop Rents		0
(787)	Garage Rents		(801)
(129)	Premises Income		(112)
(1,646)	**Non Dwelling Rents (sub-total)**		**(913)**
	Charges for Services and Facilities:		
(5,437)	Water Charges		(5,552)
(43)	Central Heating Charges		(43)
(5,480)	**Charges for Services and Facilities (sub total)**		**(5,595)**
	Contributions Towards Expenditure:		
(561)	Leaseholder Charges		(551)
(2,245)	Tenants Service Charges		(2,264)
(2,806)	**Contributions Towards Expenditure (sub total)**		**(2,815)**
(54,151)	**Total Income**		**(53,778)**
(21,562)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(54,766)**
(21,562)	**Net Expenditure for HRA Services**		**(54,766)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
14,183	(Gain) or loss on sale of HRA non-current assets		18,015
5,714	Interest payable and similar charges (Deferred Purchase Interest)		5,736
(116)	Income and expenditure in relation to investment properties and changes in their fair value		0
(33)	Interest and Investment Income		(42)
586	Pensions interest cost and expected return on Pension Assets	3	310
(1,229)	**(Surplus)/ Deficit for the Year on HRA Services**		**(30,747)**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2013/14 £'000		2014/15 £'000
(1,700)	**Balance on HRA at 1 April**	**(2,654)**
(1,229)	(Surplus)/Deficit for the Year on HRA Services	(30,747)
275	Adjustments Between Accounting Basis and Funding Basis under Statute:	27,630
(2,654)	**Total**	**(5,771)**
0	**Transfer to/(from) Reserves:**	**3,117**
(2,654)	**Balance on HRA at 31 March**	**(2,654)**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/14 £'000		2014/15 £'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(6,512)	Depreciation of non-current assets	(6,499)
(233)	Revaluation and Impairment losses on Property, Plant and Equipment	(479)
9,177	Revaluation gains reversing previous losses	39,231
(5)	Movement in Market Value on Investment Property	(4)
(112)	Movement in value of Held for Sale Assets	(82)
0	Revenue expenditure funded from capital under statute (REFCUS)	(119)
(21,044)	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	(23,694)
6,861	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	5,679
(11,868)		**14,033**
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
12,850	Reversal of Major Repairs Allowance credited to the HRA	14,157
(1,215)	Reversal of items relating to requirement benefits debited or credited to the CIES	(1,125)
509	Employer's pension contributions and direct payment to pensioners payable in year	582
(1)	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	(17)
12,143		**13,597**
275	**Total**	**27,630**

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2013/14 £'000	Rent Arrears	2014/15 £'000
1,024	Gross Current Arrears at 31 March	1,088
2.26%	As a Proportion of Gross Rent Income Collectable in the Year	2.41%
0	Former Tenant Arrears at 31 March	0

Amounts written-off during the year amounted to £0.66m. There is a provision of £0.253m for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £6.5m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. The charges in respect of impairment were £0.48m offset by reversals of impairments of £39.2m.

2013/14 £'000	Analysis of Depreciation and Impairment Charges	2014/15 £'000
	Depreciation:	
6,256	Dwellings	6,328
131	Other Land and Buildings	123
45	Plant and Equipment	45
80	Non-Operational Property, Plant and Equipment	5
(8,832)	Impairment of Property, Plant and Equipment	(38,670)
(2,320)	**Total for Year**	(32,169)

Note 3 PENSION RESERVE MOVEMENT

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

Note 4 HOUSING STOCK

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

31 March 2014	Number and Types of Properties at 31 March	31 March 2015
5,450	Number of Houses and Bungalows	5,406
3,511	Number of Flats and Maisonettes	3,494
1,222	Number of Aged Person Dwellings	1,222
10,183	**Total**	**10,122**

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

2013/14	Change in Stock of Properties	2014/15
10,270	Stock at 1 April	10,183
(87)	Less Sales	(65)
0	Additions	4
10,183	**Total**	**10,122**

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

2013/14 £'000	Balance Sheet Value of HRA Properties	2014/15 £'000
	Operational Non-Current Assets:	
506,185	Dwellings and other land and buildings	536,985
13,679	Non-Operational Non-Current Assets	16,034
519,864	**Total**	**553,019**

The vacant possession value of dwellings within the HRA as at 1st April 2014 was £1.35bn. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

Note 5 MAJOR REPAIRS RESERVE

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

2013/14 £'000	Major Repair Reserve	2014/15 £'000
(3,103)	Balance as at 1 April	(2,293)
(12,850)	Transfer to HRA	(14,157)
13,660	Financing of Capital Expenditure	16,450
(2,293)	**Total**	0

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2014/15 was financed as follows:

2013/14 £'000	Financing of Capital Expenditure	2014/15 £'000
13,660	Major Repairs Reserve	16,450
0	Grants	1,977
0	Capital Receipts	4,836
0	Prudential Borrowing	7,223
2,791	Development Reserve	0
16,451	**Total**	30,486

Note 7 CAPITAL RECEIPTS

Capital receipts from the sale of dwellings under the tenants' "Right to Buy" provisions and from sales of other land and buildings held within the HRA were as follows:

2013/14 £'000	Capital Receipts	2014/15 £'000
(6,861)	Sales of Dwellings	(5,679)
(6,861)	**Total**	(5,679)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2013/14 £'000	Debt Management Cost	2014/15 £'000
101	Debt Management Costs	69

THE COLLECTION FUND STATEMENT
COUNCIL TAX

Notes		2013/14 £'000	2014/15 £'000	£'000
	INCOME			
2	Council Tax	(62,107)	(63,450)	
	Total Income	**(62,107)**		**(63,450)**
	EXPENDITURE			
	Precepts and Demands:			
	Essex Police Authority	6,443	6,700	
	Essex Fire Authority	3,025	3,085	
	Thurrock Borough Council	51,219	52,233	
	Precepts and Demands (sub-total)	**60,687**		**62,018**
	Provision for Bad Debts:			
	Change in Provision	41	241	
	Write offs	470	270	
	Provision for Bad Debts (sub-total)	**511**		**511**
	CONTRIBUTIONS			
	Essex Police Authority	(48)	143	
	Essex Fire Authority	(24)	67	
	Thurrock Borough Council	(400)	1,134	
	Contributions (sub-total)	**(472)**		**1,344**
	Total Expenditure	**60,726**		**63,873**
	(Surplus)/ Deficit for Year	**(1,381)**		**423**
	Fund Balance Brought Forward	**(523)**		**(1,904)**
	Fund Balance Carried Forward	**(1,904)**		**(1,481)**

Share of Collection Fund (Council Tax) Balance:

Thurrock Council	**(1,603)**	**(1,242)**
Essex Police Authority	**(206)**	**(163)**
Essex Fire Authority	**(95)**	**(76)**
Total	**(1,904)**	**(1,481)**

Notes		2013/14 £'000	2014/15 £'000	£'000
	INCOME			
3	Income Collectable from Non-Domestic Ratepayers	(109,117)	(103,445)	
	Transitional Protection Payments	(1,171)	(481)	
	Total Income	**(110,288)**		**(103,926)**
	EXPENDITURE			
	Share of Business Rates:			
	Essex Fire Authority	1,065	1,080	
	Thurrock Borough Council	52,200	52,953	
	Share of Non-Domestic Rates (sub-total)	**53,265**		**54,033**
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	**53,265**		**54,033**
	Provision for Bad Debts:			
	Change in Provision	263	(207)	
	Write Offs	(1,456)	(18)	
	Provision for Bad Debts (sub-total)	**(1,193)**		**(225)**
	Provision for Appeals:			
	Change in Provision	12,997		1,832
	Costs of Collection	223		224
	CONTRIBUTIONS			
	Essex Fire Authority	0	(20)	
	Thurrock Borough Council	0	(1,012)	
	Central Government	0	(1,032)	
	Contributions (sub-total)	**0**		**(2,064)**
	Total Expenditure	**118,557**		**107,833**
	(Surplus)/ Deficit for Year	**8,269**		**3,907**
	Fund Balance Brought Forward	**0**		**8,269**
	Fund Balance Carried Forward	**8,269**		**12,176**

Share of Collection Fund (NDR) Balance:

Thurrock Council	**4,052**	**5,966**
Essex Fire Authority	**83**	**122**
Central Government	**4,134**	**6,088**
Total	**8,269**	**12,176**

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 2014/15 the Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated Number of Taxable Properties after Effect of Discounts	Ratio	Band D Equivalent Dwelling
A*	10	5:9	6
A	3,953	6:9	2,635
B	9,077	7:9	7,060
C	20,988	8:9	18,656
D	9,851	9:9	9,851
E	3,998	11:9	4,886
F	1,925	13:9	2,781
G	734	15:9	1,223
H	26	18:9	52
	50,562		**47,151**
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.			(707)
Council Tax Base			**46,444**

Note 3 INCOME FROM BUSINESS RATE PAYERS

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government. In 2014/15 47.1p was the small business multiplier and 48.2p the large business multiplier (46.2p small business multiplier and 47.1p large business multiplier in 2013/14). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £52.95m 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 £103.4m.

The total Non-Domestic rateable value at the 31 March 2015 was £258,527,308 (£264,250,466 at 31 March 2014).

GLOSSARY OF TERMS

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

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

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
This is the UK accounting Institute that produces the standards and Codes of Practice that must be followed in preparing a local authority's financial accounts and statements.

Contingent Assets and Liabilities

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

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

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

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

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

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

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

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

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

Fair Value
The fair value is the value of an asset or liability in an 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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24 September 2015	ITEM: 12
Standards and Audit Committee	
Thurrock Council BCP and DR status	
Wards and communities affected: All	**Key Decision:** Key
Report of: Gary Staples, ICT Commercial Manager	
Accountable Head of Service: Kathryn Adedeji	
Accountable Director: David Bull	
This report is Public	

Executive Summary

For clarity, it would be beneficial for the Committee to understand the context in which this report has been constructed relating to Business Continuity Planning (BCP) and Disaster Recovery (DR) interpretations:

- **Business Continuity Plan** – means an overarching plan pertaining to each Service delivered by the Council. The BCP outlines how that particular Service / Services will continue to be delivered in the event that one of these four events disrupts it:
  - **People -** Loss of staff e.g. as a result of pandemic flu
  - **Premises -** Denial of access to buildings e.g. in the event of a fire or flood
  - **Resources -** Loss of access to data e.g. failure of one or more of the council's servers
  - **Suppliers -** Products and services supplied by third parties e.g. loss of utilities including gas, water, electricity or telecommunications.

- **Disaster Recovery** – means a separate BCP in its own right that outlines how the Council will recover in the event that one of the four events above specifically affects the primary data centre at Civic Offices in Grays, Essex.

This report sets out the position at Thurrock Council regarding the following requirements identified at previous committee meetings:

- It outlines the progress with updating non-Serco Disaster Recovery (DR) plans
- It outlines the availability of an offsite location in the event of DR invocation
- The results of Thurrock Council's DR Test

- It gives a summary of the ongoing activity to future proof Business Continuity for Thurrock Council.

1. Recommendation(s)

1.1 Standards and Audit Committee approve that, following ICT transformation completion (3 months following transfer back), officers carry out a new Business Impact Analysis (BIA) across Directorate Services to establish realistic Recovery Time Objectives (RTO) for each Service and report back in March 2016.

1.2 That officers, post transfer, correlate the Recovery Time Objective (RTO*) information from the Services and determine the appropriate DR solution required in order to meet them and report back in March 2016.

**The RTO is the maximum sustainable time possible without critical ICT availability before a Service reaches an unacceptable level of risk towards:*

- *Endangering human life / well-being*
- *The Council suffering significant financial loss*

1.3 Officers complete an appropriate DR solution that better suits the Council's modern technology, way of working and increased freedom to collaborate with other Local Authorities and report back in March 2016.

2. Introduction and Background

For the past eleven years Thurrock Council has outsourced, amongst other services, its ICT service to Serco and has had very limited control over how the service has been delivered in order to meet the stipulations outlined in the agreement (the SSPA) that was made by the two parties in 2005.

Recently it has been agreed that the contract between the two parties no longer reflects both parties' requirements and a mutual termination has been agreed.

DR Plan update – Whilst the Serco ICT DR plan is quite comprehensive with regards to the detail it contains, it was found to still have a number of areas that require further review and updating. This is primarily to bring it in line with current staff positions; for example the ICT Commercial Manager is not included as a key Council staff member in the plan since the role didn't exist back in March 2015 when the plan was last reviewed. The plan was also found to have a different list of Critical Council Services to those that the Council felt needed to be prioritised in the event of invoking DR.

Off-site location availability – Whilst the Culver Centre has previously been identified as a suitable site to recover to in the event of a catastrophic failure at Civic Office there are two important things to bear in mind:

- The Culver Centre will no longer be a useable Thurrock Council property as of a yet to be determined date in 2016.

- The Culver Centre is less than 4 miles away from the location of the Council's primary data Centre. Any major incident affecting the primary DC is likely to also affect the secondary location when they are this close.

Off-site ICT DR Equipment – Thurrock's main focus over at least the last two years has been to concentrate its resourcing and funding to procure and install a very resilient virtualised infrastructure at the main data centre in the Civic Office.

This transformation of ICT is almost complete and following its completion the Council will be in a position to run virtually 100% "live-live" data replication to an off-site facility.

DR Tests – The majority of the Council's Server, Desktop and Application infrastructure is "virtual" and the infrastructure is spread across two separate halves of a server farm. There is a regular out of hours monthly maintenance window that allows the ICT teams to work on each half of the farm in turn without any interruption to end-users. The nature of the work emulates the virtual environment effectively "failing" and for many months now work has been carried out on the virtual environment with 100% success and zero downtime thus proving its resilience and stability.

The Council's hosted key Enterprise Applications such as Oracle, that underpins the HR and Finance systems, are carried out annually and the results are analysed by ICT and any improvements made accordingly.

On-going activity – Following the appointment of its ICT Commercial Manager Thurrock Council has recently established a BCP & DR Group to commence the reviewing of the current BCP and DR plans. This group consists of:

- Corporate Risk Officer
- ICT Commercial manager
- A Service representative from each Directorate.

In order to take proactive advantage of its new flexibility available to it once services have transferred back to the Council, conversations have already commenced in order to share potential facilities with local authorities that can support a more appropriate off-site DR solution.

3. Issues, Options and Analysis of Options

3.1 Issues and options can only be analysed following a review of the requirements and cannot form part of this initial report.

4. Reasons for Recommendation

4.1 As a result of the SSPA termination and the transition back in-house of ICT Services, Thurrock Council is in a perfect position to carry out a fresh review of its business requirements as far as BCP and DR resources. Once the review is complete, options for any BCP/DR changes required to meet the Council's needs be submitted to the Director's Board for approval.

As with all BCP and DR requirement vs solution debates it is always critical to be mindful of the balance between criticality and cost.

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

5.1 Consultation and approval has been sought and granted at the Council's Digital Board.

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

6.1 None.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**

Head of Corporate Finance

There are no financial implications as a direct result of this report. However, as options and solutions are considered, there could well be additional costs that may require budget approval.

7.2 Legal

Implications verified by: **David Lawson**

Deputy Head of Legal & Governance

There are no legal implications at this stage of the report.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**

Community Development and Equalities Manager

There are no diversity and equality implications at this stage of the report.

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

N/A

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:

Gary Staples

ICT Commercial Manager

Corporate Commercial Services

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Work Programme

Committee: Standards and Audit **Year:** 2015/2016

Item	Date Added	Request By (Members/Officers)	Lead Officer	Progress / Update required
16 July 2015				
In Quarter 1 Review/Refresh of the Strategic/Corporate Risk and Opportunity Register	April 2015	Officers	Andy Owen	
Bridge Inspections	May 2015	Officer	Ann Osola	
2014/15 - Annual Regulation of Investigatory Powers Act Report:	April 2015	Members/Officers	Lee Henley	
Final Progress Report	April 2015	Officers	Gary Clifford	
Internal Audit 3 year Strategy 2015/16 to 2017/18 and Annual Plan 2015/16	April 2015	Officers	Gary Clifford	
Head of Service Internal Audit Annual Report 14/15	April 2015	Officers	Chris Harris & Gary Clifford	
Counter Fraud Report	April 2015	Officers	Sean Clark	
External Audit Plan 2014-2015	May 2015	Officers	Sean Clark & Ernst and Young	Carried forward from previous meeting as agreed with chair. Removed by Ernst and Young

Work Programme

Item	Date Added	Request By (Members/Officers)	Lead Officer	Progress / Update required
Financial Accounts update 14/15	April 2015	Officers	Sean Clark & Ernst and Young	
Internal Audit: Red Reports (as required)	April 2015	Members/Officers	Relevant Director	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	

24 September 2015				
Follow Up Report – Risks With High (Red) Target Ratings	July 2015	Members	Andy Owen	
Progress Report: Internal Audit	April 2015	Officers	Gary Clifford	
Regulation of Investigatory Powers Act - Quarter 1 (2015/16) Activity Report	April 2015	Officers	Lee Henley	
2014/15 - Annual Complaints Report	April 2015	Officers	Lee Henley	
2014/15 - Annual Access to Records Report	April 2015	Officers	Lee Henley	
Ernst and Young - Audit Results Report 2014/15	April 2015	Officers	Sean Clark & Ernst and Young	

Work Programme

Financial Statements and Annual Governance Statement Update	April 2015	Officers	Sean Clark	
Disaster Recovery Plans	May 2015	Officer	Kathryn Adedeji/ Gary Staples	Carried forward from February meeting as agreed with chair.
Internal Audit: Red Reports (as required)	April 2015	Members/Officers	Relevant Director	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	

8 December 2015				
In Quarter 3 Review of the Strategic/Corporate Risk and Opportunity Register	April 2015	Officers	Andy Owen	
Regulation of Investigatory Powers Act - Quarter 2 (2015/16) Activity Report	April 2015	Officers	Lee Henley	
Progress Report: Internal Audit	April 2015	Officers	Gary Clifford	
Audit Protocol and Charter	April 2015	Officers	Gary Clifford	
Counter Fraud Report	April 2015	Officers	Sean Clark	
Partnerships and Assurance	July 2015	Members	Sean Clark	
Ernst and Young - Annual Audit Letter 2014/15	April 2015	Officers	Sean Clark & Ernst and Young	
Internal Audit: Red Reports (as required)	April 2015	Members/Officers	Relevant Director	

Work Programme

Appointments to Members Advisory Panel at TBC	June 2015	Officers	David Lawson	
Work Programme	Continuous	Members/Officers	Democratic Services Officer	
15 March 2016				
Risk and Opportunity Management - Annual Review	April 2015	Officers	Andy Owen	
Six monthly Complaints Report (April 2015 – September 2015)	April 2015	Officers	Lee Henley	
Regulation of Investigatory Powers Act - Quarter 3 (2015/16) Activity Report	April 2015	Officers	Lee Henley	
Draft Internal Audit Plan 16/17	April 2015	Officers	Gary Clifford	
Public Sector Internal Audit Standards self assessment results and action plan	April 2015	Officers	Gary Clifford	
Internal Audit Progress Report	April 2015	Officers	Gary Clifford	
Grant Certification Report 2014/15	April 2015		Sean Clark & Ernst and Young	
Draft External Audit Plan 15/16	April 2015	Officers	Sean Clark & Ernst and Young	
Internal Audit: Red Reports (as required)	April 2015	Members/Officers	Relevant Director	

Work Programme

Work Programme	Continuous	Members/Officers	Democratic Services Officer	

To Be Allocated				
Item	**Date Added**	**Request By (Members/Officers)**	**Lead Officer**	**Committee Date**

Full details of Member's decisions can be viewed in the Minutes on the Council's Committee Management Information System - http://democracy.thurrock.gov.uk/thurrock/

FOR CONSIDERATION
There are currently no items for consideration.

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