

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

Standards and Audit Committee

The meeting will be held at **7.00 pm** on **19 July 2018**

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

Membership:

Councillors Tony Fish (Chair), Russell Cherry (Vice-Chair), Oliver Gerrish, Barry Johnson and Ben Maney

Jason Oliver, Co-Opted Member

Substitutes:

Councillors Clare Baldwin, Jack Duffin, Mike Fletcher and Tom Kelly

Agenda

Open to Public and Press

	Page
1 Apologies for Absence	
2 Minutes	5 - 10
To approve as a correct record the minutes of the Standards and Audit Committee meeting held on 6 March 2018.	
3 Items of Urgent Business	
To receive additional items that the Chair is of the opinion should be considered as a matter of urgency, in accordance with Section 100B (4) (b) of the Local Government Act 1972.	
4 Declaration of Interests	
5 Regulation of Investigatory Powers Act (RIPA) 2000 - 2017/18 Activity Report	11 - 14

6	Chief Internal Auditor's Annual Report - Year ended 31 March 2018	15 - 30
7	Refresh of the Strategic / Corporate Risk and Opportunity Register	31 - 62
8	Internal Audit Progress Report 2017/18	63 - 74
9	Audit Results Report for the Year Ended 31 March 2018	75 - 78
10	Financial Statements and Annual Governance Statement 2017/18	79 - 250
11	Counter Fraud & Investigation Annual Report & Strategy	251 - 284
12	Work Programme	285 - 288

Queries regarding this Agenda or notification of apologies:

Please contact Kallum Davies, Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

Agenda published on: **11 July 2018**

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

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

Helpful Reminders for Members

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

When should you declare an interest *at a meeting*?

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



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

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

Disclosable Pecuniary Interests shall include your interests or those of:

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

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

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

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

Pecuniary

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

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

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

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

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

Non- pecuniary

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



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

Our Vision and Priorities for Thurrock

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

1. **People** – a borough where people of all ages are proud to work and play, live and stay
 - High quality, consistent and accessible public services which are right first time
 - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
 - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future
 - Roads, houses and public spaces that connect people and places
 - Clean environments that everyone has reason to take pride in
 - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations
 - Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all
 - Commercial, entrepreneurial and connected public services

Minutes of the Meeting of the Standards and Audit Committee held on 6 March 2018 at 7.00 pm

Present:	Councillors Graham Hamilton (Chair), Gary Collins and Oliver Gerrish Jason Oliver, Co-Opted Member
Apologies:	Councillors Tony Fish (Vice-Chair), Jack Duffin and Ben Maney
In attendance:	Sean Clark, Director of Finance & IT Gary Clifford, Client Manager for Audit Services Michael Dineen, Investigations Manager, Counter Fraud & Investigation Directorate Lee Henley, Information Manager David Kleinberg, Assistant Director for Fraud & Investigations Andy Owen, Corporate Risk Officer Charlotte Raper, Democratic Services Officer Suresh Patel, Ernst & Young Jessal Raja, Ernst & Young

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.

30. Minutes

Jason Oliver highlighted that Stephen Rosser had been listed as a Councillor when noting apologies.

The minutes of the Standards and Audit Committee meeting held on 23 November 2017 were approved as a correct record, subject to this amendment.

31. Items of Urgent Business

There were no items of urgent business.

32. Declaration of Interests

There were no declarations of interests.

33. External Audit Plan 2017/18

The Director of Finance and IT and representatives from Ernst and Young presented the report which introduced the Audit Plan covering the audit of the

2017/18 financial statements and the assessment of the Council's arrangements to secure economy, efficiency and effectiveness.

Councillor Collins queried the consequences if the Council missed the earlier deadlines that were being introduced. The Committee heard that there were no financial penalties however the Council's name would be listed in a report of those authorities who had been late and this posed a risk in terms of reputation.

Councillor Collins noted the extra fee shown on page 21 of the agenda due to the Council's expanded group consolidation and accounts and asked how much additional work was expected to be required. The representative from Ernst and Young advised that group accounts had to be audited each year, which was a fixed fee; the additional levy was due to the addition of a second company. Moving forward the amount of work required would depend upon the activity of the company. Councillor Collins continued to ask whether that meant the fee need not be so high next year. Members heard that next year the Council would be using different auditors; however that would typically be the case. The Director of Finance and IT added that the Council's main accounts were completed unconsolidated, with just the impact of Thurrock Regeneration Ltd. included, as the standing accounts to determine the amount of reserves, value of assets and so on. The consolidated accounts were a legislative requirement but did not impact upon the Council's ability to spend, reserves and balanced budget.

The Chair noted that when estimations were involved people would always have different opinions and perspectives which would result in differing values. There was also the risk of human error and therefore differences would not necessarily be fraudulent.

Jason Oliver questioned whether there were practices in place to mitigate against the potential for error through estimations and to review working practices. The Committee heard that there would be less time for the end of year accruals due to the earlier deadlines. The Council tended to accrue every penny identified however this year would need to include a de minimis. Discussions were underway with audit colleagues to agree approaches to be taken and there were plans in place.

Councillor Collins asked whether the gross expenditure figure listed on page 32 was an estimate or the actual figure. The Ernst and Young representative confirmed the materiality was based upon the per year gross expenditure.

RESOLVED:

That the report be noted.

34. Annual Members Complaints Update Report

The Director of Finance and IT presented the report which provided an update of complaints against Members of the Council, their status, outcome and

actions taken. The item was a matter of transparency however for data protection reasons could not go into much detail around specific cases.

The Chair outlined that if individuals made impulsive complaints they often thought better of the matter when it came to the formal process.

Councillor Collins sought clarification regarding the Nolan Principles. The Committee was advised that these principles provided a code of conduct in public life.

RESOLVED:

That the Standards and Audit Committee note the report and comment on any perceived trends and training needs.

35. Complaints & Enquiries Report - April 2017 to September 2017

The report outlined the Council's complaints statistics and performance for the period 1st April 2017 to 30th September 2017.

Jason Oliver noted that, in previous years, big swings were often due to reclassification of complaints and asked if that were the cause of the lack of correlation within figures. Members were advised there had been a big decrease in the number of housing repair complaints which made a big impact on the figures.

Councillor Collins referred to page 78 and English classes for contracted workforce. He sought assurance that issues were not resurfacing. The document showed actions from the previous year and relevant progress. Page 79 showed alignments to previous action and there were no repeated themes, which was a positive. Jason Oliver queried who funded the English lessons in question. It was not believed that these lessons were at a cost to Thurrock Council however officers would confirm that outside of the meeting.

Councillor Gerrish queried the figures and their relativity. He felt it would be useful moving forward to break the data down into like for like comparisons for directional trends. It was confirmed that the next report would be annual so would show the whole year's data but the point would be taken on board for future mid-year reports.

RESOLVED:

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

36. Annual Review of Risk and Opportunity Management and the Policy, Strategy and Framework

The Interim Insurance & Risk Manager presented the report which provided details of how the Council's ROM arrangements compare against good

practice. The report also outlined current ROM activity and proposals to maintain/improve the practice across the organisation. The ROM Policy, Strategy and Framework had also been updated.

Jason Oliver recalled that each year the Committee commended the department for their upward growth and this year was the first year that level 4 had been met in every single category, which was a real achievement.

The Chair noted that there was only one more stage before achieving 'perfection'. The Committee heard that the Council might be at the maximum limit given its available resources, but would work to resolve that. Risk and Opportunity Management was a part of good management practice, however it was not quite at the forefront of everything all departments did. There was also the issue of evidencing that these works were undertaken at times.

Councillor Collins congratulated the team for their hard work adding that it was more than just achieving a good score, but also maintaining such a high level.

Jason Oliver felt it important to recognise that the Council had faced financially challenging years and there was a need to exercise a level of pragmatism in striking a balance between the limited resources and service delivery.

RESOLVED:

- 1. That Standards and Audit Committee note the results of the review, the current ROM activity and proposals to maintain and improve the practice across the organisation.**
- 2. That Standards and Audit Committee note and approve the updated ROM Policy, Strategy and Framework.**

37. Internal Audit Progress Report 2017/18

The Chief Internal Auditor introduced the report which provided an update of work undertaken since the last report issued on 23 November 2017.

Councillor Collins noted that the General Data Protection Regulations (GDPR) affected schools and asked if the Council was on target in that respect. Members were advised that schools were data controllers in their own right and, while the Council provided advice to schools, ultimately it was not the Council's responsibility. Jason Oliver added that Essex County Council had published data, which had been circulated to all schools in Thurrock, in relation to GDPR. Thurrock Council offered a range of services to schools to help them prepare for the GDPR deadline.

RESOLVED:

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

38. Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2018/19

The Chief Internal Auditor introduced the report which commented on the Audit Plan for 2018/19, the second in a three year strategy.

Jason Oliver highlighted that KPMG had published recommendations for external audit regarding cyber security. He queried whether this had been given any consideration. The Director of Finance and IT advised that external consultants had been brought in to carry out a review. He did not want to discuss details in a public setting given the sensitive nature of the issue, however a summary report would be brought to the Committee in due course.

RESOLVED:

That the Standards and Audit Committee receive and agree the Strategy for Internal Audit 2017/18 to 2019/20 and the Annual Internal Audit Plan 2018/19.

39. Counter Fraud & Investigation Quarter Three Report - 2017/18

The Assistant Director for Fraud and Investigations presented the report which outlined the performance of the Counter Fraud and Investigation Department over the last three quarters to December 2017, as related to Thurrock Council.

Councillor Collins asked whether work had also been undertaken for the Police, though this was not listed. It was confirmed that Thurrock's was the only cyber-crime team within Local Authority at the moment and therefore the department did work with other Local Authorities and several Police services.

Councillor Collins continued to query new legislation regarding the origins of money. The Committee was advised that it had been introduced under money laundering guidance and put the onus on accountants and similar professionals to identify the origins of money.

The Chair asked whether it was too early to report relevant successes. It was currently premature however Members heard that processes were constantly reviewed and tested.

Councillor Gerrish questioned whether the performance outlined on page 174 was exclusive of the work for third parties. This was confirmed to be correct and the Committee was informed that the Annual report would show that information.

The Chair felt the department should be recognised for being at the forefront in terms of cyber security and the assistance they provided to other local authorities, and other areas within the public sector. He felt that it seemed odd that the origin of resources was only just being investigated. The Assistant Director for Fraud and Investigations outlined that criminals were clever and tended to make businesses to enable money laundering. The Council was however very robust, with one of the biggest risks being the right to buy; the threat was not from tenants themselves but tenants who had become indebted to criminals and forced out of their homes as a means of money laundering through the right to buy process. The Director of Finance and IT continued that the Council received very little funds in cash and banks and lawyers were also required to investigate, which provided another level of security.

RESOLVED:

That the Standards and Audit Committee note the performance of the Counter Fraud and Investigation Directorate over the last quarter.

40. Work Programme

The Committee was advised that the majority of reports presented were standing items and would be carried over to the next municipal year, and there would be additional focus on cyber security and GDPR. Members were invited to suggest any items they felt had been overlooked. The Chair noted that there was potential risk in the shape of the Lower Thames Crossing, but accepted that it might be too premature to discuss those risks.

The meeting finished at 8.03 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**

19 July 2018	ITEM: 5
Standards and Audit Committee	
Regulation of Investigatory Powers Act (RIPA) 2000 – 2017/18 Activity Report	
Wards and communities affected: N/A	Key Decision: N/A
Report of: Lee Henley – Strategic Lead – Information Management	
Accountable Officer: Lee Henley – Strategic Lead – Information Management	
Accountable Director: David Lawson – Assistant Director Legal and Democratic Services	
This report is public	

Executive Summary

This report:

- Provides an update on the usage and activity of RIPA requests during 2017/18;
- Confirms that training activity took place during the reporting period;
- Confirms that policy changes will be considered in relation to Government codes covering Surveillance, Human Intelligence Sources and Communications Data. A further report will then be produced for Committee.

1. Recommendation(s)

1.1 To note the statistical information relating to the use of RIPA for 2017/18.

2. Introduction and Background

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

2.2 On the 1 September 2017, The Office of Surveillance Commissioners, The Intelligence Services Commissioner's Office and The Interception of Communications Commissioner's Office were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner's Office (IPCO) is now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.

2.3 The RIPA Single Point of Contact (SPOC) maintains a RIPA register of all directed surveillance RIPA requests and approvals across the council.

3. Issues, Options and Analysis of Options

3.1 RIPA Activity

3.1.1 The number of Thurrock RIPA surveillance authorisations processed during 2017/18 is 4. Below is a breakdown showing the areas the authorisations relate to for this period (along with previous year's figures):

	2017/18	2016/17
Trading Standards	1	5
Fraud	2	3
Covert Human Intelligence Source (CHIS) authorisations	1 (Fraud)	1 (Fraud)
Total	4	9

3.1.2 The outcomes of the above RIPA directed surveillance authorisations cannot be summarised in detail. This is due to Data Protection requirements and to ensure that any on-going investigations are not compromised due to the disclosure of information.

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

Application Type:	2017/18	2016/17
Service Data	0	0
Subscriber Data	0	4 (Trading Standards)
Combined	1 (Trading Standards)	1 (Fraud)
Totals	1	5

Notes in relation to NAFN applications:

- 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.
- Combined – Includes applications that contain both service and subscriber data.

3.2 Training and Process

3.2.1 During 2017/18, RIPA training was delivered to relevant Officers across the council. This training covered the RIPA process that must be followed at all times.

3.3 Policy Changes

3.3.1 RIPA Policy changes are normally considered and reported to Committee at the point the annual activity report is collated. However, at the point of producing this annual activity report, there were a number of recent Government consultations where the impact on our RIPA Policy had not been concluded by the council. These consultations relate to Surveillance, Human Intelligence Sources and Communications Data. Once the impact (to our existing Policy) of these Government consultations has been concluded, a further report will be produced for the Committee to detail any changes.

4. Reasons for Recommendation

4.1 This report provides an update on the usage and activity of RIPA requests for 2017/18.

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

5.1 The RIPA SPOC has consulted with the relevant departments to obtain the data set out in this report.

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

6.1 Monitoring compliance with RIPA supports the council's approach to corporate governance and will ensure the proper balance of maintaining order against protecting the rights of constituents within the borough.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

There are no financial implications directly related to this report.

7.2 Legal

Implications verified by: **Joe Pinter**
Senior Employment Lawyer

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.

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

None

9. **Appendices to the report**

None

Report Author:

Lee Henley
Strategic Lead - Information Management

19 July 2018	ITEM: 6
Standards and Audit Committee	
Chief Internal Auditor’s Annual Report – Year ended 31 March 2018	
Wards and communities affected: All	Key Decision: Non-key
Report of: Gary Clifford – Chief Internal Auditor	
Accountable Assistant Director: N/A	
Accountable Director: Sean Clark – Director of Finance & IT	
This report is public	

Executive Summary

Under the Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide the Section 151 Officer and the Standards & Audit Committee with an opinion on the adequacy and effectiveness of the organisation’s governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in the risk management, governance and control processes.

The audit opinions that are provided on a review by review basis during the year and are presented to the Standards & Audit Committee as part of the regular internal audit progress reports, form part of the framework of assurances that assist the council in preparing an informed annual governance statement.

1. Recommendation(s)

1.1 That the Standards & Audit Committee considers and comments on the Chief Internal Auditor’s Annual Report – Year ended 31 March 2018.

2. Introduction and Background

2.1 The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Thurrock Council’s internal control system and integral to the framework of assurance that the Standards & Audit Committee can place reliance on to assess its internal control system.

- 2.2 The Accounts and Audit Regulations 2015 require that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This responsibility has been delegated to the Director of Finance & IT (Section 151 Officer) under the Council's Executive Scheme of Delegation and is delivered through the Chief Internal Auditor in consultation with the Director of Finance & IT.
- 2.3 In April 2013, a revised standard for Public Sector Internal Audit Standards (PSIAS) came into effect, compliance against which is seen as fundamental to demonstrating the adequacy and effectiveness of internal audit, in order to meet statutory requirements as set out in the Accounts & Audit (England) Regulations 2011. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards. However, following the internal audit service being brought back in house from April 2015, an external assessment of compliance with the standards needs to be carried out by March 2020.
- 2.4 The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

3. Issues, Options and Analysis of Options

- 3.1 During the year, internal audit have issued a total of 25 assurance reports. We have also issued 1 advisory report on Business User Allowance Follow-up and a report on Risk Management where we do not provide an assurance opinion. We were requested to carry out and assist with various ad hoc work and investigations, working alongside colleagues in the service areas and the Counter Fraud & Investigation team. We also provided advice and guidance around internal controls arising from system security relating to the Oracle Cloud project.
- 3.2 Following discussions with members and the Director of Finance & IT, Amber/Red assurance opinions are no longer given a positive assurance opinion to reflect that there are either high risk recommendations or a number of medium recommendations which indicate weaknesses across the service area.
- 3.3 In respect of the council's Governance arrangements, we have concluded that there has been no significant change from last year so we have given a **Green** opinion rating.
- 3.4 In 2017/18 we undertook a review of the council's risk management maturity. As a result of this work, we concluded the council was a **Risk Managed** organisation. This is a positive result and in line with the interim Insurance & Risk Manager's self-assessment review which is reported to the Standards &

Audit Committee. Our opinion was that the risk management was robust, particularly at the strategic level but some work was needed at the operational level. As risk management had not been reviewed for a number of years, we have revised the rating around the Internal Control Environment from **Amber** in 2016/17, to **Green** in 2017/18 which represents an upward direction of travel.

- 3.5 In total, we issued 24 reports with a positive (Green or Amber/Green) assurance opinion and 1 report with a negative (Amber/Red) assurance opinion. This is a significant improvement on the previous year. On this basis, we have revised the rating around the Internal Control Environment from **Amber** in 2016/17, to **Green** in 2017/18 which represents an upward direction of travel.

4. Reasons for Recommendation

- 4.1 The Chief Internal Auditor's Annual Report – Year ended 31st March 2018 is presented for the Standards & Audit Committee to consider and comment on and supports the council's Annual Governance Statement.

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

- 5.1 The Chief Internal Auditor's Annual Report – Year ended 31st March 2018 provides an independent opinion on the council's governance, risk management and internal control processes. There is no consultation as it is based on work completed during the year which is widely reported to officers and members.

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

- 6.1 The achievement of corporate priorities is a key consideration of the Corporate Directors, senior management and internal audit when they are planning the years' work. A positive opinion in the Chief Internal Auditor's Annual Report provides an independent assurance that the council has adequate control and risk management processes in place.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

There are no direct financial implications arising from this report.

7.2 Legal

Implications verified by: **David Lawson**
Assistant Director – Governance & Law

The contents of this report and appendixes form part of the council's responsibility to comply with the Audit Commission Act 1998 and the Accounts and Audit Regulations 2015 to at least annually undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to the reporting progress.

7.3 **Diversity and Equality**

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

There are no direct diversity implications arising from this report.

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

In terms of risk and opportunity management, the Chief Internal Auditor's Annual Report and its outcomes are a key part of the council's risk management and assurance framework.

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):

- Internal Audit Reports issued in 2017/18.

9. **Appendices to the report**

- Appendix 1 - Chief Internal Auditor's Annual Report – Year ended 31 March 2018.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance

Thurrock Council

Chief Internal Auditor's Annual Report Year ended 31st March 2018

Presented at the Standards & Audit Committee meeting of 19th
July 2018

Contents

Section	Page
1. Introduction	1
2. Internal Audit Overall Opinion	2
3. Acceptance of Internal Audit Recommendations	3
4. Implementation of Internal Audit Recommendations	4
5. Internal Audit Performance	5
6. Internal Audit Opinion and Recommendations 2017/18	7

1. Introduction

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

This is achieved through a risk-based plan of work, agreed with management and approved by the Standards & Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the council takes into account in making its annual governance statement (AGS).

In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The AGS is an annual statement by the Director of Finance & IT (Section 151 Officer), on behalf of the council, setting out:

- How the individual responsibilities of the Section 151 Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are, or will be taken where appropriate, to address issues arising.

2. Internal Audit Overall Opinion

The purpose of the annual Chief Internal Auditor's Opinion is to contribute to the assurances available to the Section 151 Officer and the council through the Standards & Audit Committee. This opinion will in turn assist the council in the preparation of its annual governance statement.

We are satisfied that sufficient internal audit work has been undertaken during 2017/18 to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Thurrock Council's arrangements.

For the 12 months ended 31 March 2018, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of the organisation's governance, risk management and internal control arrangements.

Governance

During 2017/18 we conducted a review of the Register of Gifts, Interests and Hospitality for senior officers and members and provided a substantial assurance (Green) opinion. We have also looked at the governance arrangements in specific areas of the council's operations and where we have identified issues, the council has reacted swiftly to address them. It also looked at options to improve services and reduce costs including partnership working with other local authorities. Any decisions were made with the full involvement of both officers and members and showed that governance was robust. Therefore, our overall opinion on governance remains the same as 2016/17 which is **Green**.



Risk Management

We undertook a review of risk management during 2017/18, which was reported to the Standards & Audit Committee on 6th March 2018. Based upon the work undertaken, our assessment of the council’s current position on the risk maturity spectrum is **Risk Managed**. This is in line with the self-assessment undertaken by the Interim Insurance & Risk Manager using the CIPFA/SOLACE Risk Management Benchmarking Model. Whilst the corporate risk management framework and processes are robust, the council needs to do more at the operational/service planning level to move to the final stage on the spectrum which is that of a **Risk Enabled** organisation. However, there was evidence to suggest that this is being addressed so we have provided a **Green** Opinion. This is an improvement on the **Amber** rating of the previous year and means we can place reliance on the corporate risk register when developing our annual plan.



Internal Control

During 2017/18, we issued 25 assurance reports of which 24 were positive assurance opinions. 1 report received an Amber/Red assurance opinion (Warren Primary School). We also issued 1 advisory report on Business User Allowance Follow-up and the Risk Management report highlighted above. As a result of the high proportion of positive assurance reports, we have provided a **Green** opinion. This is an improvement on the **Amber** rating of the previous year.



3. Acceptance of Internal Audit Recommendations

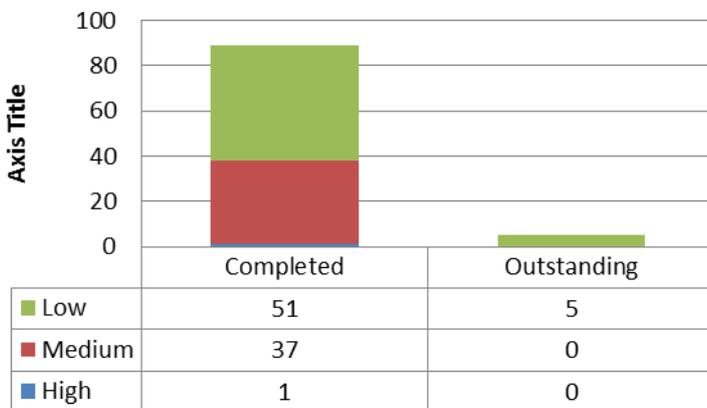
All of the recommendations made during the year and included within the agreed action plans were accepted by management. Where recommendations were not accepted due to compensating controls, cost etc., these were captured in the findings and recommendations.

4. Implementation of Internal Audit Recommendations

Our follow up of the recommendations from previous years and current audit assignments where the implementation date has been reached indicate that the Council has made **Good** progress in implementing the agreed actions. This is in line with 2016/17.

As can be seen from the chart, 89 recommendations had been implemented and 5 were still outstanding so were repeated in the follow up audit. These 5 all related to low level recommendations made in school audits. Of the high and medium recommendations followed up, all had been implemented.

Implementation of Recommendations 2017/18



5. Internal Audit Performance

Delivery of value-added services

During 2017/18, the Internal Audit team provided significant resources and knowledge in assisting with a number of pieces of ad hoc work requested by senior management and liaised with the Counter Fraud & Investigation team with whom we have a close working relationship.

The Chief Internal Auditor has undertaken 2 investigations into the performance of senior staff within service areas which resulted in disciplinary action being undertaken.

The service continued to provide advice and guidance to management around their control environments, particularly with the changes in processes being planned with the move to Oracle Cloud and has provided resource and reports to support the Transport and Children's cross cutting service reviews.

Support was also provided to the Environment and Highways Directorate to review internal controls around the issues arising from the car parking service. In addition, internal controls were reviewed within Adults, Housing and Health following 2 formal complaints.

There has been an increase in the number of grants being received where the grant provider required internal audit to formally sign off and confirm the grant was spent in accordance with the grant conditions. In 2017/18, the Chief Internal Auditor had to sign off 3 grant funded returns for Trading Standards, Bus Transport and an EU funded project called Animate. In all cases, the full grant was received.

We also reviewed a sample of claims being submitted under the Troubled Families Programme to ensure outcomes were being achieved as stated, there was evidence to support the outcomes and the claims were accurate. This helps to ensure the council receives its Payment By Results (PBR) grant.

Conflicts of Interest

Internal Audit staff have not undertaken any work or activity during 2017/18 that would require them to declare any conflicts of interest.

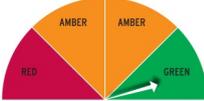
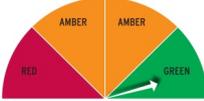
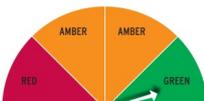
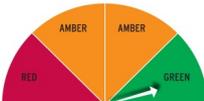
Compliance with Internal Audit Standards

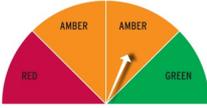
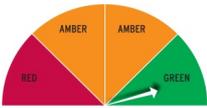
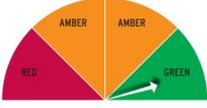
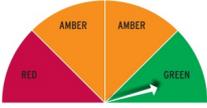
The service came back in-house from April 2015. Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Service is required to have an external assessment every five years (by March 2020). Whilst the current service is designed to conform to the PSIAS, we will be looking to carry out a self-assessment of our compliance during 2018/19. This will allow us to develop an improvement plan and action any issues before having a formal external assessment in 2019/20.

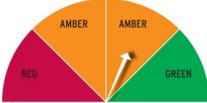
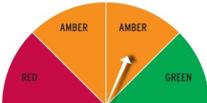
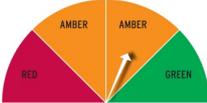
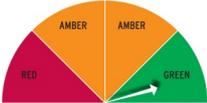
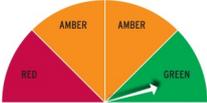
Performance Indicators

Indicator	Target	Actual	Comments
Audits commenced in line with original timescales	Yes	No	Due to resourcing issues and restructuring within services, some work had to be deferred.
Draft reports issued within 10 days of debrief	80%	70%	Some slippage due to competing priorities e.g. investigations, disciplinary work etc.
Management responses received within 10 days of draft report	80%	60%	Regular chasing took place. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2018/19.
Final report issued within 5 days of management response	90%	90%	
% of high and medium recommendations followed up	95%	100%	
% of staff with professional qualification or studying towards	>25%	40%	
Turnover of staff	<10%	0%	2 new staff recruited
Response time for general enquiries (2 working days)	100%	100%	
Response time for emergencies or potential fraud (1 working day)	100%	100%	

6. Internal Audit Opinion and Recommendations 2017/18

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
Accounts Payable - All expenditure is committed, approved and accounted for in line with the organisation's financial regulations, and Accounts Payable are paid in a timely manner in accordance with targets.	Director of Finance & IT		0	3	2
Adult Social Care Income Collection - To obtain assurance that controls over the income collection process for homecare, residential care and continuing healthcare charges are effective and the process is robust and efficient.	Corporate Director of Adults, Housing & Health		0	2	1
Aveley Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children's Services		0	1	3
Better Care Fund - Review to confirm there are robust arrangements around the governance and reporting procedures.	Corporate Director of Adults, Housing & Health		0	0	3
Bonnygate Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children's Services		0	2	3
Business User Allowance Follow-up - Follow up review to ensure Business User Allowance is claimed and paid in accordance with the Authority's current rules and regulations.	Director of HR, OD & Transformation	Advisory	N/A	N/A	N/A
Cash and Banking - To ensure the Council accurately records and accounts for all cash income and the banking arrangements are secure.	Director of Finance & IT		0	0	6

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
Children's Care Packages - To confirm there are procedures for assessing eligibility, approving care packages and monitoring packages for Children with Educational Needs and Disabilities.	Corporate Director Children's Services		0	3	3
Council Tax - All properties are recorded on the Council Tax Database completely and accurately, ensuring that all income is collected and received for in a timely manner.	Director of Finance & IT		0	0	2
Emergency Planning - To provide reasonable assurance that the emergency planning process is documented, roles and responsibilities amongst the partners are clear and the plans are tested periodically.	Corporate Director of Place		0	0	3
General Data Protection Regulations - To assess the council's preparedness to meet the General Data Protection Regulation (GDPR) before they become law in May 2018.	Director of HR, OD & Transformation		0	2	1
Gifts, Interests & Hospitality - To ensure that Officers and members formally register interests, gifts and hospitality as required by Council procedures and codes of conduct.	Assistant Director Governance and Law		0	0	2
Geographic Information Service - To ensure the council is meeting its statutory responsibilities by keeping the Local Land and Property Gazetteer and Local Street Gazetteer up to date as required.	Director of HR, OD & Transformation		0	0	4
Horndon-on-the-Hill C of E Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children's Services		0	0	2
Insurance - To obtain assurance about the effectiveness of controls in place to ensure that appropriate insurance arrangements are in place to protect the council's assets and potential liabilities.	Director of Finance & IT		0	0	3

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
IR35 - To ensure that the Council is compliant with IR35 and that there are controls in place to maintain compliance.	Director of HR, OD & Transformation		1	1	0
Little Thurrock Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children’s Services		0	1	7
National Non-Domestic Rates - To ensure the council provides an effective and efficient valuation, billing, collection and recovery operation for Business Rates.	Director of Finance & IT		0	0	1
Responsive Repairs and Maintenance (Housing) - To confirm whether contracts around repairs and maintenance and planned maintenance are well managed and the Council is getting value for money.	Corporate Director of Adults, Housing & Health		0	3	4
Risk Management - To assess the controls in place to ensure the council has effective risk management arrangements and determine the council’s risk management maturity.	Director of Finance & IT	Risk Managed	0	3	3
Section 17 Payments - To confirm expenditure is being incurred in line with the provision of Section 17 of the Children Act 1989.	Corporate Director Children’s Services		0	1	2
St Joseph’s RC Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children’s Services		0	1	4
St Mary’s RC Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children’s Services		0	2	4

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<p>St Thomas of Canterbury RC Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.</p>	<p>Corporate Director Children's Services</p>		0	0	2
<p>Temporary Accommodation - To review the arrangements to procure and provide temporary accommodation, to establish whether robust systems are in place and value for money is being achieved.</p>	<p>Corporate Director of Adults, Housing & Health</p>		1	2	1
<p>Warren Primary School - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.</p>	<p>Corporate Director Children's Services</p>		0	6	2
<p>Waste Disposal Contracts - Higher value, longer term contracts provide an opportunity to reduce service costs. This audit will establish whether waste contracts were properly procured, managed and monitored, as costs can escalate significantly and any added value will be lost.</p>	<p>Director of Environment and Highways</p>		0	2	2

19 July 2018	ITEM: 7
Standards and Audit Committee	
Refresh of the Strategic/Corporate Risk and Opportunity Register	
Wards and communities affected: All	Key Decision: Non key
Report of: Andy Owen, Corporate Risk and Insurance Manager	
Accountable Assistant Director: N/A	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is a public	

Executive Summary

One of the functions of the Standards and Audit Committee under the Terms of Reference of the Constitution is to provide independent assurance that the authority's risk management arrangements are adequate and effective.

To enable the Standards and Audit Committee to consider the effectiveness of the council's risk and opportunity management arrangements the report is presented on a bi annual basis and provides details of how the key risks and opportunities facing the authority are identified and managed.

The Corporate Risk and Insurance Manager has engaged with Services, Department Management Teams, Performance Board and Directors Board during April to June to refresh the Strategic/Corporate Risk and Opportunity Register.

This report provides Standards and Audit Committee with the key risks and opportunities identified by the review and the revised Strategic/Corporate Risk and Opportunity Register.

- 1. Recommendation(s)**
- 1.1 That Standards and Audit Committee note the items and details contained in the Dashboard (Appendix 1).**
- 1.2 That Standards and Audit Committee note the 'In Focus' report (Appendix 2), which highlights the higher priority items identified by the review.**

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 2017/18 and reported to Directors Board and Standards & Audit Committee.
- 2.4 The annual review of the council's ROM arrangements was undertaken in the last quarter of 2017/18. As part of the review the ROM Policy, Strategy and Framework were updated and reported to Standards and Audit Committee 6 March 2018, via Directors Board 13 February 2018 and Performance Board 29 January 2018.
- 2.5 The refresh of the Strategic/Corporate Risk and Opportunity Register is the first exercise under the updated ROM Framework. The Corporate Risk and Insurance Manager has engaged with Services, Department Management Teams and Performance Board during April to June to refresh the Strategic/Corporate Risk and Opportunity Register.
- 2.6 The review has resulted in some changes to the register (i.e. items updated, replaced, added or removed).

3. Issues, Options and Analysis of Options

- 3.1 The outcome of the review is shown in the Dashboard (Appendix 1), In Focus report (Appendix 2) and the following tables.
- 3.2 Appendix 1 – Dashboard
The refreshed and new items are included in the dashboard table. The dashboard provides a summary of the items in the register mapped against the council's priorities, shows the significance of the risks and opportunities, along with the developments to date and the management time frames.
- 3.3 Appendix 2 – Risks and Opportunities In Focus report
This document highlights the higher priority items identified by the review.

The rationale for items being in focus is based on the numeric value of the rating. Any risks/opportunities which are currently rated 16 or 12 automatically become in focus, and any which are currently rated 9 or 8 would be considered on a case by case basis for the in focus report.

A summary of the position for each in focus item is included below:

Risk - In priority (rating) and then reference number order.

Health and Social Care Transformation - Risk 1

(Rating: 12 Critical/Likely)

Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme (including the Better Care Fund). There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve. Thurrock is a very low spending authority per capita on Adult Social Care (ASC) and also faces significant on-going reductions to funding – although the department has received additional funding for ASC from which it needs to use to help provide stability and capacity, including within the ASC transformation programme. The pressures identified remain and will not be alleviated in the short term and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely). The risk level will be reviewed and revised as the transformation programme develops.

Adult Social Care Stability and Market Failure - Risk 6

(Rating: 12 Critical/Likely)

Adult Social Care has received additional funding during the last two years – through a precept as part of the Council Tax and also through the Improved Better Care Fund. A significant proportion of this money has been used to stabilise the market place and deliver sustainability for care providers. This has included increasing the capacity of the contract and brokerage team to ensure contract compliance visits and monitoring to take place in a timely manner – reducing or aiding early identification of risks. The introduction of a Brokerage function has also meant that more realistic costs and fees are negotiated. In addition uplifts have been provided (as described in the risk description) to improve stability and domiciliary care has been retendered. Further work will continue during 18-19 that will contribute towards the stability and sustainability of the market place – including diversification. Despite this, the risk is very real but will be reviewed once the new domiciliary care tender has had sufficient time to embed.

CSC, Service Standards & Inspection Outcome - Risk 7

(Rating: 12 Critical/Likely)

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock multi-agency safeguarding hub (MASH) has been successful 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 led and cannot fail to respond to the needs of a child due to budget or resource constraints. Changes on a local, regional and national level can have a significant impact on the demand for services. War and international factors can result in an unplanned increase in the number of unaccompanied asylum seeking children or families with no recourse to public funds. Geographical movement of families across the Eastern Region and London can see a rise in families needing services, including large sibling groups. 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. Caseloads are too high in some teams and this represents a pressing safeguarding concern. Areas for improvement have been identified within the recent Ofsted (Single Inspection Framework).

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.

CSC, Safeguarding & Protecting Children & YP - Risk 8 (Rating: 12 Critical/Likely)

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

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

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

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

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

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

Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. The current trend has seen increasing numbers of children requiring child protection plans, children in need plans and children who the council is required to look after (children in care). Effective demand and resource management remain a priority for the service within an overriding context of keeping children safe.

Risk will remain constant throughout the period covered.

Business Continuity Planning - Risk 21 (Rating: 12 Critical/Likely)

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

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

A recent internal audit report on emergency planning, separately recommended a review of BCP arrangements at service level. The Strategic Business Continuity Plan is in the process of being updated and links as appropriate have been made with the emergency planning team.

Fraud - Risk 23 (Rating: 12 Critical/Likely)

The Counter Fraud & Investigation service has an organisational-wide strategy and proactive work plan to monitor and manage the identified risks. In the 2016/17 year the service detected £4.5m of fraud and recovered £3.2m back in to the council.

A persistent training and education regime is in place, where experts from the service work with staff, contractors, members and in the council's supply chain to identify and mitigate the risks, and increase awareness.

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

Opportunity - In priority (rating) and then reference number order.

Treasury Management/Investment Strategy - Opportunity 16a (Rating: 12 Exceptional/Likely)
Investments identified as having the greater ability to make significant income with the minimum of impact on service provision. Treasury Management and Investment Strategy established and presented to Council 28th February, via Cabinet 7th February 2018 and Corporate Overview & Scrutiny Committee 23rd January 2018.

Thurrock Regeneration Ltd (TRL) - Opportunity 10 (Rating: 12 Major/Very Likely)

The opportunities flow directly from the Company's objectives which are to build high quality housing and other development projects in support of Thurrock's Vision and growth targets. If TRL can deliver these developments within the financial parameters of the business case then much needed quality housing and other premises will be provided for the Borough and a financial return will flow to the Council. Belmont Road, Grays, TRL's second scheme is out to tender.

Feasibility and capacity studies are ongoing on a number of other sites. Meetings with Planning, Corporate Property, Highways etc. are ongoing to ensure feasibility of sites. A review mechanism is in place following the Council's 3 'Rs' land review (Retain, Release, Reuse).

The governance and scheme gateway process is established. An Investment Strategy has been agreed. A procurement policy and Service level Agreements are being drafted. These documents will continue to be developed and thus enable the effective management of opportunities and risks flowing from the company and its developments.

The Company has moved from a scheme by scheme approach to a pipeline of developments, a loan facility was agreed at Full Council in Feb 2018 this will ensure scheme delivery can be accelerated. Further investment opportunities would be analysed on a commercial basis (over time), the majority of which would be a build and sale model. Risk will be spread across a programme, establishing a TRL brand, as well as managing risk on an individual scheme by scheme basis. Future developments would look to be planning compliant with 35% affordable housing, subject to financial viability.

- 3.4 For members information the Criteria Guide for Impact and Likelihood levels are included under Appendix 3 to show the guidelines used to rate and prioritise the items.
- 3.5 As a result of the exercise a number of items have been removed from the register and the details are summarised in the following table:

Risk - In alphabetical order

Adult Social Care, Cost & Quality Standards

Replaced by risk for Adult Social Care Stability and Market Failure.

Medium Term Financial Strategy

Replaced by risk and opportunity for Treasury Management & Investment Strategy.

General Data Protection Regulations

The risk focussed on the failure to implement the changes provided by the General Data Protection Regulations due to be implemented in May 2018.

Action plan for compliance with GDPR (25 May 2018) applied and progressed by Information Governance Team (IGT) and Information Governance Strategy Group (IGSG). Good progress has been made with a range of policies prepared and approved. Actions on-going post 25th May 2018 and this will be the same for all organisations. The Information Commissioner's Office are still working through guidance on GDPR and the UK Government will be bringing in the Data Protection Bill into UK law (however this Bill is still being worked on).

The council's position is reasonably healthy in terms of GDPR compliance as at the 25th May 2018. A range of policies and working practices have been implemented to demonstrate we are taking GDPR seriously as an organisation. Risk managed and item removed from strategic/corporate risk and opportunity register. Ongoing action and monitoring of position to be carried out at department level by the IGT and IGSG.

3.6 The whole register has been filed on Objective under the shared file for Risk and Opportunity Management (see 8 below for information and link).

4. Reasons for Recommendation

4.1 One of the functions of the Standards and Audit Committee under the Terms of Reference of the Constitution is to provide independent assurance that the authority's risk management arrangements are adequate and effective

4.2 To enable the Standards and Audit Committee to consider the effectiveness of the council's risk and opportunity management arrangements the report is presented on a bi annual basis and provides details of how the key risks and opportunities facing the authority are identified and managed.

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

5.1 The Corporate Risk and Insurance Manager has engaged with Services, Department Management Teams, Performance Board and Directors Board to refresh the Strategic/Corporate Risk and Opportunity Register.

5.2 The refreshed Strategic/Corporate Risk and Opportunity Register was presented to Directors Board 12 June 2018, via Performance Board 4 June 2018.

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: **Laura Last**
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**
Solicitor

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: **Rebecca Price**
Community Development Officer

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):

- Strategic/Corporate Risk and Opportunity Register, April 2018. The document can be accessed via the following shared Risk and Opportunity Management file on Objective: <https://edrms.thurrock.gov.uk:443/id:fA1213633>

9. **Appendices to the report**

- Appendix 1 - Dashboard
- Appendix 2 - In Focus report
- Appendix 3 - Criteria Guide for Impact and Likelihood

Report Author:

Andy Owen

Corporate Risk and Insurance Manager

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Risks									
Risk Ref / Priority	Risk Heading	Director / Head of Service	Previous Ratings			Latest Rating	DOT	Forecast	
			In Qtr 1 (2017/18)	Mid Year (2017/18)	In Qtr 4 (2017/18)	In Qtr 1 (2018/19)		Rating	Date
People - A borough where people of all ages are proud to work and play, live and stay									
• High quality, consistent and accessible public services which are right first time									
5	Fire Safety Housing Stock	Richard Birchett	-	8	8	8	→	8	31/03/19*
9	Emergency Planning	Gavin Dennett	9	9	6	6	→	6	31/03/19*
14	ICT Disaster Recovery Planning	Murray James	12	12	12	9	↓	4	30/09/18
15	Cyber Security	Murray James	9	9	9	6	↓	6	30/09/18*
17	Sickness Absence	Jackie Hinchliffe	12	12	12	9	↓	6	31/03/19*
19	Employee Engagement & Capacity for Change	Jackie Hinchliffe	6	9	6	6	→	4	31/03/19
21	Business Continuity Planning	Performance Board	12	12	12	12	→	8	31/03/19*
23	Fraud (new)	David Kleinberg	-	-	-	12	N/A	12	31/03/19*
• Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing									
1	Health & Social Care Transformation	Roger Harris	12	12	12	12	→	12	31/03/19*
2	Welfare Reforms	Roger Harris	9	9	9	9	→	9	31/03/19*
4	Housing Needs and Homelessness	Richard Birchett	9	9	9	9	→	9	31/03/19*
6	ASC Stability and Market Failure (new)	Les Billingham	-	-	-	12	N/A	8	31/03/19
7	CSC Service Standards & Inspection Outcome	Rory Patterson	12	12	12	12	→	12	31/03/19*
8	CSC Safeguarding & Protecting Children & Young People	Rory Patterson	12	12	12	12	→	12	31/03/19*
Place - A heritage-rich borough which is ambitious for its future									
• Roads, houses and public spaces that connect people and places									
22	Highway Funding and Standard (new)	Julie Nelder	-	-	-	9	N/A	9	31/03/19*
25	Lower Thames Crossing (new)	Anna Eastgate	-	-	-	9	N/A	9	31/03/19*
27	Local Plan (new)	Andy Millard	-	-	-	9	N/A	9	31/03/19*
• Fewer public buildings with better services									
12	Property Ownership Liability	Michelle Thompson	8	8	8	8	→	8	31/03/19*
Prosperity - A borough which enables everyone to achieve their aspirations									
• Commercial, entrepreneurial and connected public services									
16b	Treasury Management & Investment Strategy (new)	Sean Clark	-	-	-	8	N/A	8	31/03/19*
• Attractive opportunities for businesses and investors to enhance the local economy									
26	Delivery of Capital Projects (new)	Detlev Munster	-	-	-	9	N/A	9	31/03/19*
All Priorities - People, Place & Prosperity									
24	Political Balance of the Council (new)	Karen Wheeler	-	-	-	8	N/A	6	31/03/19

Footnote: Forecast Date: Retained = The risk is managed to the required level (risk appetite) but ongoing monitoring/review required via the S/C R&O Register.
 Removed = The risk is removed from the S/C R&O Register (e.g. risk realised or managed to the required level - risk appetite). For items managed to the required level any ongoing monitoring to be undertaken by Dept., if needed.
 * = The date applies to when the risk/management action plan documentation will be refreshed (e.g. used for medium/long term risks, where the risk circumstances are expected to change over a period of time).
 Priority: **Red** = High, **Amber** = Medium, **Green** = Low. Ratings: Lower is best DOT: Latest v Previous Rating (→ Static, ↑ Increased, ↓ Decreased)

Page 39

Dashboard Table 1- Strategic/Corporate Risk & Opportunity Register April 2018

Appendix 1

Opportunities									
Opp Ref / Priority	Opportunity Heading	Director / Head of Service	Previous Ratings			Latest Rating	DOT	Forecast	
			In Qtr 1 (2017/18)	Mid Year (2017/18)	In Qtr 4 (2017/18)	In Qtr 1 (2018/19)		Rating	Date
People - A borough where people of all ages are proud to work and play, live and stay									
• High quality, consistent and accessible public services which are right first time									
18	Digital Council Programme	Jackie Hinchliffe	8	8	8	9	↑	12	31/03/19*
• Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing									
3	Development of Libraries and Community Hubs	Natalie Warren	6	9	9	9	→	12	31/03/19*
Place - A heritage-rich borough which is ambitious for its future									
• Roads, houses and public spaces that connect people and places									
10	Thurrock Regeneration Ltd	Steve Cox	9	9	12	12	→	12	31/03/19*
Prosperity - A borough which enables everyone to achieve their aspirations									
• Attractive opportunities for businesses and investors to enhance the local economy									
11	South East Local Enterprise Partnership	Stephen Taylor	12	12	8	8	→	8	30/11/18*
13	Business/NNDR Growth	Stephen Taylor	6	6	6	9	↑	9	31/03/19*
20	Raising Thurrock's Profile & Image	Karen Wheeler	9	9	9	9	→	12	31/03/19*
• Commercial, entrepreneurial and connected public services									
6a	Treasury Management & Investment Strategy (new)	Sean Clark	-	-	-	12	N/A	16	28/02/19

Footnote: Forecast Date: Retained = The opportunity is managed to the required level but ongoing monitoring/review required via the S/C R&O Register.
 Removed = The opportunity is removed from the S/C R&O Register (e.g. opportunity realised or managed to the required level). For items managed to the required level any ongoing monitoring to be undertaken by Dept., if needed.
 * = The date applies to when the opportunity/management action plan documentation will be refreshed (e.g. used for medium/long term opportunities, where the opportunity circumstances are expected to change over a period of time).
 Priority: **Gold** = High, **Silver** = Medium, **Bronze** = Low. Ratings: Higher is best DOT: Latest v Previous Rating (→ Static, ↑ Increased, ↓ Decreased)

Page 20

Strategic/Corporate Risk & Opportunity Register April 2018

In Focus Report

The Items are Split Between Risk & Opportunity and Listed in Priority (Rating) and then Reference Number Order.

Risks In Focus

UNMANAGED / INHERENT RISK

Risk Description		Risk Owner						
<p>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 rise 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-term condition. 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 and a change in the way that local government is funded in the future, major transformation is required.</p> <p>The Council, working in partnership with NHS Thurrock Clinical Commissioning Group (CCG) has developed a joint transformation programme which is overseen via an Integrated Commissioning Executive (which is also responsible for the Better Care Fund). Integration though continues to be a significant challenge. As such, the Directorate has also established its own Adults Transformation Programme (For Thurrock in Thurrock) jointly with Thurrock CCG and Stronger Together Thurrock. Failure of the programmes to achieve their 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 the available budget.</p>		Roger Harris						
Link to Corporate Priority								
People - A borough where people of all ages are proud to work and play, live and stay - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing								
Inherent Risk Rating	Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 01/04/2018	Residual Risk Rating as at: 01/04/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>

Comments
Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme (including the Better Care Fund). There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve. Thurrock is a very low spending authority per capita on Adult Social Care (ASC) and also faces significant on-going reductions to funding – although the department has received additional funding for ASC from which it needs to use to help provide stability and capacity, including within the ASC transformation programme. The pressures identified remain and will not be alleviated in the short term and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely). The risk level will be reviewed and revised as the transformation programme develops.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. Programme Management arrangements in place 2. Programme Initiation Document including separate risk register developed, established and agreed 3. Close partnership working with Thurrock CCG via Integrated Commissioning Executive to oversee the integration of health and ASC 4. Joint Health and Social Care Transformation Programme agreed – For Thurrock in Thurrock 5. Re-tender of Domiciliary Care	2014/15 " " 2016/17 2018
Residual Risk Rating	Date: 01/04/2018 Impact: Critical (4) Likelihood: Likely (3) Rating: 12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
6. Delivery of 2018-19 work programme for ASC: 6.1 Better Care Fund 2017-19; 6.2 Assistive Technology Strategy; 6.3 Developing a 21 st Century Residential Care Facility; 6.4 Specialised Housing: Medina Road; Chichester Close; Calcutta Road; 6.5 Communication and Engagement Plan and Delivery 6.6 Well-Being Teams Pilot 6.7 Improvement Programme 6.8 Community Led Support Social Work Pilot 6.9 Outcome-based commissioning 6.10 Health and Care System Redesign (New Model of Care) 6.11 Micro Enterprises 6.12 Shared Lives	Throughout 2018-19 and beyond	
Forecast Risk Rating	Forecast Date: Refresh 31/03/2019 Impact: Critical (4) Likelihood: Likely (3) Rating: 12	
Revised Residual Risk Rating	Date: Impact: Likelihood: Rating:	

UNMANAGED / INHERENT RISK

Risk Description							Risk Owner		
<p>The risk is that a combination of on-going pressures will result in lack of stability in the care market place resulting ultimately in market failure. Whilst the Council has given an uplift to residential care providers for older age adults and adults with dementia and has also reviewed the costs of individual placements for adults of working age, the uplifts provided fall short of what is requested. The domiciliary care rate has been increased with a tender process recently being completed – this has resulted in greater stability, but difficulties remain. For example, issues concerning recruitment. Hospital capacity is still an issue, but our ability to move people on more quickly has increased as a result of increased investment arising from additional adult social care monies – e.g. improved better care fund and social care precept. For providers, fees and rates are still an issue and as a result – compounded by the National Living Wage, and despite activity over the last 18 months, the risk of failure is still very real.</p>							Les Billingham		
Link to Corporate Priority									
<p>People - A borough where people of all ages are proud to work and play, live and stay - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing.</p>									
Inherent Risk Rating		Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 01/04/2018	Residual Risk Rating as at: 01/04/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>

Comments
<p>Adult Social Care has received additional funding during the last two years – through a precept as part of the Council Tax and also through the Improved Better Care Fund. A significant proportion of this money has been used to stabilise the market place and deliver sustainability for care providers. This has included increasing the capacity of the contract and brokerage team to ensure contract compliance visits and monitoring to take place in a timely manner – reducing or aiding early identification of risks. The introduction of a Brokerage function has also meant that more realistic costs and fees are negotiated. In addition uplifts have been provided (as described in the risk description) to improve stability and domiciliary care has been retendered. Further work will continue during 18-19 that will contribute towards the stability and sustainability of the market place – including diversification. Despite this, the risk is very real but will be reviewed once the new domiciliary care tender has had sufficient time to embed.</p>

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place							Date Implemented
1. Process for compliance monitoring and audit in place 2. Quarterly information sharing meetings with the CQC to identify and share concerns/risks 3. Uplift for older people's residential care, dementia care, and review of individual placements for adults of working age 4. Retender of domiciliary care contract 5. Increased capacity in contracts and brokerage team 6. Implementation of brokerage function							In Place or ongoing
Residual Risk Rating	Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating: 12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action		Implementation Date	Progress				
7. Application of ongoing actions in 1 - above 8. Refresh of Market Development Plan 9. Diversification of market place – e.g. direct payments, shared lives scheme, micro enterprises 10. Market Place transformation – e.g. via implementation of Wellbeing Teams pilot		Throughout 2018-19					
Forecast Risk Rating	Forecast Date:	31/03/2019	Impact:	Critical (4)	Likelihood:	Unlikely (2)	Rating: 8
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:

UNMANAGED / 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							Rory Patterson	
Link to Corporate Priority								
People – A borough where people of all ages are proud to work and play, live and stay – Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing.								
Inherent Risk Rating	Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 01/04/2018	Residual Risk Rating as at: 01/04/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019

Comments
<p>This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock multi-agency safeguarding hub (MASH) has been successful 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.</p> <p>The service has to be demand led and cannot fail to respond to the needs of a child due to budget or resource constraints. Changes on a local, regional and national level can have a significant impact on the demand for services. War and international factors can result in an unplanned increase in the number of unaccompanied asylum seeking children or families with no recourse to public funds. Geographical movement of families across the Eastern Region and London can see a rise in families needing services, including large sibling groups. 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.</p>

Caseloads are too high in some teams and this represents a pressing safeguarding concern. Areas for improvement have been identified within the recent Ofsted (SIF).

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.

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 an Improvements Board.								Ongoing
2. Trix Policies and Procedures have been introduced across Children's Social care. All procedures to be subject to review and updating.								Completed / ongoing
3. 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. Further improvements in these services have been identified within the Ofsted SIF. A service redesign is planned based on the SIF findings and work by iMPower.								Ongoing
4. Internal quality assurance audits to evidence appropriate application of thresholds.								Ongoing
5. Ongoing data analysis to enable us to benchmark and target areas for improvement; complete redesign of PKI and trends analysis.								From Apr 2016
6. Placement Review – an external reviews of high cost placements.								Ongoing
7. Ofsted inspection and action plan to address recommendations included in report								From Feb 2016
8. Review of key strategic, operational, technological, partnership and practice developments relating to Child Sexual Exploitation (CSE)								From May 2015
Residual Risk Rating	Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action			Implementation Date	Progress				
9. Ongoing implementation and/or application of actions 1 - 8 above.			From Apr 2018					
Forecast Risk Rating	Forecast Date:	Refresh 31/03/2019	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

UNMANAGED / 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.							Rory Patterson		
Link to Corporate Priority									
People – A borough where people of all ages are proud to work and play, live and stay – Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing.									
Inherent Risk Rating		Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 01/04/2018	Residual Risk Rating as at: 01/04/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019

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 S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood.

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

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

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

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

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

Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. The current trend has seen increasing numbers of children requiring child protection plans, children in need plans and children who the council is required to look after (children in care). Effective demand and resource management remain a priority for the service within an overriding context of keeping children safe.

Risk will remain constant throughout the period covered.

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place								Date Implemented
1. Application of the Southend, Essex & Thurrock Child Protection procedures								Ongoing
2. Local Safeguarding Children's Board established, progress reported annually and guidance reviewed								Ongoing
3. Quality assurance and safeguarding function of Children's Social Care.								Ongoing
4. Legal framework and court action								Ongoing
5. Continue to strengthen the Thurrock Multi Agency Safeguarding Hub introduced Sept 2014 and services commissioned as part of the Early Offer of Help Strategy								Ongoing
6. Case Audits								Ongoing
7. Quality assurance framework								Ongoing
8. Improvement plan in line with Ofsted inspection and iMPower consultation								From Feb 2016
Residual Risk Rating	Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action			Implementation Date	Progress				
9. Ongoing implementation and/or application of actions 1-8 above			From Apr 2018					
Forecast Risk Rating	Forecast Date:	Refresh 31/03/2019	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

UNMANAGED / INHERENT RISK

Risk Description							Risk Owner		
Failure of the council and /or service managers to coordinate and maintain business continuity plans would lead to service delivery arrangements across the council being ineffective in times of a disruption affecting the council and Thurrock.							Performance Board		
Link to Corporate Priority									
People – A borough where people of all ages are proud to work and play, live and stay – High quality, consistent and accessible public services which are right first time.									
Inherent Risk Rating		Date:	01/04/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 01/04/2018	Residual Risk Rating as at: 01/04/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>

Comments
<p>The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to service delivery arrangements across the council being ineffective in times of a disruption affecting the council and Thurrock e.g. loss of ICT, loss of use of the Civic Offices.</p> <p>Oversight of Business Continuity Management is now being provided by Performance Board. The list of current BCPs and critical functions has been updated and will form the basis of ongoing review process by Performance Board and service areas. BCPs are the responsibility of individual service areas.</p> <p>A recent internal audit report on emergency planning, separately recommended a review of BCP arrangements at service level. The Strategic Business Continuity Plan is in the process of being updated and links as appropriate have been made with the emergency planning team.</p>

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place	Date Implemented
1. 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 1 April, 2015.	April 2015
2. Business Impact Analysis undertaken by Service Areas to identify (i) Priority functions and the time frames for reinstatement (ii) Priority IT applications and order/speed of restoration and Service Business Continuity Plans updated.	Oct 2015 - Feb 2016
3. Analysis of priority functions/IT applications undertaken by ICT Service and report on the interim solution for ICT DR arrangements presented to Directors Board, via Digital Board	Feb – March 2016
4. Outcome of review along with proposals to strengthen BCM arrangements across the Council submitted to Directors Board in April 2016. Performance Board to provide oversight role for Business Continuity Planning from July 2016	April 2016
5. Quality assurance process for Business Continuity Plans for critical functions considered by PB Aug 2016. List of current BCPs and critical functions to be established and to form the basis of ongoing review process by PB and service areas.	August 2016 – March 2017
6. Quality assurance of all BCPs undertaken by services	Apr 2017
Residual Risk Rating	Date: 01/04/2018 Impact: Critical (4) Likelihood: Likely (3) Rating: 12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action	Implementation Date	Progress
7. Ongoing review of BCP list by Performance Board	Quarterly throughout 2018/19	
8. Strategic Business Continuity Plan updated	June 2018	
Forecast Risk Rating	Forecast Date: Refresh 31/03/2019 Impact: Critical (4) Likelihood: Unlikely (2) Rating: 8	
Revised Residual Risk Rating	Date: Impact: Likelihood: Rating:	

UNMANAGED / INHERENT RISK

Risk Description							Risk Owner		
<p>The Council is responsible for and provides a wide range of functions and services.</p> <p>There is a risk that the Authority experiences significant incidents of fraud, bribery, corruption or other economic crime as well as cases of money laundering. This can subsequently result in losses from the delivery of Council functions and services.</p>							David Kleinberg		
Link to Corporate Priority									
<p>People – a borough where people of all ages are proud to work and play, live and stay. High quality, consistent and accessible public services which are right first time.</p>									
Inherent Risk Rating		Date:	04/05/2018	Impact:	Critical (4)	Likelihood:	Very Likely (4)	Rating:	16

DASHBOARD

Inherent Risk Rating & Date: 04/05/2018	Residual Risk Rating as at: 04/05/2018	Residual Risk Rating as at:	Residual Risk Rating as at:	Residual Risk Rating as at:	Forecast Risk Rating & Date: 31/03/2019
<p>Page 53</p>					

Comments
<p>The Counter Fraud & Investigation service has an organisational-wide strategy and proactive work plan to monitor and manage the identified risks. In the 2016/17 year the service detected £4.5m of fraud and recovered £3.2m back in to the council.</p> <p>A persistent training and education regime is in place, where experts from the service work with staff, contractors, members and in the council's supply chain to identify and mitigate the risks, and increase awareness.</p> <p>The council has current and effective policies on Counter Fraud, Bribery & Corruption and Money Laundering which are kept under constant review. These policies acknowledge the threats and install an action plan in identified incidents including, civil & criminal litigation and redress to recover any identified losses. Any control weaknesses identified in investigations are rectified in collaboration with the affected services and Internal Audit through SMART Action Plans.</p>

EXISTING ACTION / RESIDUAL RISK

Management Action or Mitigation Already in Place							Date Implemented	
1. Establishment & proactive enhancement of CFID							Nov 2014	
2. Fraud and Corruption Policy established from 2014, updated in December 2017							Nov 2014	
3. Development and implementation of annual work plan and strategy, to be revised in July 2018							July 2015	
4. Regular review of policies and procedures from within the council to ensure that it can prevent, detect and deter and fraud and other economic crime.							Nov 2014	
5. Counter Fraud and Money Laundering Policies reviewed							Jun - Nov 2017	
Residual Risk Rating	Date:	04/05/2018	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / FORECAST RISK / REVISED RESIDUAL RISK

Further Management or Mitigating Action		Implementation Date	Progress					
6. Ongoing application of actions 3-5 above		From Apr 2018						
7. Corporate-wide Money Laundering Risk Review		August 2018						
8. Corporate-wide Bribery & Corruption Risk Review		August 2018						
9. Corporate-wide Cyber Crime Risk Review		August 2018						
10. Know-Your-Customer System Testing to Identify Fraud Flags		September 2018						
11. Review of supply chain against identified national crime risks.		October 2018						
Forecast Risk Rating	Forecast Date:	Refresh 31/03/2019	Impact:	Critical (4)	Likelihood:	Likely (3)	Rating:	12
Revised Residual Risk Rating	Date:		Impact:		Likelihood:		Rating:	

Opportunities In Focus

UNMANAGED / INHERENT OPPORTUNITY

Opportunity Description								Opportunity Owner		
<p>A mix of approaches (e.g. service reviews, expenditure efficiencies, general income increases, managing demand, transformation, investment, etc.) have been adopted to deliver future balanced budgets and enable services to continue to be provided to meet the needs of residents.</p> <p>All the approaches are important to maintain balanced budgets for the life of the Medium Term Financial Strategy (MTFS) and it is recognised that investments have the greater ability to make significant income with the minimum of impact on service provision (e.g. in recent years the treasury function and activities have contributed approx. £11.7M per annum towards savings/income, with the long term investments area now contributing in excess of a further £3M per annum).</p> <p>The development and implementation of the Treasury Management Strategy and Investment Programme could lead to the Council achieving further significant income and contributions towards the delivery of Council services</p>								Sean Clark		
Link to Corporate Priority										
<p>Prosperity – a borough which enables everyone to achieve their aspirations. Commercial, entrepreneurial and connected public services.</p> <p>People – a borough where people of all ages are proud to work and play, live and stay. High quality, consistent and accessible public services which are right first time.</p>										
Inherent Opportunity Rating			Date:	10/05/2018	Impact:	Exceptional (4)	Likelihood:	Unlikely (2)	Rating:	8

DASHBOARD

Inherent Opp. Rating & Date: 10/05/2018	Residual Opp. Rating as at: 10/05/2018	Residual Opp. Rating as at:	Residual Opp. Rating as at:	Residual Opp. Rating as at:	Forecast Opp. Rating & Date: 28/02/2019																																																																																																
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Comments
<p>Investments identified as having the greater ability to make significant income with the minimum of impact on service provision. Treasury Management and Investment Strategy established and presented to Council 28th February, via Cabinet 7th February 2018 and Corporate Overview & Scrutiny Committee 23rd January 2018.</p>

EXISTING ACTION / RESIDUAL OPPORTUNITY

Management Action Already in Place							Date Implemented	
1. Update on the Medium Term Financial Strategy and proposed investment approach (including principles) reported to and agreed by Cabinet 11 th Oct 2017.							Oct 2017	
2. Follow up on the investment approach and the revisions required to the Treasury Management Strategy reported to and agreed by Council 25 th Oct 2017, including increases to the parameters for how much the council can borrow/invest and changes required to bolster the investment programme (e.g. capital cash investments/expenditure, acquisition or development of revenue generating assets, bringing more sites forward for development through Thurrock Regeneration Ltd).							Oct 2017	
3. Treasury Management Strategy, Annual Minimum Revenue Provision Statement, proposed Prudential Indicators and Treasury Management projections reported to and agreed by Council 28 th February 2018, via Cabinet 7 th February 2018 and Corporate Overview & Scrutiny Committee 23 rd January 2018.							Feb 2018.	
Residual Opportunity Rating	Date:	26/04/2018	Impact:	Exceptional (4)	Likelihood:	Likely (3)	Rating:	12

FURTHER ACTION / FORECAST OPPORTUNITY / REVISED RESIDUAL OPPORTUNITY

Further Management Action	Implementation Date	Progress						
4. Plan & develop investment programme in line with codes of practice and guidance to Identify further investment opportunities and achieve a balanced portfolio.	From Feb 2018							
5. Manage current and explore, develop and implement new opportunities.	From Feb 2018							
6. Regularly review/monitor and report on all investments, including new items.	From Feb 2018							
7. Review and report Treasury Management Strategy, Annual Minimum Revenue Provision Statement & Prudential Indicators to Council Feb 2019.	Feb 2019							
Forecast Opportunity Rating	Forecast Date:	28/02/2019	Impact:	Exceptional (4)	Likelihood:	Very Likely (4)	Rating:	16
Revised Residual Opportunity Rating	Date:		Impact:		Likelihood:		Rating:	

UNMANAGED / INHERENT OPPORTUNITY

Opportunity Description		Opportunity Owner						
<p>TRL Thurrock Ltd is a company set up and wholly owned by Thurrock Council. The principle focus of TRL has broadened to support the Council's wider regeneration goals through the delivery of specific schemes which support the economic development of the borough as well as delivering new homes.</p> <p>The Council agreed, in February 2018, to financially commit supporting TRL's objective to deliver 1000 over 5 years (subject to governance procedures). Consideration will be given to ensure an optimum level for a functioning, compelling business plan that effectively balances the competing issues of development/financial risk, delivery capacity and commercial returns.</p> <p>To support this, the TRL Board and Shareholders agreed an updated Investment Strategy which sets out the basis on which the Company will seek to operate. TRL has a revised financial model in place, prepared by Capita, on a fairly prudent set of assumptions TRL should be able to repay its borrowings from the Council (giving rise to a small annual surplus to the General Fund) and, in addition, generate a longer term equity return to the Council.</p> <p>The Council will transfer land to TRL in exchange for shares and the Council will prudentially borrow and on-lend money (at a margin) to TRL to develop housing on that land. The first site has been completed and the second Belmont Road will be on site in October 2018. The development of a pipeline of schemes is ongoing.</p>		Steve Cox						
Link to Corporate Priority								
Place - a heritage-rich borough which is ambitious for its future. Roads, houses and public spaces that connect people and places.								
Inherent Opportunity Rating	Date:	11/05/2018	Impact:	Major (3)	Likelihood:	Very Unlikely (1)	Rating:	3

DASHBOARD

Inherent Opp. Rating & Date: 11/05/2018	Residual Opp. Rating as at: 11/05/2018	Residual Opp. Rating as at:	Residual Opp. Rating as at:	Residual Opp. Rating as at:	Forecast Opp. Rating & Date: 31/03/2019																																																																																																
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Comments

The opportunities flow directly from the Company's objectives which are to build high quality housing and other development projects in support of Thurrock's Vision and growth targets. If TRL can deliver these developments within the financial parameters of the business case then much needed quality housing and other premises will be provided for the Borough and a financial return will flow to the Council. Belmont Road, Grays, TRL's second scheme is out to tender. Feasibility and capacity studies are ongoing on a number of other sites. Meetings with Planning, Corporate Property, Highways etc. are ongoing to ensure feasibility of sites. A review mechanism is in place following the Council's 3 'Rs' land review.

The governance and scheme gateway process is established. An Investment Strategy has been agreed. A procurement policy and Service level Agreements are being drafted. These documents will continue to be developed and thus enable the effective management of opportunities and risks flowing from the company and its developments.

The Company has moved from a scheme by scheme approach to a pipeline of developments, a loan facility was agreed at Full Council in Feb 2018 this will ensure scheme delivery can be accelerated. Further investment opportunities would be analysed on a commercial basis (over time), the majority of which would be a build and sale model. Risk will be spread across a programme, establishing a TRL brand, as well as managing risk on an individual scheme by scheme basis. Future developments would look to be planning compliant with 35% affordable housing, subject to financial viability.

Opportunity managed as per management action plan.

EXISTING ACTION / RESIDUAL OPPORTUNITY

Management Action Already in Place	Date Implemented
1. Housing development options considered and progressed by Housing Development Team and housing Development Board.	From Dec 2012
2. Development and approval of outline Business Case	Dec 2012 - May 2013
3. Working group established comprising the Director of Housing, S151 Officer, Legal Officers and external advisers.	From May 2013
4. Development and approval of final business case including: Constitution for the company; Governance, delivery, management and operational arrangements; Financial, modelling and risk analysis. A series of gateway approvals for each scheme established	May 2013 - Nov 2013
5. Preparations for and the implementation of development of St Chads, Tilbury. 1 st phase handover from March 2017	From Nov 2013 to Mar 2017
6. Preparations for the implementation of the development of Belmont Road, Grays. Scheme submitted to planning and awaiting decision.	From Nov 2013 to Mar 2017
7. General shareholders meeting and agreement to widen the vision and approach for TRL to encompass both residential and commercial developments	Dec 2015
8. Funding review to consider 2016 budgetary announcements and changes to the Planning and Housing Bill and the opportunity to undertake further housing development.	From Apr 2016
9. Review of TRL's market position and for the schemes in Tilbury & Grays, including further financial modelling of St Chads	From Apr 2016
10. Governance and gateway process reviewed.	From Apr 2016

11. Resolution to set up a subsidiary company and decision taken by the Board to separate strategic and operational activities	From Jan 2017
12. Scheme of Delegation - Decisions to be taken by Shareholder, Board and Manager identified	From Jan 2017
13. Ongoing development and completion of St Chads, Tilbury	From Apr - Aug 2017
14. Ongoing implementation and development of Belmont Road, Grays (following planning agreement).	From Apr 2017
15. Feasibility and capacity studies for a further two potential sites	From Apr 2017
16. Identification of sites for a pipeline of development.	From June 2017
17. Belmont Road scheme received planning permission	Sep 2017
18. Change of Company name to Thurrock Regeneration Ltd (TRL)	Nov 2017
19. Belmont Road scheme received Full Council support to transfer the land and provide the funding for the residential development	Feb 2018

Residual Opportunity Rating	Date:	11/05/2018	Impact:	Major (3)	Likelihood:	Very Likely (4)	Rating:	12
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FURTHER ACTION / FORECAST OPPORTUNITY / REVISED RESIDUAL OPPORTUNITY

Further Management Action	Implementation Date	Progress
20. Land Transfer and s.106 for Belmont Road to be signed	June 2018	
21. Service level agreements for finance , legal and housing development services drafts	May 2018	
22. Review of sites for pipeline development	May 2018	
23. Review risk register	July 2018	
24. Belmont Road on-site	Oct 2018	

Forecast Opportunity Rating	Forecast Date:	Refresh 31/03/2019	Impact:	Major (3)	Likelihood:	Very Likely (4)	Rating:	12
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Revised Residual Opportunity Rating	Date:		Impact:		Likelihood:		Rating:	
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Criteria Guide for Impact and Likelihood

Appendix 3

Criteria Guide for Impact Levels

Risk

Negative Impact	Description
4 Critical	<ul style="list-style-type: none"> • Inability to deliver a number of strategic objectives or a priority. • Major loss of service, including several important service areas • Major reputation damage - adverse central government response, involving threat of / removal of delegated powers or adverse and persistent national media coverage • Loss of Life • Major personal privacy infringement - All personal details compromised / revealed • Huge financial loss/cost - >£1M in a year. Up to 75% of budget. • Major disruption to project / huge impact on ability to achieve project objectives.
3 Substantial	<ul style="list-style-type: none"> • Inability to deliver an organisational priority or strategic objective. • Major disruption to important service or a number of service areas. • Significant reputation damage - adverse publicity in professional/municipal press or adverse local publicity of a major and persistent nature. • Major injury. • Many individual personal details compromised / revealed • Major financial loss/cost - >£500K - <£1M in a year. Up to 50% of budget • Significant disruption to project / significant impact on ability to achieve the project's objectives.
2 Marginal	<ul style="list-style-type: none"> • Significant disruption to important service or major disruption to non crucial service. • Moderate reputation damage - adverse local publicity / local public awareness • Serious injury • Some individual personal details compromised / revealed • High financial loss/cost – >£100K - <£500K in a year. Up to 25% of budget • Moderate disruption to project / moderate impact on ability to achieve the project's objectives.
1 Negligible	<ul style="list-style-type: none"> • Brief disruption to important service or significant disruption to non crucial service. • Minimal reputation damage - no external publicity and contained within Council • Minor injury or discomfort. • Isolated individual personal detail compromised/ revealed • Low or medium financial loss/cost <£100K in a year. Up to 10% of budget • Minor disruption to project / minor impact on ability to achieve the project's objectives.

Opportunity

Positive Impact	Description
4 Exceptional	<ul style="list-style-type: none"> • Exceptional improvement to service(s) (e.g. quality, level, speed, cost, etc) and/or delivery of strategic objectives/priorities • National award or recognition/elevated status by national government • Positive national press/media coverage • Major improvement to the health, welfare & safety of stakeholders • Income/savings of >£500K in a year or exceptional saving of resource (e.g. time and labour)
3 Major	<ul style="list-style-type: none"> • Major improvement to service(s) (e.g. quality, level, speed, cost, etc) and/or delivery of strategic objective/priority. • Regional recognition for initiative, partnership or arrangement. • Positive publicity in professional/municipal press or sustained positive local publicity. • Significant improvement to the health, welfare & safety of stakeholders • Income and/or savings of >£250K - <£500K in a year or major savings of resource (e.g. time and labour).
2 Moderate	<ul style="list-style-type: none"> • Moderate improvement to service(s) (e.g. quality, level, speed, cost, etc) and/or delivery of strategic objective/priority. • Borough or County wide recognition for initiative, partnership or arrangement. • Positive local publicity / local public awareness • Moderate improvement to the health, welfare & safety of stakeholders. • Income and/or savings of >£100K - <£250K in a year or moderate savings of resource (e.g. time and labour).
1 Minor	<ul style="list-style-type: none"> • Minor improvement to service(s) (e.g. quality, level, speed, cost, etc) and/or delivery of strategic objective/priority. • Local level recognition for initiative, partnership or arrangement. • Minor positive local publicity • Minor improvement to the health, welfare & safety of stakeholders. • Income and/or savings of <£100K in a year or minor saving of resource (e.g. time and labour)

19 July 2018	ITEM: 8
Standards and Audit Committee	
Internal Audit Progress Report 2017/18	
Wards and communities affected: All	Key Decision: Non-key
Report of: Gary Clifford – Chief Internal Auditor	
Accountable Assistant Director: N/A	
Accountable Director: Sean Clark – Director of Finance & IT	
This report is public	

Executive Summary

The Internal Audit Plan 2017/18 was discussed by the Standards & Audit Committee at their meeting of 28 February 2017. This progress report covers work undertaken since the last report issued on 6 March 2018.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

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

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015 require that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.
- 2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the Standards & Audit Committee about the operation of the internal control environment.

2.4 The audits contained in the Internal Audit Plan 2017/18 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

3. Issues, Options and Analysis of Options

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

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

3.2 During the period being reported on, we have finalised 9 reports. These cover the following areas: Section 17 Payments; Better Care Fund; Children's Care Packages; General Data Protection Regulations; Register of Gifts, Interests and Hospitality; IR35; Responsive Repairs and Maintenance (Housing); Insurance and Waste Disposal Contracts.

3.3 Of the 9 reports issued, 6 received a Green assurance opinion and 3 an Amber/Green opinion. Therefore, all of these reports received positive assurance opinions and further details of the headline findings are shown in Appendix 1.

3.4 The purpose of this progress report for 2017/18 is to highlight reports issued as final by the end of the year. Any draft reports will be carried forward and reported as part of the 2018/19 progress reporting arrangements.

4. Reasons for Recommendation

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

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

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

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

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

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

6.1 The council's corporate priorities were used to inform the annual audit plan 2017-18. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief 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. If there is a cost to any audit recommendation, this is to be met from existing budgets.

7.2 Legal

Implications verified by: **David Lawson**
Assistant Director – Governance & Law

The contents of this report and appendixes form part of the council's responsibility to comply with the Audit Commission Act 1998 and the Accounts and Audit Regulations 2015 to at least annually undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to this progress report.

7.3 Diversity and Equality

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

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

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

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

8. Background papers used in preparing the report:

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

9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance

Thurrock Council

Standards & Audit Committee

Internal Audit Progress Report 2017/18

Date of Committee: 19th July 2018

Introduction

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

Table showing reports issued as Final

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Section 17 Payments	Final	Green	0	2	2
Better Care Fund	Final	Green	0	0	3
Children's Care Packages	Final	Amber/ Green	0	3	3
General Data Protection Regulations	Final	Green	0	2	1
Register of Gifts, Interests & Hospitality	Final	Green	0	0	2
IR35	Final	Amber/ Green	1	1	0
Responsive Repairs & Maintenance (Housing)	Final	Amber/ Green	0	3	4
Insurance	Final	Green	0	0	3
Waste Disposal Contracts	Final	Green	0	1	2

Work and other issues for which no reports are generated

Further work has, and is still being carried out on the payment by results funding provided as part of the troubled families programme. Meetings have been held with the service and the supplier of the system being used to record claims and evidence.

There have been no further changes to the plan from those previously reported.

Key Findings from Internal Audit Work

Section 17 Payments	Opinion: Green	
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Headline Findings: Our review of **Section 17 Payments** identified 1 medium and 2 low recommendations around the adequacy of the control framework. Under Section 17 of the Children Act 1989 it is the general duty of every local authority to safeguard and promote the welfare of children within their area who are in need, and so far as is consistent with that duty, to promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs. Any service provided by an authority in the exercise of functions conferred on them by this section may be provided for the family of a particular child in need or for any member of their family, if it is provided with a view to safeguarding or to promote the child's welfare. The type of assistance delivered may include: subsistence towards living costs; financial support for clothes and items of furniture; transport to school; and hotel accommodation. Overall, tests confirmed that the council provides a range and level of services appropriate to the needs of children in receipt of Section 17 payments and the money is used effectively. There had been no previous review undertaken in this area.

Action and Response	Responsible Officer	Date
<p>Action – The previous year's expenditure should be used as a guide during the budget planning process to ensure that budgets are set at a level that reflects anticipated spend. This would assist in showing that financial control is robust and there is an effective use of resources.</p> <p>Response - The budgets for expenditure for the year are set by DMT. CSC finance support team, in conjunction with the service managers and team managers, manages the expenditure and controls of the budget.</p>	<p>Corporate Director Children's Services Assistant Director - Children's Care and Targeted Outcome</p>	<p>Dec 18</p>

Assignment: Better Care Fund	Opinion: Green	
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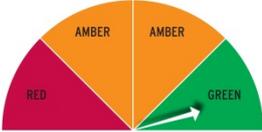
Headline Findings: Our review of the **Better Care Fund** identified 3 low recommendations around the adequacy of the control framework. The Better Care Fund provides a mechanism for joint health and social care planning and commissioning, bringing together ring-fenced budgets from Clinical Commissioning Group (CCG) allocations, the Disabled Facilities Grant (DFG) and funding paid directly to local government for adult social care services – the Improved Better Care Fund (IBCF). There were good controls identified in respect of the governance arrangements around joint planning, scheme authorisation and commissioning and funds were being spent appropriately. There had been no previous review undertaken in this service area.

Assignment: Children's Care Packages	Opinion: Amber/Green	
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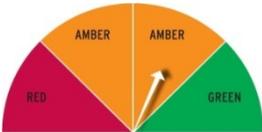
Headline Findings: Our review of **Children's Care Packages** identified 3 medium and 3 low recommendations around the adequacy of the control framework. Good practice was identified around the approval panel process, invoicing arrangements and performance monitoring. There had been no previous review undertaken in this service area.

Action and Response	Responsible Officer	Date
<p>Action - (Disabled Children Team) Social workers should be instructed to keep plans up to date with reviews and complete with child development needs and any historical information about the child and family and demonstrate how provision of the child's needs and support needed for parents will be</p>	<p>Strategic Prevention, Manager Lead Team</p>	<p>On-going</p>

<p>Action - A deadline for documenting the legal basis for processing personal data should be negotiated and agreed with all data owners and support provided where needed to ensure this task is completed in time for compliance with the regulation.</p> <p>Response - This is part of our GDPR compliance action plan and deadlines have been set. Reports have been taken to DB on this and reports will be taken in the future to ensure compliance.</p>	<p>Strategic Information Management Lead,</p>	<p>On-going</p>
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<p>Assignment: Register of Gifts, Interests and Hospitality</p>	<p>Opinion: Green</p>	
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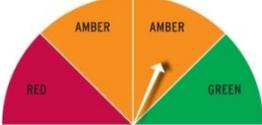
Headline Findings: Our review of the **Register of Gifts, Interests and Hospitality** identified 2 low recommendations around the adequacy of the control framework. The review focussed on providing assurance on whether members and senior officers were compliant with the Council's Constitution and Codes of Conduct in declaring any gifts, hospitality or pecuniary and non-pecuniary interests. There were no significant issues to report. The 1 low recommendation from the previous review had been implemented.

<p>Assignment: IR35</p>	<p>Opinion: Amber/Green</p>	
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Headline Findings: Our review of **IR35** identified 1 high and 1 medium recommendation around the adequacy of the control framework. From 6 April 2017, changes to the current intermediaries' legislation, known as IR35 were introduced. IR35 is applied to off-payroll working in the public sector, including those in the NHS, councils, armed forces, police, schools, and further and higher education. Where the rules apply, people who work in the public sector through an intermediary will pay employment taxes in a similar way to employees. Where the end client is not defined as a public authority, then the rules continue to operate as before. Guidance was available to staff on the council's intranet site with links to the HMRC's IR35 tool so managers can check a suppliers status to determine if IR35 was applicable. There had been no previous review undertaken in this service area.

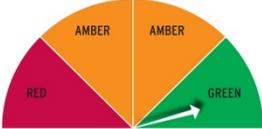
Action and Response	Responsible Officer	Date
<p>Action - All suppliers categorised as consultancy or professional services should be identified from Oracle and the IR35 employment status check applied. This should also be applied to consultants set up pre April 17 who still provide services to the council. This will ensure the council is compliant with the relevant legislation.</p> <p>Response - A review of all suppliers with active PO's under the 'consultancy' category on iSupplier and confirmation from the responsible managers on the IR35 status of these consultants.</p>	<p>Improvement Manager along with responsible managers and procurement</p>	<p>End July 2018</p>
<p>Action - The Improvement Manager should check a sample of Employment Status checks of suppliers set up as self-employed to gain assurance that the council are complying with the legislation. Initially, these checks should be regular but could be reduced as assurance is gained that correct processes are being followed. This reduces the likelihood of the council being non-compliant.</p> <p>Response - Improvement Manager will check all determinations following completion of recommendation 1.1 above and after that will review each new determination as completed as part of the process and checks by procurement when setting up a new supplier in this category or when a new PO is</p>	<p>Improvement Manager & Procurement Lead</p>	<p>August 2018 for initial check of existing consultants</p>

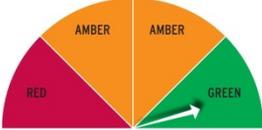
created. IR35 training has been arranged for managers for 6 July 2018 which should assist in the accuracy of determinations carried out by responsible managers going forward.		
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Assignment: Responsive Repairs and Maintenance (Housing)	Opinion: Amber/Green	
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Headline Findings: Our review of **Responsive Repairs and Maintenance (Housing)** identified 3 medium and 4 low recommendations around the adequacy of the control framework. Good practice was identified around the governance arrangements, price per property repairs and exclusions were monitored and reported regularly, good communication between internal and external partners and roles and responsibilities within the contract were clearly defined. There had been no recent review undertaken in this service area.

Action and Response	Responsible Officer	Date
<p>Action - A record of all decisions to increase the prices agreed, in contract or otherwise, needs to be maintained in order to support invoice payments. A lack of evidence to support financial decisions made may result in a lack of control over contractor's payments.</p> <p>Response - A new folder has been created on Objective for the recording of all correspondence relating to contractual decisions. Documents relating to the annual contractual uplift will be recorded in this way.</p>	Housing Asset Investment & Delivery Manager	April 2018
<p>Action - A Partnership Risk Register is required to monitor key corporate risks, both new and emerging, and to identify those operational risks that need to be managed. A lack of risk identification and rating could impact on the performance of the contract.</p> <p>Response - The risk register has been reviewed and will be monitored on a monthly basis as a partnership at Core Group. Strategic risks will be monitored on a bi-annual basis at Partnership Group.</p>	Assistant Director – Housing, Housing Asset Investment & Delivery Manager	April 2018
<p>Action - A reconciliation of data on Northgate and data held on Oracle needs to be undertaken. This will confirm the financial information produced as a result of raising repairs and can be confirmed to data interfaced to Oracle.</p> <p>Response - The parameters of a data reconciliation required needs to be clarified. It needs to be confirmed whether the reconciliation is required at overall budget level, invoice level or transaction level. This would be a cross service project as any reconciliation would need to be fully supported by ICT who control the interface of the two systems and the housing finance team who control the Oracle reporting.</p>	Assistant Director – Housing, Housing Asset Investment & Delivery Manager, Housing Asset Management Delivery Manager, ICT/Finance	On-going

Assignment: Insurance	Opinion: Green	
<p>Headline Findings: Our review of Insurance identified 3 low recommendations around the adequacy of the control framework. The review identified good processes around the level of cover, claims handling process, payments of premiums, self-insurance and performance monitoring. There were no significant issues to report. There has not been a review of this area for a number of years so there were no previous recommendations to follow-up.</p>		

Assignment: Waste Disposal Contracts	Opinion: Green	
<p>Headline Findings: Our review of Waste Disposal Contracts identified 2 medium and 2 low recommendations around the adequacy of the control framework. There were good controls over the governance around the procurement process, approval to proceed to tender, evaluation of tenders, performance reporting and monitoring, invoicing and budget management. As this was a reasonably new contract, no previous review had been undertaken in this service area.</p>		

<p>Action - A record of the decisions made at the evaluation and moderating meetings, during the procurement exercise, should be retained to complete the audit trail; in addition to the scoring. This will give confidence that the evaluation process is straightforward, transparent and open to scrutiny.</p> <p>Response - This will now be undertaken for future procurements.</p>	<p>Strategy & Special Projects Lead</p>	<p>On-going</p>
<p>Action - The master spreadsheet needs to be protected and checked by the responsible officer regularly. Weighbridge tickets need to reconcile to invoice statements. This will ensure that records are accurate and timely.</p> <p>Response - Spreadsheet amended to take account of recommendations.</p>	<p>Performance Improvement Team Leader</p>	<p>July 2018</p>

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19 July 2018	ITEM: 9
Standards and Audit Committee	
Audit Results Report for the Year Ended 31 March 2018	
Wards and communities affected: All	Key Decision: Key
Report of: Sean Clark, Director of Finance and IT	
Accountable Assistant Director: N/A	
Accountable Director: Lyn Carpenter, Chief Executive	
This report is Public	

Executive Summary

This report details the findings of the external auditors from their audit of the 2017/18 financial statements.

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

1. Recommendation(s)

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

2. Introduction and Background

2.1 The external audit process is now substantially complete. The financial statements further developed in 2017/18 to include the updated requirements of the CIPFA Code of Practice on Local Authority Accounting (The Code) and now also incorporate group financial statements which include the results of Thurrock Regeneration Ltd and Gloriana Thurrock Homes Ltd.

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

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

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

3. Issues, Options and Analysis of Options

- 3.1 External audit have reported three specific items which the Council have agreed to adjust in the final financial statements. These items have not impacted on the general fund balance which remains at £11m.
- 3.2 The detail for each of these is set out in the audit report presented by Ernst and Young.
- 3.3 There is one material adjustment to the Council's financial statements relating to a reduction in the Council's share of assets in the Essex Pension Fund. The total reduction is £8.168m and this is reflected as an increase in the Council's pension liability in the financial statements. This change was notified by Essex Pension Fund following an update to the original valuation notified to the Council.
- 3.4 There are two further specific items. The first relates to a reclassification of interest receivable from long term debtors to short term debtors. The second impacts on the group financial statements only relates to a recalculation of the value of property stock in Thurrock Regeneration Ltd. Neither of these items has a material impact on the financial statements.
- 3.5 The audit has progressed smoothly and the finance team has worked effectively with external audit to complete the work within agreed timescales and the Council has met the earlier closedown deadlines in 2018/19.
- 3.6 The unqualified value for money conclusion supports the work of Members and Officers to ensure the Council remains financially sustainable in the medium term.

4. Reasons for Recommendation

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

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

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

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

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

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

The statements are largely governed by the Code. Apart from reporting the Council's financial position as at 31 March 2018, there are no further financial implications arising directly from this report.

7.2 Legal

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

There are no specific implications from this report.

7.3 Diversity and Equality

Implications verified by: **Becky Price**
**Community Development & Equalities
Manager**

There are no specific implications from this report.

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

There are no specific implications from this report.

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

- There are various working papers within Corporate Finance.

9. Appendices to the report

- Appendix 1 - Audit Results Report – to be tabled at committee.

Report Author:

Sean Clark
Director of Finance and IT

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19 July 2018	ITEM: 10
Standards and Audit Committee	
Financial Statements and Annual Governance Statement 2017/18	
Wards and communities affected: All	Key Decision: Key
Report of: Sean Clark, Director of Finance and IT	
Accountable Assistant Director: N/A	
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 opinion that both the Value for Money Opinion and Financial Statements will be unqualified. The Annual Governance statement is also included as an appendix to this report and the review by external audit has been completed.

1. Recommendation(s)

That the Standards and Audit Committee:

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

2. Introduction and Background

2.1 Financial Statement

- 2.1.1 The Financial Statements sets out the financial performance for the 2017/18 financial year and both the Council's financial position and the Group's financial position as at 31 March 2018.

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

2.1.3 The headline from a Council perspective is that the Council achieved a balanced budget and has maintained the General Fund reserve at the optimum level set by the Council's Responsible Financial Officer and endorsed by Council.

2.2 Annual Governance Statement:

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

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

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

2.2.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015 in relation to the publication of a statement on internal control.

2.3 Letter of Representation:

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

3. Issues, Options and Analysis of Options

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

4. Reasons for Recommendation

- 4.1 To enable the Council to meet the requirements of the Accounts and Audit (England) Regulations 2015 in respect of the approval of the financial statements and the annual governance statement.

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

- 5.1 The accounts were open to the public for inspection.

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

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

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

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

7.2 Legal

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

There are no direct legal implications arising from this report.

7.3 Diversity and Equality

Implications verified by: **Becky Price**
**Community Development and Equalities
Manager**

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

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

None

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

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

9. Appendices to the report

- Appendix 1 – Annual Governance Statement
- Appendix 2 – Financial Statements
- Appendix 3 – Letter of Representation – to be table at committee

Report Author:

Sean Clark

Director of Finance and IT

Corporate Finance

THURROCK COUNCIL

Annual Governance Statement 2017/18

1.0 Scope of responsibility

Thurrock Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to put in place arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this duty, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

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

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

The code was updated in 2017/18 to reflect the new vision and priorities which were adopted at a meeting of the Full Council on 31st January 2018. This statement explains how the council has complied with the revised code and has met the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

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

2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, and culture and values, supporting the direction and control of activities of the council. These enable it to engage with and be accountable to the community. It also supports the council in monitoring the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The council had the governance framework described below in place for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

3.0 The Governance Framework

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

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

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

Defined and documented roles and responsibilities for Cabinet, Council, Overview and Scrutiny and all Committees of the council, along with officer functions, with clear delegation arrangement and protocols for effective communication within the Council's Constitution. The Constitution is regularly reviewed and updated, with amendments discussed with the Constitution Working Group, General Services Committee and thereafter agreed periodically at Full Council meetings.

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

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

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

Whistleblowing Policy and Procedures which were introduced in August 2015 and reviewed and updated in May 2017. These are available to all staff through the council's intranet site.

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

The Chief Finance Officer (Director of Finance & IT), the Monitoring Officer and Heads of Service are responsible for advising the

executive, council and scrutiny committees on legislative, financial and other policy considerations to achieve the council's objectives and are responsible for implementing councillors' decisions.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

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

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

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

Established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The new vision and priorities were consulted upon with stakeholders and the community. They were also written taking account of the extensive feedback from residents and other members of the Thurrock community through the Fairness Commission, Local Plan engagement and via the Health and Well Being Strategy consultation, which, in themselves, had extensive consultation exercises.

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

Supported the principle of sharing services with other local authorities. The Counter Fraud & Investigation Service supplies a service to Southend Council, Castle Point District Council, the Ministry of Justice and a number of other central government bodies.

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

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

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

A Corporate Priorities Project Plan which sets out what the council will do to achieve its vision and priorities in 2017/18. The plan is supported by the Corporate KPI (Key Performance Indicator) Framework which details the statistical evidence the council will use to monitor the progress and performance against those priority activities.

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

2 Strategic Leadership Boards and 8 Strategic Management Boards. The aim of strategic boards is to proactively contribute to the improvement of Thurrock Council by:

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

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

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

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

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

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

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

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

A corporate scorecard process which monitors the key performance indicators relating to progress against key strategic objectives within the Corporate Plan/MTFS. This is monitored by the Performance Board on a monthly basis.

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

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

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

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

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

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

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

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

Executive and scrutiny arrangements in place consisting of a Leader/Cabinet model and Overview and Scrutiny Committees which consider specific areas of the council's business. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

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

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

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

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

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

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

7 scrutiny committees, including a joint committee for Public Health, which report annually to the council. Scrutiny committees provide constructive challenge to the executive on policies and performance. In addition, a task force has been developed to discuss the Lower Thames Crossing.

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

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

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

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

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

Internal audit reports which are presented to the Standards & Audit Committee on a quarterly basis and at the July meeting through the Chief Internal Auditor's Annual Report which gives an assurance opinion on the overall internal control, risk management and governance environments. Any individual internal audit review judged "Red" or "Red/Amber" is subject to timely action plan and follow up audit.

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

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

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

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

4.0 Review of effectiveness of the governance framework

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

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

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

REVIEW OF OBJECTIVES

To ensure we are doing the right things in the right way and for the right people, in 2011/12 the council undertook a major review of the Corporate Plan and adopted the Corporate Plan and Medium Term Financial Strategy (MTFS).

During 2017/18, the council did not have an annual Corporate Plan due to the decision to review and update the council's visions and priorities. The new vision and priorities were adopted at Full Council on 31st January 2018. However, the council did have a Corporate Priorities Project Plan which set out the key projects being undertaken during 2017/18 to help the council meet its vision and priorities. The MTFS addresses how the council will meet the financial challenges in delivering the priorities and is regularly reported to members and updated on a rolling basis.

A new Corporate Plan will be developed in 2018/19 and this, together with the MTFS, will set out the strategic direction of the council and how they contribute to the delivery of the vision and priorities.

INSPECTIONS

ADULT SERVICES

There was an announced visit by the Care Quality Commission (CQC) to the Extra Care Service on the 14th to 16th November 2017. The overall rating of the service was requires improvement. In respect of the individual areas inspected, the results were as follows:

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

The CQC provided the service with an action plan to address the key findings. It was acknowledged that improvements had been made since the previous

visit in October 2016 but further work was required. One area inspected “Is the service responsive?” moved from Requires Improvement to Good.

There was a visit by the Care Quality Commission (CQC) to the Homecare Reablement Team Service on the 2nd, 3rd, 4th and 10th October 2017 which was as a result of 2 unannounced visits in 2016/17 where the service was rated as Requires Improvement. The 2016/17 visits did identify that the service was improving, with an upward direction of travel in 4 of the 5 areas examined but more work was still required. The results in respect of the October 2017 visit showed that this improvement had continued with the service receiving an overall rating of Good and the results of the individual areas inspected were as follows:

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

CHILDREN’S SERVICES

There was 1 full and 2 short OFSTED Inspections carried out at Thurrock Schools (excluding Academies) in 2017/18. The overall results were as follows:

- Bonnygate Primary School – Good (Moved from Requires Improvement at the previous inspection in April 2015)
- St Mary’s Catholic Primary School – Short report shows the school continues to be Good.
- Grays Convent High School - Short report shows the school continues to be Good.

- **LEGAL FRAMEWORK**

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

During this year the authority continued to share its Director of Law & Governance with the London Borough of Barking and Dagenham by way of a secondment agreement with the Deputy Head of Law & Governance fulfilling the role of the council’s Monitoring Officer. The legal services of both authorities continued to work together under a Memorandum of Understanding ensuring effective collaboration that includes protocols for joint management, data sharing and conflict of interest protocols.

As a result of an in-depth 3 month review between October and December 2017, the council examined further options to secure wider South Essex collaborations and create legal centres of excellence whilst retaining and building on each authority’s governance capacity. As a consequence, the

shared legal service through a single Director of Law & Governance was discontinued from the end of March 2018 with each authority having their own Director of Law & Governance and Monitoring Officer. Thurrock Council additionally inputted extra budget resources to fund permanent growth in its legal service to build a centre of legal excellence in both governance and regeneration (including contracts, planning, highways and property law) to match the authority's significant regeneration status and agenda. The two authorities continue to collaborate to retain and build resilience in the fields of litigation and safeguarding and share a Deputy Head of Law & Governance (Safeguarding)

Thurrock Council's Monitoring Officer has also been appointed to cover the monitoring officer functions of the Office of the Essex Police, Fire & Crime Commissioner and will be Chair of the Public Law Partnership of 32 south east authorities working together to promote efficiencies and resilience as well as joint training.

The Constitution has been regularly reviewed during the year by the Monitoring Officer in conjunction with the Constitution Working Group, General Services Committee and Full Council to ensure it remains up to date and appropriately addresses legislative changes such as the new statutory Prevent duties. Consequential amendments have included changes to portfolios held by Cabinet Members, Management / Directorate structures and minor formatting and typographical errors.

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

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

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

Legal advisors also regularly attend relevant boards.

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

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

There are embedded review procedures for Members' and Officers' declarations of interests and declarations of gifts and hospitality, together with

monitoring and reviewing Local Government Ombudsman decisions and supporting Standards & Audit Committee in its oversight function.

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

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

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

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

Formal budget monitoring for both revenue and capital income and expenditure took place every month during the financial year.

Every month, Budget Holders are required to submit a return to Corporate Finance, providing the reasons for current variances and including forecasts for the end of year outturn position. Corporate Finance collate these returns into the monthly budget monitoring report which is considered at a Directorate level by Directors Board each month and by Cabinet on a quarterly basis.

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

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

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

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

The annual Statement of Accounts and Annual Audit letter are available to the public and are published on the council's web site. We can make them available in accessible formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the Statement of Accounts that explains their purpose and summarises the key messages

arising from them. We have also included a glossary of terms to aid understanding.

BUDGET MONITORING

Corporate Finance officers meet with Budget Holders regularly during the year (monthly for high risk budgets) to discuss performance against budget and actions to be taken. We use this information to support the budget monitoring reports presented to Cabinet. It also informs decisions to make budget transfers or to prepare supplementary estimates as required. Forecasts are prepared at a detailed level and summarised appropriately to report to DMTs, DB and Cabinet.

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

The council's budget planning cycle is well established. We complete the annual budget for consideration by Cabinet by February, before it is discussed and approved at Council later that month. The process is supported by Scrutiny Committee review of the budget between October and February each year and ongoing discussion with Members.

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

TREASURY MANAGEMENT STRATEGY

The council's Treasury Management Strategy, which the Council agrees annually, sets out its policy on managing its loans, cash and investments. This ensures the council has sufficient cash to meet its needs, returns are maximised, costs are minimised whilst the security of the council's financial assets is maintained. The strategy has regard to the CIPFA Code of Practice for Treasury Management in Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities, which were revised and updated in December 2017.

We report performance against the strategy to Cabinet half yearly.

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

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

ORACLE

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

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

COMMENT ON THE ROLE OF THE DIRECTOR OF FINANCE & IT

The Section 151 Officer (the Director of Finance & IT) has a responsibility to ensure an effective internal audit function is resourced and maintained. The council's internal audit function is led by the Chief Internal Auditor.

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

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

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

The Chief Internal Auditor's overall opinion is included in the Internal Audit Annual Report for the year ended 31st March 2018 and will be submitted to the Standards & Audit Committee in July 2018.

The External Auditor issued an unqualified audit opinion and unqualified value for money statement for 2016/17.

RISK AND OPPORTUNITY MANAGEMENT

In accordance with the Risk and Opportunity Management (ROM) Policy, Strategy and Framework the Strategic/Corporate Risk and Opportunity Register was regularly reviewed during 2017/18 and the outcomes from the reviews reported to Standards & Audit Committee, via Directors Board and Performance Board.

The annual review of ROM arrangements was undertaken in 2017 using the ALARM/CIPFA Risk Management Benchmarking Model. This model is used to test and compare the council's performance against the major risk management standards and the criteria that informs the risk management element of the Annual Governance Statement.

The results of the review and proposals to maintain and further embed the practice across the organisation were reported to the Standards & Audit Committee in March 2018. In addition, a review of the council's risk maturity was undertaken by the internal audit team which rated the council as Risk Managed which was in line with the annual self-assessment.

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

ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

Counter – Fraud, Bribery & Corruption and Counter- Money Laundering Guidance documents were presented to the Standards & Audit Committee in November 2017 following discussion and approval through Directors Board. These documents advise staff and suppliers of what fraud, bribery, corruption and money laundering is, how to identify and report it and how the council will respond to any reported incidents. The council's Counter Fraud & Investigation Directorate has sole responsibility for the prevention, detection and deterrence of any fraud, bribery and corruption promoting an anti-fraud culture through a zero tolerance approach. A programme of training and awareness was rolled out across directorates and subject matter experts from the Counter Fraud & Investigation Directorate have been assigned to each council service area.

Whistleblowing Policy and Procedures were introduced in August 2015 and reviewed and updated in May 2017 and the policy is available to staff on the council's intranet site. During 2018/19, the council will raise the profile of the whistleblowing process through a poster campaign, training will be provided to relevant officers and the policy will be made available through the council's website.

BUSINESS CONTINUITY

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

Reductions in the risk to the business continuity in some areas of the council have been achieved by joint working, for example in respect of IT, an arrangement has been agreed with Southend Council to have a number of terminals available to maintain critical services if a disaster were to occur. The arrangement is reciprocal with Southend Council being able to access terminals in Thurrock if the disaster were to occur within their borough.

GROUP RELATIONSHIPS

Following instruction from shareholders Gloriana Thurrock Ltd was renamed Thurrock Regeneration Limited (TRL) during 2017/18. A second company - Gloriana Thurrock Homes Ltd - was also created to manage the property portfolio initially developed by TRL and then transferred to the new company.

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

TRL is funded from loans granted via the council, and any land considerations are sold at market value in return for shares/equity. The sale of the Council land and the agreement of the loan facility with the Council is delegated to the s151 officer of the Council. Projects undertaken by TRL are overseen by the TRL Board which meets bi-monthly and is made up of senior council officers from Regeneration, Housing (currently vacant), Finance and also includes an external director from Homes England. There is also a shareholder group which represents the Council made up of the Leaders and Deputy Leaders of the 3 main political parties in Thurrock who meet bi-annually with members of the TRL Board to discuss current and future projects.

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

A review of the robustness of the governance arrangements, decision making and monitoring processes around TRL is included within the annual audit plan for 2018/19 and a service review is due to be undertaken in 2018/19 as part of the Council's overall service review programme across all areas of its business.

STANDARDS & AUDIT COMMITTEE

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

- keeping under review the Authority's own audit standards and whether they are relevant and represent best practice.
- considering or reviewing the following and the action taken on them and advising the Council and/or the Cabinet, as appropriate:
 - (a) internal and external audit plans and progress against plans;
 - (b) summaries of external and internal audit reports and progress against recommendations made in audit reports;
 - (c) the annual report of the internal auditor and the Annual Governance Statement;
 - (d) approving the annual statement of accounts and whether appropriate accounting policies have been followed;
 - (e) reports from inspection agencies, including the external auditor's Annual Audit letter and Audit Results Report to those charged with governance;

- (f) keeping under review the Authority's control environment and anti-fraud and anti-corruption arrangements, including compliance with the Financial and Contracts Procedure Rules; and
- (g) keeping under review the relationships between external and internal audit and other inspection agencies.
- reviewing the performance of the council's appointed Internal Audit provider.

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

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

The Standards functions include:

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

The Monitoring Officer received no complaints during 2017/18 which passed the council's agreed threshold criteria requiring a hearing or was relevant to a Members' official role and duties.

SCRUTINY COMMITTEES

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

As part of the scrutiny function, the council currently operates 7 scrutiny committees as follows:

- Corporate Overview and Scrutiny Committee;
- Children's Services Overview and Scrutiny Committee;
- Health and Wellbeing Overview and Scrutiny Committee;
- Cleaner, Greener and Safer Overview and Scrutiny Committee;
- Planning, Transport, Regeneration Overview and Scrutiny Committee;
- Housing Overview and Scrutiny Committee; and
- Joint Health Overview and Scrutiny Committee.

The terms of reference for each of the 7 scrutiny committees mentioned above are set out in the Constitution and are reviewed and agreed annually by Council.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

The main assurance on the council's governance framework comes from the External Auditor through the Annual Audit Letter and Certification of Claims report. The Annual Audit Letter was reported to the Standards & Audit Committee in November 2017 and reported that:

- The council was issued with an unqualified Audit Opinion on the 29th September 2017;
- An unqualified Value for Money assessment was issued on the 29th September 2017;
- There were no issues to report on the accuracy of the consolidation pack the Council prepared for the Whole of Government Accounts which was submitted to the National Audit Office on the 29th September 2017; and
- There were no identified areas of concern with respect to the Annual Governance Statement.

The Housing Benefit Subsidy Claim audit was completed in November 2017 with only minor issues identified and subsequent confirmation from the

Department of Work and Pensions that the amount payable to the authority was correct.

INFORMATION GOVERNANCE

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

LOCAL GOVERNMENT AND HOUSING OMBUDSMAN

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

5.0 Significant governance issues

During 2017/18, we addressed the following issues to improve the council's governance arrangements:

Significant Governance Issues from 2016/17				
Source	Issue	Description	Responsible Officer (s)	Progress
Internal Audit	Red assurance Internal Audit Reports	<p>There were 2 reports issued with a Red Assurance opinion for reviews undertaken in 2016/17. These were the reviews of Acquisitions & Disposals of Land and Buildings (excluding council houses) and HR Recruitment & Selection.</p> <p>In respect of the 2 Red reports issued, HR Recruitment & Selection was followed up 2 months after the report was issued and all recommendations had been actioned. The follow up review of Acquisitions & Disposals will be followed up in 2017/18 due to changes to the senior management structure in the Assets team.</p>	Senior management and Chief Internal Auditor.	Due to the interim management arrangements within the service in 2017/18, an audit was not undertaken. A new Assistant Director – Property & Development was appointed in October 17 and has developed draft Property Procedure Rules which address the issues raised in the red report. The rules should be finalised during 18/19 following which, the timing of the follow up audit will be scheduled into the plan.
Risk Register	General Data Protection Regulations	The new General Data Protection Regulation (GDPR) comes into effect from May 2018. The new rules are designed to give citizens across the EU more control of their personal data and create a high level of data protection in a digital era across the member states. These requirements will	Information Manager and Chief Internal Auditor	Internal Audit issued a Green (positive) assurance opinion report in May 2018. There were 2 medium and 1 low risk recommendation which management have accepted and will implement in 18/19.

Significant Governance Issues from 2016/17				
Source	Issue	Description	Responsible Officer (s)	Progress
		<p>affect most parts of the council and represent a significant risk if the council fails to respond and there is a breach of the regulations.</p> <p>The Information Commissioner's advice is that organisations immediately begin preparations to implement the GDPR and they have issued a 12 step checklist to assist organisations in doing this.</p> <p>It has been agreed that Internal Audit will undertake a review in 2017/18 to check the council's preparedness to meet the new regulations.</p>		
Risk Register and Internal Audit	Cyber Security	Recent events have shown that no matter what sector organisations operate in, public or private, the increasing reliance on internet based activities makes organisations more vulnerable to 'cyber attacks'. There are substantial risks of being hacked, being unable to use key systems or access key data, all potentially leading to reputational loss. Cyber security is not just the proactive prevention of cyber-attacks, but also the identification and activation of both strategic and	Head of IT and Chief Internal Auditor	A review by internal audit at the end of 2017/18 raised a number of issues around cyber security. This was reported to Directors Board and as a result, a follow up review to ensure the recommendations have been implemented is to be undertaken at the start of 2018/19.

Significant Governance Issues from 2016/17

Source	Issue	Description	Responsible Officer (s)	Progress
		<p>technical responses following an attack.</p> <p>It has been agreed that Internal Audit will undertake a review in 2017/18 to check that the council has the relevant technical security controls in place to protect both the council and customer's information from cyber-attack.</p>		
Internal Audit	Transformation Programme	<p>As part of the response to the continued financial pressures that local authorities are working under, they have to look at better and more efficient ways to provide services, utilise land and buildings, develop technological solutions etc. This has led to a number of programmes and projects which fall under the title of transformation. However, there is a risk that these programmes and projects, which can be very large and complex through to small and straightforward, do not take a holistic view of the council's operations so links are not made between the programmes and projects which could result in duplication, competing priorities and a lack of value for money.</p>	Directors Board and Transformation Board	<p>A number of cross cutting service reviews are being developed and have been broken down into specific workstreams, each with its own service lead. In 2017/18, 2 reviews were being undertaken covering Children and Transport. The reviews are being supported by specialist senior project managers from within the Transformation – Corporate Programme Team.</p>

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

Significant Governance Issues for 2018/19			
Source	Issue	Description	Responsible Officer (s)
Central Government	Troubled Families Programme	A check of the council's claims by the Ministry of Housing, Communities and Local Government (MHCLG) identified a number of concerns around the claims submitted under the Troubled Families Programme. As a result, the council have developed an action plan to address these concerns. This action plan has been agreed by the MHCLG, thereby allowing additional claims to be submitted. Working with the service area, Internal Audit will provide independent verification of a sample of the claims to provide assurance around their accuracy to ensure the council is able to evidence that the claims are correct.	Director of Children's Services, Strategic Lead Prevention and Chief Internal Auditor
National & Risk Register	OFSTED	It is likely that the council will be subjected to an unannounced OFSTED visit in 2018/19. Following the last visit in March 2016, the council was rated as requires improvement. Since then significant work has been undertaken to address the action plan and key to the success of this visit, is the accuracy of the performance indicators used to report centrally and locally. Some of this is being picked up as part of a cross cutting children's services review and Internal Audit are supporting this by undertaking work to verify the accuracy and evidence through an end to end review of a sample of indicators.	Director of Children's Services and Strategic Lead Transformation
Central Government	Local Plan	The Government has legislated through the Neighbourhood Planning Act 2017 the requirement for all areas to be covered by a Local Plan. Where a local authority fails to meet this requirement the Secretary of State has the power to intervene and direct the review and/or preparation of a Local Plan which	Corporate Director of Place, Assistant Director of Planning, Transportation and

Significant Governance Issues for 2018/19			
Source	Issue	Description	Responsible Officer (s)
		<p>depending on the circumstances, could be undertaken by another authority or jointly in partnership with surrounding authorities. In all instances the failing authority could be liable to pay the full or a proportion of the costs involved in producing the local plan.</p> <p>In addition to the threat of intervention and possible sanctions from Government (as has been seen locally and elsewhere in the country – including Castle Point), an ongoing failure to adopt a sound and deliverable Local Plan would also:</p> <ul style="list-style-type: none"> · Lead to a whole generation of local people being put at risk of not being able to find decent or affordable housing in the Borough; · Undermine efforts by the Council to boost the supply of affordable housing through a lack of viable and deliverable sites for development; · Undermine opportunities to support the future regeneration and renewal of existing local centres and communities; · Prevent the provision of new community infrastructure which requires large sites including primary and secondary schools to meet existing and future needs due to the constraining nature of the Green Belt boundaries in Thurrock and a lack of suitable sites in the urban area · Raise a serious risk that, without an adequate supply of housing to meet workers needs locally, firms could relocate or switch investment to other locations as workforce availability declines. 	Public Protection, Strategic Planning Officers
Internal Audit	Commissioning & Contracts (including	There have been a number of instances, both with large and small contracts where officers have failed to comply with the council's contract procedure rules. Changes in the way in which goods and services can be procured with	Director of Commercial Services, Corporate

Significant Governance Issues for 2018/19

Source	Issue	Description	Responsible Officer (s)
	compliance with procurement rules)	the move to iprocurement and payment by purchase cards for some off contract spend reduce the burden of having a paper audit trail but rely on officers having sufficient detailed narrative and evidence to support payments. Internal Audit will continue to undertake ad hoc reviews of contract management and Procurement Services will monitor on contract and off contract spend.	Procurement, Strategy and Special Projects Lead and Chief Internal Auditor
External and Internal Audit	Oracle access arrangements	<p>Oracle is the main financial accounting system the council operates. However, it has been identified in a number of internal audit reviews that the process for allocating access and permissions to staff who use the system is basic and carries a high level of risk.</p> <p>When someone requires access to Oracle, the manager is asked to provide the name of someone else doing a similar job role and then the access is mirrored. This staff member may already have access to parts of the system they should not be able to access, particularly if they have changed role or job and their previous access has not been removed, so mirroring their access results in the new staff member also having a level that is in excess of that required to do their job. This has also been picked up by the External Auditors and as a result, they have indicated they will have to carry out additional transaction testing and walkthrough testing. They have determined that they cannot place reliance on the access control arrangements as unauthorised staff could make changes to the system, figures etc.</p>	Director of Finance & IT, Head of IT, Oracle Improvement team

6.0 Conclusion

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

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

Signature

Date

Lyn Carpenter, Chief Executive

Signature

Date

Cllr Robert Gledhill, Leader of the Council

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Thurrock Council
Statement of Accounts
2017/18
(Draft)

INDEX

	Page
Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	23
Auditor's Report	24
Expenditure Funding Analysis	27
Primary Statements	
Comprehensive Income and Expenditure Statement	28
Movement in Reserves Statement	29
Balance Sheet	31
Cash Flow Statement	32
Notes to the Core Statements	33
Supplementary Statements	
Housing Revenue Account	105
Collection Fund Statement - Council Tax	110
Collection Fund Statement - Non-Domestic Rates	111
General Notes	
1 Accounting Policies	33
2 Accounting Standards that have been issued but have not yet been adopted	49
3 Critical Judgements in applying Accounting Policies	50
4 Assumptions made about the future and other major sources of estimation uncertainty	50
5 Material Items of Income and Expenditure	52
6 Restatement of 2015/16 Comparative Figures	52
7 (i) Note to the Expenditure Funding Analysis	53
7 (ii) Adjustments between Accounting Basis and Funding Basis Under Regulations	56
8 Expenditure and Income Analysed by Nature	63
9 Deployment of Dedicated Schools Grant	64
10 Other Operating Expenditure	65
11 Financing and Investment Income and Expenditure	65
12 Taxation and Non-Specific Grant Income	65
13 Members' Allowances	66
14 Remuneration of Senior Staff	66
15 Related Party Transactions	68

INDEX

		Page
General Notes		
16	External Audit Cost	69
17	Transfers To/From Earmarked Reserves	70
18	Operating Leases	71
19	Provisions	71
20	Short-Term Debtors	72
21	Short-Term Creditors	73
22	Usable Reserves	73
23	Unusable Reserves	74
24	Analysis of Government Grants	78
25	Contingent Liabilities	79
26	Events after the Balance Sheet Date	79
27	Exceptional Items	79
Capital Notes		
28	Heritage Assets	80
29	Assets Held for Sale	80
30	Property, Plant and Equipment	81
31	Capital Expenditure and Financing	86
32	Capital Commitments	87
Financial Instruments Notes		
33	Financial Instruments	88
34	Nature and Extent of Risks Arising from Financial Instruments	92

INDEX

	Page
Pension Notes	
35 Pension Scheme Accounted for as a Defined Contribution Scheme	95
36 Defined Benefit Pension Schemes	96
Cash Flow Notes	
37 Cash and Cash Equivalents	101
38 Operating Activities Cash Flow Statement	101
39 Investing Activities Cash Flow Statement	102
40 Financing Activities Cash Flow Statement	102
41 Non Cash Movement Cash Flow Statement	103
42 Better Care Fund	104
Notes to the Housing Revenue Account	
1 Gross Rent Income	107
2 Depreciation	107
3 Pension Reserve Movement	107
4 Housing Stock	107
5 Major Repairs Reserve	108
6 Capital Expenditure	108
7 Capital Receipts	109
8 Debt Management Costs	109
Notes to the Collection Fund Statement	
1 General	112
2 Council Tax	112
3 Income from Business Rate Payers	113
Group Core Statements	
Expenditure Funding Analysis	116
Comprehensive Income and Expenditure Statement	117
Movement in Reserves Statement	118
Balance Sheet	120
Cash Flow Statement	121
Notes to the Group Core Statements	122
Glossary of Terms	132

NARRATIVE REPORT

BACKGROUND AND CONTEXT

1. Context

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

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

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

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

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

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

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

Our schools are getting better and better with significant investment in our schools including building two new secondary schools and improving Treetops Special Free School. We are working towards a future where every resident has a job – 24,500 new jobs are planned for over the next 20 years - with better educated children and skilled residents who can access employment opportunities.

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

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

NARRATIVE REPORT

2. Vision and Priorities

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



Our Vision

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

Our Priorities

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

This means:

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

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

This means:

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

NARRATIVE REPORT

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

This means:

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

3. Location and place

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

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

4. Population

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

In 2001 the population was 143,300. In 2011 our population was 158,300. The Office of National Statistics (ONS) estimates the population at 168,600 in 2016, and to 175,000 by the time of the next national census, in 2021.

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

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

5. Age and gender

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

NARRATIVE REPORT

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

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

6. Homes and Houses

According to the Valuation Office, March 2016, there are 66,065 dwellings in Thurrock. The borough has a target to build 30,000 new homes by 2037 to meet the demand expected from people wanting to live here.

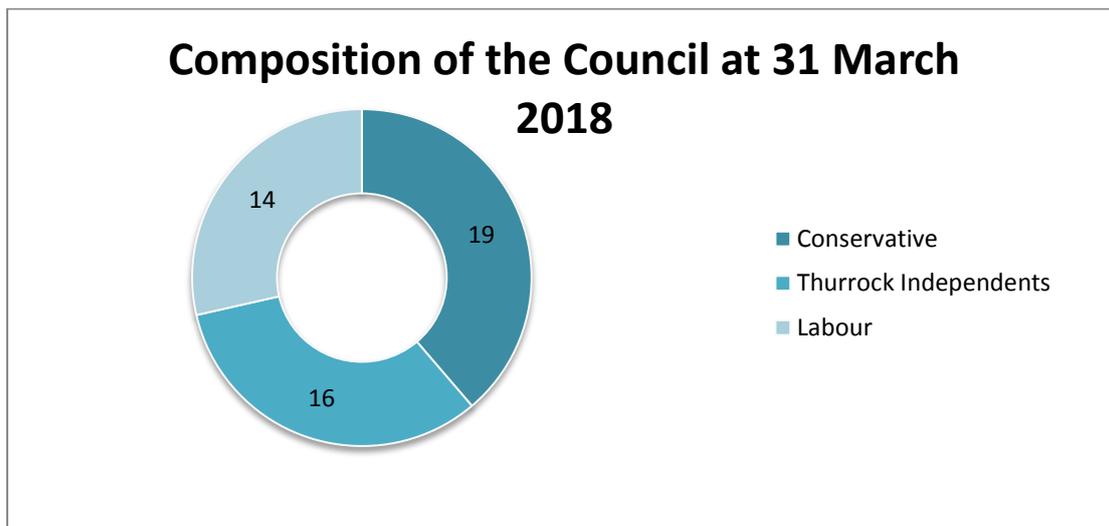
Thurrock has a stock of 10,000 council houses, including 1,200 sheltered and extra care homes.

House price information below is from the [Land Registry Housing Price Index](#), March 2018. Housing status information is from the national census of 2011.

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

NARRATIVE REPORT

7. Political Structure



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

8. The Cabinet

The Cabinet includes the Leader of the Council and 7 other councillors. Each Cabinet Member is responsible for a policy area, known as a portfolio.

The Cabinet is responsible for:

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

Members of the Cabinet

The members of the Cabinet and their portfolios are listed below as at the 31 March 2018:

Cabinet Member	Role	Portfolio
Councillor Rob Gledhill	Leader of the Council	Housing
Councillor Shane Hebb	Deputy Leader of the Council	Finance
Councillor Mark Coxshall		Regeneration
Councillor James Halden		Education & Health
Councillor Brian Little		Transport
Councillor Susan Little		Social Services

NARRATIVE REPORT

Councillor Deborah Huelin
Councillor Aaron Watkins

Performance and Central Services
Environment

9. Risk Management

Risk management involves:

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

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

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

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

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

The Council also has a Corporate Risk Management Group, which considers the whole range of business risks facing the Council. For details of this service contact the Senior Risk Management Officer, Audit Department.

The Corporate Risks are set out below in priority (rating) and then reference number order.

▪ **Adult Social Care, Cost & Quality Standards - Risk 1** (Rating: 12 Critical/Likely)

The risk evaluates the impact of a combination of issues and pressures to balance the cost of care and to maintain the minimum quality standards. Thurrock Council has received additional funding for Adult Social Care. Associated conditions for how the funding is used include helping to deliver sustainability for care providers. Whilst this will undoubtedly help to control the risk, it will not mitigate it and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely).

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

Significant programme management capacity and expertise is required to deliver both the Adult Social Care Transformation Programme and the Health and Social Care Integration Programme (including the Better Care Fund). There are also challenges to overcome to progress integration with health. This includes current pressures on the Essex-wide health economy, a 'local' health agenda which is geographically broader than Thurrock, and how decisions made by non-Thurrock parts of the Essex-wide system will impact upon what Thurrock wants and needs to achieve. Thurrock is a very low spending authority per capita on Adult Social Care (ASC) and also faces significant on-going reductions to funding – although the department has received additional funding for ASC from 2017/18 which it needs to use to help provide stability and capacity, including within the ASC transformation programme. The pressures identified remain and will not be alleviated in the short term and therefore the residual and forecast ratings have been evaluated as 12 (Critical/Likely).

NARRATIVE REPORT

- ***Business Continuity Planning - Risk 4 (Rating: 12 Critical/Likely)***

The risk evaluates the position if business continuity plans are not coordinated and maintained, which would lead to business continuity planning arrangements across the Council becoming inconsistent, outdated and ineffective in times of a disruption affecting the authority. Oversight of Business Continuity Management is now being provided by Performance Board and an auditing/quality assurance programme of the Business Continuity Plans for the critical functions is a standing item on the Board agenda each quarter. List of current BCPs & critical functions has been updated and will form the basis of ongoing review process by Performance Board and service areas. A recent internal audit report on emergency planning, separately recommended a review of BCP arrangements at service level, and as such a briefing will be going to Directors Board in the autumn.

- ***ICT Disaster Recovery Planning - Risk 10 (Rating: 12 Critical/Likely)***

A proposal to install a basic Disaster recovery capability to support up to 100 concurrent users at Southend has been approved by Directors Board and is currently being implemented. In parallel the council will be reviewing its strategic infrastructure requirement, but deploying the tactical solution will ensure this exercise is driven by service requirements rather than a Disaster Recovery imperative.

- ***Delivery of MTFs 2018/19 - 2020/21 - Risk 12 (Rating: 12 Critical/Likely)***

MTFS established. Balanced budget for 2017/18 set and forecast for the financial years 2018/19 through to 2020/21 reported to Cabinet and Council February 2017. Transformation and Service Review Programmes established to help address the budget position and support the council in achieving financial self-sustainability. Monthly monitoring of programmes undertaken by Transformation and Service Review Boards. Monthly budget monitoring reports considered by Directorate Management Teams and Directors Board. Full budget report scheduled to be reported to October 2017 Cabinet.

- ***CSC, Service Standards & Inspection Outcome - Risk 19 (Rating: 12 Critical/Likely)***

This risk evaluates the impact of increased demand and resource pressures on children's social care quality of service and provision. The pressures outlined throughout previous years remain acute. They include increased volumes, increased complexity and ongoing activity to review high cost placements. The implementation of the early help service model and the Thurrock MultiAgency Safeguarding Hub (MASH) has been successful although as anticipated it has led to an increase in the volume of work to children's social care, this is ongoing. The service continues to maximize the external investment and opportunities presented through the Troubled Families Programme and continuously measures impact of the MASH. Ongoing savings to be made across Children's Services including from the Children's Social care budget will be risk assessed to mitigate the impact on front line services. The service has to be demand led and cannot fail to respond to the needs of a child due to budget or resource constraints. Changes on a local, regional and national level can have a significant impact on the demand for services. War and international factors can result in an unplanned increase in the number of unaccompanied asylum seeking children or families with no recourse to public funds. Geographical movement of families across the Eastern Region and London can see a rise in families needing services, including large sibling groups. 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. Caseloads are too high in some teams and this represents a pressing safeguarding concern. Areas for improvement have been identified within the recent Ofsted (SIF). 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

NARRATIVE REPORT

previous levels of demand but these are subject to variance. Risk and action plan documentation refreshed and reviewed. 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 forecast date of 31/03/18 has been applied to the risk, which is the time when the risk will be fully refreshed and updated.

- **CSC, Safeguarding & Protecting C&YP - Risk 20** (Rating: 12 Critical/Likely)

The nature of the work in terms of safeguarding and supporting children at risk of harm means that this will always be a high risk area although through the application of the S.E.T (Southend, Essex & Thurrock) Child Protection procedures the department actively works to mitigate this risk and reduce the likelihood. The risk of children and young people coming to harm cannot be completely eliminated and the risk level needs to remain high and ensure clear vigilance across the council and partner agencies. New and emerging risk factors will arise and there is always a potential for agencies 'not knowing, what they don't know' that needs to be guarded against. Embedding the Multi Agency Safeguarding Hub and Early Offer of Help has supported earlier identification of risk through a multi-agency approach enabling the department to work to intervene at an earlier stage and reduce the risk of harm in some cases. The impact for individual children and families, particularly in cases of child death is significant and whilst actions to reduce the likelihood are implemented the impact will remain as critical. There is also a critical impact score in terms of reputational damage should a child death or serious injury occur. The ongoing nature of risk in child protection and safeguarding is such that despite effective mitigation the acknowledgement of the risk needs to remain high and will not reduce. This is not to say that the risks are unmanageable but for effective management the gravity and complexity of the risk needs to be acknowledged. Within the context of this work we have a high level and critical risk that is being proactively managed. 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. Managing this risk places inherent pressures on the Children's Social Care budget as a demand led budget. The current trend has seen increasing numbers of children requiring child protection plans, children in need plans and children who the council is required to look after (children in care). Effective demand and resource management remain a priority for the service within an overriding context of keeping children safe. Risk and action plan documentation reviewed and evaluated. Risk will remain constant throughout the period covered.

- **Sickness Absence - Risk 14** (Rating: 12 Substantial/Very Likely)

Sickness remains a concern with outturn for 2016/17 higher than previous year. Service level management of issues has improved significantly however and individual cases are dealt with on a case by case basis. Human Resources Advisors continue to support managers with their sickness absence reviews and there is a big push regarding compliance with Return to Work interviews, for which People Board is providing governance. The reduction of sickness is now linked the Council Spending Review with a target to reduce the cost of agency and overtime paid to cover for absent colleagues.

- **Fire Safety Housing Stock - Risk 23** (Rating: 8 Critical/Unlikely)

As a social landlord the Council has a responsibility to ensure the safety and security of all residents in our housing stock. The tower block fire at Grenfell Tower, Kensington on 14th June 2017 triggered an urgent review of fire safety arrangements for high rise tower blocks. Work is ongoing to provide full assurance to residents in all other property types including sheltered housing. The Council would be open to criticism and possible legal proceedings if non-compliant with regulations and/or any new requirements identified by the Government's enquiry into the Grenfell Tower fire. In addition to the full range of mitigating actions set out in the risk documentation any recommendations from the enquiry will be implemented as soon as the requirements are clear and budgetary provision has been made.

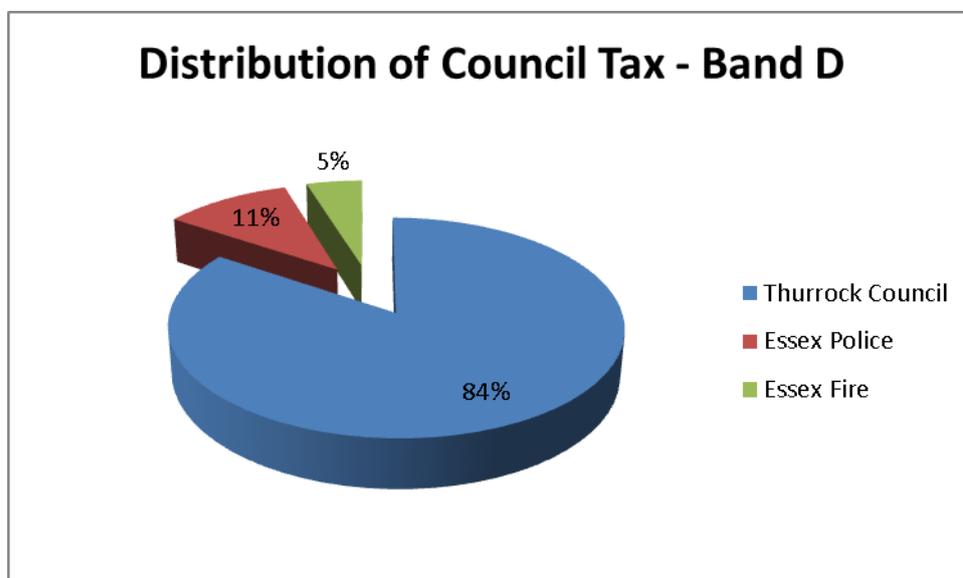
NARRATIVE REPORT

10. Council Tax 2017/18

The net budget requirement for a council is the amount needed to finance Council services after allowing for planned expenditure and income. For 2017/18, this was set by the Council at £113.139m. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £51.456m leaving £61.683m to be raised locally from Council Tax (the Council Tax Requirement).

The 2017/18 Band D council tax for Thurrock Council services, including the adult social care precept was £1,226.61 (an increase of 4.98% over the 2016/17 charge of £1,169.46). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverable debts and the local council tax support scheme) of Band D equivalent properties.

The total Band D council tax for the borough was £1,452.69 distributed amongst the preceptors as set out in the chart below.



11. Regeneration and Investment

Thurrock has a growth strategy to create 24,500 jobs. There are 6 major growth hubs in the borough:

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

Future proposed developments to transform Thurrock include:

- Further development of **Purfleet and High House Production Park** to deliver a number of community facilities and housing as well as taking forward the film and television studio and delivering on the job opportunities to realise the potential of the creative sector.

NARRATIVE REPORT

- Building on **Grays** as a Market Town to create an exciting, high quality destination for people to live, work, learn, shop and socialise. This will support the development of the night-time economy and provide safe and attractive places for communities to meet and businesses to thrive.
- An expansion of **Lakeside and West Thurrock** retail offer to include major leisure functions both to the north and south of the existing shopping centre. Work to improve accessibility to Lakeside by car and other means of public transport will help to place shape and delivery of new homes in the area will provide further opportunity.
- Regeneration of **Tilbury's** town centre and Civic Square through growth of primary care facilities and wider business opportunities such as port expansion to reduce levels of inequality and support job creation. Expansion of the **Port of Tilbury** through the development of London Distribution Park is key to growing the port's already successful distribution capability and securing Tilbury as the leading logistics and distribution hub.
- **London Gateway** is increasingly known as a major operator in international shipping. The first three berths (of an eventual six) have hosted some of the largest ships in the world and the next berth is under construction. Further investment must be secured to ensure potential is reached and complementary skills programmes and development of supply chains is needed to ensure future workforce requirements are understood.
- Enabling the development of **Thames Enterprise Park** and securing higher value, high-tech sectors with strong innovation, investment in research and development and export potential. In creating a workforce strategy for the area future gaps in labour and skills requirements will be identified. The council has an enabling role to play, especially in delivering the workforce that leads to its success.
- Concentration on enabling and embedding factors to deliver growth and then secure maximum benefit. This shift will support a focus on continuing economic growth rather than developing conditions to encourage growth which has been the focus to date.

NARRATIVE REPORT

STATEMENT OF ACCOUNTS & FINANCIAL PERFORMANCE

1. Statement of Accounts

The Statement of Accounts comprise of the following statements:

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

NARRATIVE REPORT

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

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These accounts have been prepared in accordance with the Code of Practice 2017/18 (The Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practice for local authorities.

3. Financial Performance

■ Overall Position

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

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

These create significant charges and credits to the cost of the various services - these are then reversed out through the MIRS, have a zero impact on the Council's overall resources. The financial outturn will be reported to Cabinet on 13 June 2018 is set out in the section below.

The Financial Outturn

The table below summarises the outturn position:

Net Expenditure chargeable to the GF and HRA balances

2016/17 £'000	Directorate	2017/18 £'000
35,118	Adults; Housing and Health	35,351
37,687	Children's Services	37,471
644	Commercial Services	488
18,085	Environment and Highways	20,813
4,716	Place	4,680
9,333	Finance, IT and Legal	9,449
2,974	HR; OD and Transformation	3,446

NARRATIVE REPORT

3,664	Schools	3,751
2,034	Corporate Costs	1,723
2,311	Corporate Strategy & Communications	2,285
116,566	Net Cost of General Fund Services	119,457
(5,012)	Housing Revenue Account	(1,878)
111,554	Net Cost of Services	117,816
(111,997)	Other Income & Expenditure	(121,207)
(442)	(Surplus)/Deficit	(3,391)
(18,139)	Opening General Fund and HRA Balance	(18,581)
(442)	(Surplus)/Deficit in year (per table above)	(3,391)
(18,581)	Closing General Fund and HRA Balance	(21,971)

The table above shows the total opening and closing balances of the “usable” reserves of the Council.

The Council has faced the following significant service pressures in 2017/18 as outlined below

Children’s Services:

The directorate continues to operate in a volatile demand led environment. Work has been ongoing to manage pressures within social care including the review and re-commissioning of placement provision, changes to accommodation in aftercare and the continued reduction of agency staff.

Overall, the number of children in care has reduced, and high cost placement numbers continue to show a reducing trend but the changing mix of placement type has impacted the position. In the second half of the year there were a small number of very high cost complex needs cases that added to the pressure on the budget.

Environment and Highways:

Pressures within Environment and Highways have been reported throughout the year. The most significant pressure was, and continues to be, within waste disposal due to additional contract extension costs and a higher cost of disposal due to increasing waste tonnages and reduced recycling, which is being reported nationally. This has been impacted by the Household Waste Recycling Centre (HWRC) moving back in house following no external interest in the contract. Actions to mitigate the ongoing impact continue with the redevelopment of the site, the introduction of a commercial trade waste service and the introduction of a permitting scheme to reduce trade waste entering the site.

Ageing vehicles working beyond their life expectancy led to pressure in year with increased vehicle hire costs, fuel costs and wear and tear. With the roll out of the new fleet it is expected that this will reduce in 2018/19. The winter gritting season saw demand for gritting increase on previous years and significant snow fall at the end of the financial year led to unbudgeted spend on grit, the first year in many when stocks have had to be replenished, and staff time.

Significant savings were applied to the Highways budget in respect of the street lighting LED replacement project. Whilst the majority of the savings were achieved, the service did incur budget pressures due to one-off maintenance requirements. There was also pressure within parking income and public transport services which are not expected to impact 2018/19.

NARRATIVE REPORT

Dedicated Schools Grant (DSG):

Nationally, all local authorities and the education system are struggling with meeting the additional demand for payments in support of children with Statements/Education and Health Care (EHC) plans; out of borough payments; independent special school residential payments and special educational needs and disabilities SEN(D) top up payments. Overspends and reduced payments to schools are common across the country.

The DSG outturn for 2017/18 is an overspend of £2.701m which equates to 2% of the total DSG budget. Within the Early Years block, there is a reported underspend on 2 year old funding and slight overspend on 3 and 4 year old expenditure in support of children's growth in numbers.

With the ongoing pressure within the DSG, a sub group of the schools forum was established to review expenditure and budget pressure areas, including statutory returns and statistical benchmarking data analysis to assist in the DSG Recovery Plan. The group has met 6 times during the year and agreed a recovery plan that will recover funds going forward already received by the schools in prior years. The 2016/17 deficit of £1.343m will be recovered via the 2018/19 allocation utilising underspends from the Early Years block for this financial year (2017/18). The 2018/19 deficit will be recovered through allocations in 2019/20 and 2020/21 as well as virements from other blocks. A model is being designed to control high needs expenditure through a "capping system" which has been developed in collaboration with schools and colleges.

In addition, Heads are working with the local authority to develop an innovative hub and spoke model of provision for children at risk of exclusion and in need of alternative provision. The model will ensure that children in need of additional support are contained within mainstream school provision. This collaborative approach will ensure better outcomes for the children concerned with fewer being moved out of the authority to high cost provision and increased transport costs. This will support the overall strategy to reduce the spend in this area.

These cost pressures have been offset by underspends in central services, additional treasury returns from the investment strategy of the Council, the reprofiling of the Minimum Revenue Provision, the capitalisation of project costs and the use of capital receipts to fund transformation activities.

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

31-Mar-17 £'000	Reserve Category	31-Mar-18 £'000
(1,430)	Education and Schools	2,193
(1,248)	Adults, Community and Health	(1,867)
(112)	Grant Carried Forward	(200)
(1,024)	General Fund Earmarked Reserves	(2,453)
(8,000)	General Fund Balance	(11,000)
(6,766)	HRA Related	(8,644)
(18,581)	TOTAL	(21,971)

- Education and Schools – Primarily individual schools balances and Dedicated Schools Grant which are ring-fenced for specific use
- Adults, Community and Health – Primarily Public Health grant and Better Care fund which are ring-fenced for specific use.
- The General Fund Balance – the balance maintained to protect the council from unmitigated budget pressures; and

NARRATIVE REPORT

- HRA Related – a balance of £2.175m to protect the council from unmitigated budget pressures, a Development Reserve of £4.351m, a Capital Reserve of £0.843m and £1.274m for Housing Zone funding

The Budget and Financial Forecast to 2019/20

The Council faced a number of challenges, risks and uncertainties during 2017/18, many of which could have medium or long-term financial implications. These were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2017/18 Budget Report, a copy of which is available on the Council's website. Local government finances continue to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

The Local Government Finance Settlement for 2017/18 confirmed that there has been no change to the trajectory of Government funding as set out in the settlement for 2016/17. The council accepted the Government's offer (made in the 2016/17 settlement) of an agreed four year settlement and while this has introduced a degree of certainty in funding it does not cover the main variables in Government support i.e. the New Homes Bonus (NHB) and Business Retention (BRR). The Government settlement figures to 2019/20 show a reduction in Government funding for the Council between 2016/17 to 2019/20 of £21.882m.

Business Rates Retention

This scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local businesses rate growth and the outcome of appeals against valuations and other changes to the rating list including applications for charitable relief. The provisions for rating appeals totals £12.99m of which the councils share is £6.36m. It is intended by 2020/21 local government will retain 75% of business rates revenue to fund local services. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time.

■ Housing Revenue Account

Revenue Position – HRA	Full Year Budget	Full Year Spend	Variance from Budget	
	£000	£000	£000	%
Repairs and Maintenance	10,510	11,323	813	8%
Housing Operations	12,292	11,235	(1,057)	(9%)
Financing and Recharges	25,275	25,658	383	2%
Rent and Income	(48,430)	(48,577)	(147)	(0.3%)
Development	353	362	9	2%
Total	0	0	0	0%

The Housing Revenue Account (HRA) budget, agreed within the February 2017 Base Estimates report set a balanced budget. The year-end position as at 31st March 2018 is a breakeven position. A table setting out the HRA Reserves position is further below.

NARRATIVE REPORT

Repairs and Maintenance

The final outturn figure for Repairs and Maintenance is in line with the position that was reported throughout the year. The year-end overspend of £0.813m is slightly better than the forecast position of £0.805m reported. It was acknowledged throughout the year that there was a base budget deficiency in this area. The budgets for 2018/19 have been revised to reflect the need to invest in the council's HRA stock and funding has been released from Housing Operations to facilitate this.

Housing Operations

The Interim Structure that was in place during 2017/18 delivered significant savings and this underspend has mitigated the pressure on the Repairs and Maintenance budgets. In 2018/19 the budgets have been revised to reflect the new staffing structure and release funding for investment in the planned maintenance of the housing stock.

Financing and Recharges

The outturn figure reflects the available resources in the HRA to fund Capital in 2017/18 and beyond. Funding for the New Build Programme has been put into the Development Reserve and funding for Transforming Homes into the Major Repairs Reserve to ensure these work streams are fully funded over their life.

Rent and Income

There is a small positive variance in this area of £0.147m. This is as a result of Leaseholder Service Charges income achieving higher than forecast.

Development

This budget resources the support for the New Build Programme and Estate Regeneration work streams. The budget broke even in 2017/18

Capital Programme – Transforming Homes

	Full Year Budget	Spend Full Year	Variance from Budget	
	£000	£000	£000	%
Transforming Homes	11,800	11,174	(626)	(0.05%)

The allocated budget for Transforming Homes in 2017/18 was £11.8m. The underspend of £0.626m follows the recent re procurement exercise which has resulted in an existing contractor coming to the end of their programmed works. Some of the planned works have subsequently been reprogrammed into the next financial year (2018/19) and will be delivered under the new arrangements. The programme has achieved transformation works to 1,012 properties in 2017/18 against a target of 1,000.

NARRATIVE REPORT

Capital Programme – Development

	Full Year Budget	Spend Full Year	Variance from Budget	
	£000	£000	£000	%
Seabrooke Rise	0	23	23	0
Bracelet	0	27	27	0
Calcutta	610	390	(220)	(36%)
Claudian Way	640	674	34	5%
Tops Club	600	399	(201)	(34%)
Total	1,850	1,513	(337)	(18%)

The budgets for 2017/18 for HRA New Build Schemes are set out above. The Month 10 forecast was £1.4m against a budget of £1.85m. The outturn was slightly more than that at £1.513m. The profile of spend changed during the year due to delays in the tendering process as the Council sought to obtain best value for money. The overall budget remains the same across the life of the schemes.

The financing of this spend is set out below. By utilising the Right to Buy 1-4-1 receipts in 2017/18 no repayment from the council to the Treasury is required.

Development Schemes - Financing	
	£000
Borrowing	1,059
1-4-1 Receipts	454
Total	1,513

The status of the three on site schemes as at 31st March 2018 is detailed below:

Calcutta

This project was the subject of a tendering exercise in 2017 through a framework that failed to produce a bid within budget. The scheme has been the subject of a value engineering exercise and has been retendered. There have been a positive level of interest in the first stage of the tendering process and a limited number of constructors will be invited to submit a final bid during February/March 2018. Final contractor selection is in April 2018 and provisional start on site is in June 2018 with an anticipated eighteen month construction period.

Claudian Way

Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. Enabling works to relocate utilities and undertake contractor services commenced during March 2018 with scheme completion estimated at October 2019.

NARRATIVE REPORT

Tops Club

As with Claudian Way Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. An application has been made to discharge pre-commencement conditions which will enable demolition and utility diversion works to commence. Completion is anticipated in June 19.

HRA Reserves – 31st March 2018

The impact on Reserves is set out in the table below:

Reserve	Opening £000s	Movement In £000s	Movement Out £000s	Closing £000s
HRA General Reserves	(2,175)	0	0	(2,175)
Development Reserve	(3,150)	(1,201)	0	(4,351)
One for One Receipts	(12,438)	(10,089)	454	(22,073)
Capital Reserve	0	(12,018)	11,174	(843)
Non Ring-fenced Capital Receipts	(1,577)	(1,506)	398	(2,685)
Housing Zones/Capacity Reserve	(1,440)	0	166	(1,274)

- The HRA General Reserve remains at £2.175m and is forecast to increase to £3m over time once the rent policy changes to rent increases in 2020/21.
- A contribution to the Development Reserve has been made in order to ensure the current New Build Programme can be financed and completed in 2019/20. This contribution is equivalent to the difference between the budgeted interest charge and the actual charge. This contribution reflects the ongoing financing requirements of these schemes as build costs increase
- During 2017/18 there were 115 RTB Sales and which realised £10.089m in 1-4-1 Receipts. £0.454m was used to finance the New Build programme in 2017/18.
- Some of the Transforming Homes planned works have been reprogrammed into the next financial year 2018/19 and will be delivered under the new contract arrangements. The balance on the Major Repairs Reserve will be utilised in 2018/19
- £0.398m of additional Housing Capital Investment has been made to Fire Safety (£0.185m) and the upgrade of Careline (£0.213m) financed from the Non Ring-fenced Capital Receipts from RTB Sales. A further £0.815m is allocated during 2018/19 to be invested on continued Fire Safety works in 2018/19 and £0.137m on the completed of the Careline upgrade.
- During 2017/18 £0.166m has been spent on Estate Regeneration work. The remainder of the reserve will be utilised in line with the Funding Agreements

■ Capital Expenditure

Total capital expenditure for 2017/18 amounted to £377.258m. A summary of this expenditure analysed by service is set out below and also shows the source of financing:-

NARRATIVE REPORT

Service	Budget £000s	Total £000s	Variance £000s
Adults; Housing and Health	1,534	1,216	(318)
Children's Services	3,007	2,008	(999)
Environment and Highways	13,509	10,853	(2,656)
Finance and Information Technology	341,859	340,400	(1,459)
Housing General Fund	73	24	(49)
Housing Revenue Account	13,673	13,125	(548)
HR; OD & Transformation	2,741	1,181	(1,560)
Corporate Strategy & Communications Place	45	5	(40)
	26,642	23,446	(3,196)
Total	403,083	392,258	(10,825)

Source of Finance	Budget £000s	Total £000s	Variance £000s
Prudential Borrowing	361,084	351,773	(9,311)
Usable Capital Receipts	2,182	2,011	(172)
Earmarked Usable Capital Receipts	420	494	74
Major Repairs Reserve	11,800	11,174	(626)
Grants	6,835	5,283	(1,553)
Other Grants	18,490	20,114	1,624
Developers Contributions	2,164	1,379	(785)
Revenue Contribution to Capital	0	18	18
Reserves	107	12	(95)
Total	403,083	392,258	(10,825)

The capital outturn position includes the delivery of the following projects in 2017/18:

- £324.3m spent on long term investments which are classified as capital expenditure as the associated bonds purchased fund the acquisition of capital assets
- £11.6m spent on transforming council homes, with the replacement of kitchens, bathrooms, electrics, boilers, windows and roofs. In addition the alarm call monitoring system, based at Harty Close was replaced.
- Completion of the “Olive Academy” School in Tilbury, with a gross-spend of £4.8m over the period 2015/16 to 2017/18.
- Completion of expansion works to Somers Heath Primary School in South Ockendon, with a gross spend of £2.3m over the period 2015/16 to 2017/18.
- £23.3m spent on improvements to the highways infrastructure, including replacing street lighting with LED lighting, design, land acquisition, land clearance costs for the widening of the A13 between Orsett Cock and Manorway interchanges, further improvement works to Oliver Road in West Thurrock, completion of one way traffic on Towers Road (Globe estate), Lodge Lane safety improvements and works to the Thurrock cycle network.
- £1.2m spent on the improvements to Belhus Leisure Centre
- Works in progress - During the year a number of projects commenced which are expected to be completed during the current or next financial year.

NARRATIVE REPORT

As at 31 March 2018, the Council had authorised expenditure in future years of £11.2m. In addition a further £184.3m had been previously authorised for use in 2018/19 and 2019/20, giving a total future years' commitment of £195.5m. This includes £62.7m on widening of the A13, £29.3m on housing new build developments, £18.8m on school expansions, £17.3m on the Purfleet redevelopment, £10.7m on improvements to Grays South, £5.8m on improvements to SLH rail/bus interchange and £4.4m on improvement works to the Civic Offices ground floor.

■ Cash Management

The Council has cash management processes in place to ensure funds are available as required. This is supported by ready access to borrowings from the money markets to cover any day to day cash flow needs. While the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities. The Council is also required to produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. Hence the Council has processes in place to raise finance to meet its commitments as they fall due.

■ Corporate Performance

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

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

The Corporate KPI Framework in 2017/18 included approximately 50 pieces of performance data which were used to monitor activities and progress in key areas.

By the end of 2017/18, 67% of those KPIs had achieved their target and 33% had failed to reach their target. 69% of indicators had either improved on their performance the previous year or remained the same, including four indicators which had improved but failed to meet their target.

Some of the indicators that were significantly below target include recycling rates and staff sickness for which there are plans in place to improve in 2018/19.

■ 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 decreased by £49.2m to £170.3m between 31 March 2017 and 31 March 2018.

■ 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.

NARRATIVE REPORT

Further material items to note in 2017/18 are:

■ External Investments

The Council has approved an Investment Strategy to meet service pressures and support service improvements in the Borough. On this basis the Council has invested an additional £387m in 2017/18.

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

These investments are reflected in the appropriate Balance Sheet categories.

■ Significant changes in accounting policies

There are no significant changes in 2017/18.

4. Future Financial Issues

■ Economic Outlook

The outlook for Local Authority funding remains challenging and there are now clearly defined plans for further reductions in government funding over the next 3 year period. This enables Local Authorities to plan with more clarity but further increases the challenges faced. The main sources of income to fund general services remain government grants, business rates income and council tax. This is now supported by an investment strategy to generate returns to meet service pressures while delivering service improvements in the Borough. The continuing financial challenges combined with the continued increase in demands for services - especially in children's and adult social care means the organisation continues to identify and assess transformation opportunities to meet these challenges.

The localisation of business rates continues to increase uncertainty over the level of income retained from this source.. The Council retains approximately 27% of the total amount collected but continues to manage the risk arising from successful appeals against rateable value assessments. The current plans for the further localisation of business rates mean the Council's exposure to risk is likely to increase going forwards.

The Council continues to benefit from low interest rates as a result of the debt restructuring exercise carried out in 2010. Interest rates continue to be monitored in conjunction with advice from treasury management advisors and the debt profile will be considered going forward. The Council will review and reassess the benefit of a phased move to fixed rates in line with this advice and will provide cover against interest rate exposure.

■ General Fund

For the period 2018/19–2020/21, 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 £5.7m to be delivered.

The Council has currently set a budget that is balanced for the period 2018/19. The Council continues to monitor the implications of the medium term financial strategy to the delivery of services and the achievement of priorities going forward.

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 Council is pursuing an investment strategy to mitigate further service pressures while accepting there is additional interest rate risks to be monitored.

NARRATIVE REPORT

■ Capital and Treasury Issues

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

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

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

5. Specific Accounting Issues

■ Accounting for Group Companies

The Council continues to consolidate the financial statements of Thurrock Regeneration Ltd – the 100% Council owned subsidiary set up to support the delivery of regeneration in the borough.

At the end of 2016/17 Thurrock Regeneration Ltd set up a 100% owned subsidiary company, Gloriana Thurrock Homes Ltd. The company commenced trading in 2017/18 and has been consolidated into the group financial statements.

The group financial statements are included in this document.

6. The Council's Economy, Efficiency and Effectiveness in the Use of Resources

The Council has consistently come within the operational budget, despite significant in-year pressures, since 2010. This has demonstrated strong financial management between both Members and officers, and sets a strong foundation going forward.

The Council's senior Leadership Group continue to develop the approach to achieving the £5.7m savings required over the forthcoming three financial years. A number of Boards continue to work to either: increase income; do more or at least the same, for less; or reduce demand. In addition, all services continue to be subject to independent service reviews against set criteria, including demand, customers, process, people, digital and ICT as well as commercial and procurement opportunities, over the medium term.

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

7. 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.

8. Further Information

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, that officer is the Director of Finance and IT;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts, which the Council has delegated to its Audit Committee.

The Director of Finance and IT's Responsibilities

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

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

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

The Director of Finance and IT has also:

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

The Director of Finance and IT's Certificate

I certify that Statement of Accounts present a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

Date:

Chair of the Standards and Audit Committee

Date:

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2017/18, 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 2017/18, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2017/18 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and

AUDITOR'S REPORT

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2017/18 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

AUDITOR'S REPORT

securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Thurrock Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Certificate

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

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
London
July 2018

The maintenance and integrity of the Thurrock Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EXPENDITURE FUNDING ANALYSIS

2016/17			2017/18		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
35,118	865	35,983	35,351	190	35,540
37,687	3,238	40,925	37,471	4,527	41,998
644	16	661	488	6	494
2,000	(3,031)	(1,031)	1,723	(383)	1,340
2,311	171	2,481	2,285	43	2,328
18,085	5,325	23,410	20,813	5,097	25,910
9,333	375	9,708	9,449	68	9,516
2,974	147	3,121	3,446	23	3,469
4,716	3,197	7,913	4,681	3,255	7,936
3,664	699	4,363	3,751	40	3,791
116,532	11,002	127,534	119,457	12,864	132,321
(10,759)	(1,116)	(11,875)	(1,641)	(31,854)	(33,495)
105,773	9,885	115,658	117,816	(18,989)	98,827
(106,214)	2,722	(103,492)	(121,207)	7,777	(113,430)
(441)	12,607	12,166	(3,391)	(11,212)	(14,603)
		Opening General Fund and HRA Balance at 31 March 2017			(18,581)
(441)		Less Deficit on General Fund and HRA	(3,391)		
(18,581)		Closing General Fund and HRA Balance at 31 March 2018	(21,973)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Primary Statement

2016/17			2017/18				
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
75,751	(39,768)	35,983	Adults; Housing and Health	78,867	(43,327)	35,540	
82,599	(41,674)	40,925	Children's Services	86,454	(44,456)	41,998	
628	32	660	Commercial Services	601	(107)	494	
55,051	(55,960)	(909)	Corporate Costs	55,583	(54,244)	1,340	
3,650	(1,168)	2,482	Corporate Strategy & Communications	2,477	(149)	2,328	
25,773	(2,450)	23,323	Environment and Highways	28,720	(2,810)	25,910	
14,404	(4,697)	9,707	Finance, IT & Legal	11,565	(2,049)	9,516	
51,570	(63,445)	(11,875)	Housing Revenue Account	21,019	(54,514)	(33,495)	
3,752	(631)	3,121	HR; OD and Transformation	3,777	(308)	3,469	
16,401	(8,488)	7,913	Place Directorate	15,505	(7,569)	7,936	
35,012	(30,649)	4,363	Schools	27,758	(23,967)	3,791	
364,591	(248,898)	115,693	Cost of Services	332,325	(233,499)	98,827	
26,901	(11,151)	15,750	Other operating expenditure	10	41,993	(16,057)	25,936
14,802	(4,670)	10,132	Financing and investment income and expenditure	11	15,669	(12,082)	3,587
3,920	(133,329)	(129,409)	Taxation and non-specific grant income and expenditure	12	4,480	(147,433)	(142,954)
410,214	(398,048)	12,166	(Surplus) or deficit on Provision of Services	394,468	(409,071)	(14,603)	
0	(7,410)	(7,410)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	20/30/31	0	(111,084)	(111,084)
0	54,236	54,236	Remeasurement of the net defined benefit liability/(asset)	36	0	(47,141)	(47,141)
0	782	782	(Surplus) or deficit on revaluation of available for sale financial assets		0	(881)	(881)
0	47,608	47,608	Other Comprehensive Income and Expenditure	0	(159,106)	(159,106)	
410,214	(350,440)	59,774	Total Comprehensive Income and Expenditure	394,468	(568,177)	(173,709)	

MOVEMENT IN RESERVES STATEMENT

Primary Statement

Notes	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	(16,385)	(1,754)	(8,023)	0	(11,893)	(38,055)	(439,955)	(478,010)
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	10,823	1,344	0	0	0	12,167	47,608	59,775
Adjustments from income & expenditure charged under the accounting basis to the funding basis	7 (6,253)	(6,356)	(7,585)	0	(2,683)	(22,877)	22,877	0
Increase or (Decrease) in 2016/17	4,570	(5,012)	(7,585)	0	(2,683)	(10,710)	70,485	59,775
Balance at 31 March 2017 carried forward	(11,815)	(6,766)	(15,608)	0	(14,576)	(48,765)	(369,470)	(418,235)

MOVEMENT IN RESERVES STATEMENT

Primary Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	(11,815)	(6,766)	(15,608)	0	(14,576)	(48,765)	(369,470)	(418,235)
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	6,499	(21,102)	0	0	0	(14,603)	(159,107)	(173,710)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	7 (8,013)	19,225	(11,770)	0	(7,299)	(7,857)	7,857	0
Increase or (Decrease) in 2017/18	(1,514)	(1,877)	(11,770)	0	(7,299)	(22,460)	(151,250)	(173,710)
Balance at 31 March 2018 carried forward	(13,329)	(8,643)	(27,378)	0	(21,875)	(71,225)	(520,720)	(591,945)

BALANCE SHEET Primary Statement

31 March 2017 £000		Notes	31 March 2018 £000
919,441	Property, Plant & Equipment	30	1,041,600
0	Investment Property		0
1,374	Intangible Assets		1,541
22,266	Heritage Assets	28	22,266
68,517	Long Term Investments	33	91,011
1,802	Long Term Debtors		342,570
1,013,400	Long Term Assets		1,498,988
22,948	Short Term Investments	33	77,658
1,890	Assets Held for Sale	29	1,770
512	Inventories		1,146
48,181	Short Term Debtors	20	23,009
7,935	Cash and Cash Equivalents	37	27,982
81,466	Current Assets		131,565
(205,290)	Short Term Borrowing	33	(554,337)
(38,131)	Short Term Creditors	21	(40,258)
0	Leasing Liability		0
(1,669)	Short Term Provisions	19	(3,636)
(245,090)	Current Liabilities		(598,231)
(4,788)	Long Term Provisions	19	(3,092)
(190,785)	Long Term Borrowing	33	(240,489)
0	Deferred Discounts		0
(219,534)	Pension Liability	36	(178,521)
0	Leasing Liability		0
(225)	Long Term Creditors		(271)
(16,209)	Capital Grants Receipts in Advance	24	(18,004)
(431,541)	Long Term Liabilities		(440,377)
418,235	Net Assets		591,945
(48,765)	Usable reserves	22	(71,225)
(369,470)	Unusable Reserves	23	(520,720)
(418,235)	Total Reserves		(591,945)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

31 May 2018.

CASH FLOW Primary Statement

2016/17 £'000		Notes	2017/18 £'000
(12,167)	Net surplus or (deficit) on the provision of services		14,603
28,636	Adjustment to surplus or deficit on the provision of services for non cash movements		65,513
(32,145)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(50,019)
(15,676)	Net Cash flows from operating activities	41	30,097
(27,042)	Investing Activities	39	(408,389)
42,956	Financing Activities	40	398,339
238	Net increase or decrease in cash and cash equivalents		20,047
7,697	Cash and cash equivalents at the beginning of the reporting period		7,935
7,935	Cash and cash equivalents at the end of the reporting period	37	27,982

Note 1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at 31 March 2018. 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 2017/18 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

1.2 Accounting Estimation Techniques

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

1.3 Accounting Concepts

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

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

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

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

NOTES TO THE CORE STATEMENTS

General Notes

The financial information is presented in accordance with the accounting policies included below.

- **Timeliness** – The information is made available to key stakeholders of the Council in accordance with statutory timescales.
- **Understandability** – the financial statements have been prepared clearly and concisely to ensure that they are as easy to understand as possible;

1.4 Accruals of Income and Expenditure (including revenue recognition)

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

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

1.5 Cash and Cash Equivalents

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

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

1.6 Contingent Liabilities

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

NOTES TO THE CORE STATEMENTS

General Notes

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

Teachers' Pension Scheme

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

Local Government Pension Scheme

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

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

NOTES TO THE CORE STATEMENTS

General Notes

- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of 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.

NOTES TO THE CORE STATEMENTS

General Notes

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”. 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 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.

NOTES TO THE CORE STATEMENTS

General Notes

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.

NOTES TO THE CORE STATEMENTS

General Notes

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.

NOTES TO THE CORE STATEMENTS

General Notes

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.

NOTES TO THE CORE STATEMENTS

General Notes

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 was reassessed in the current year and is now stated as:

The Council will set 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 continue to prudently set aside annual amounts for the repayment of the Council's outstanding debt:

- For supported borrowing, the Council will set aside repayment of the total supported debt held by the Council calculated using the annuity method over a period of 50 years. This has been adopted in 2016/17 and backdated to the commencement date in 2007/08 and

NOTES TO THE CORE STATEMENTS

General Notes

amendments to the calculated amounts in prior years will be offset over the future periods until the profile is aligned with the revised method.

- For prudential (or unsupported) borrowing the asset life (annuity) method has been adopted. This method involves making provision by instalments over the estimated useful life of the asset in respect of which the borrowing was made. For assets purchased up to 2012/13 an equal instalment approach was taken over the asset life. For assets purchased from 2013/14 onwards an annuity approach has been taken which calculates the instalment due by reference to the relevant PWLB rates (which differ depending on the length of the loan taken out).
- For assets held under a finance lease the amount set aside is calculated from the reduction in the underlying lease liability relating to each leased asset.

1.15 Overheads and Support Services

Until 2015/16 The costs of overheads and support services were charged to those services that benefit from the supply or service in accordance with the principles of SeRCOP. The Code has now requires the Council to reflect the management reporting of the Council. The Council does not report overheads and support services within the management accounts and consequently this is no longer included in the Comprehensive Income and Expenditure Account.

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

NOTES TO THE CORE STATEMENTS

General Notes

- 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 2017/18, a revaluation of 20% of Land and Building assets and 100% of the housing stock was undertaken. In addition a desktop review of the Land and Building assets (including dwellings) was also undertaken at the 31 March 2018. For 2017/18 the valuations of the Council's land and property for accounting purposes have been conducted by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

NOTES TO THE CORE STATEMENTS

General Notes

Impairments and Revaluation Losses

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

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

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

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

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

Depreciation

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

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

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

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

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

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

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

Assets Held for Sale

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

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

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

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

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

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

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

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Council's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Council to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view, any RTBs processed early in 2018/19 where the transaction was fully committed as at 31 March 2018 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.

1.19 Fair Value Measurement

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the management date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability

NOTES TO THE CORE STATEMENTS

General Notes

1.20 Provisions

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

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

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

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

1.21 Reserves

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

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

1.22 Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes when it does not result in a non-current asset being carried in the Balance Sheet. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon Council Tax. These items comprise financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the Council, repayments of Government grant in respect of assets disposed of and amounts directed by the Secretary of State under section 16(2) of Part 1 of the Local Government Act 2003.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure statement. It

NOTES TO THE CORE STATEMENTS

General Notes

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

1.23 Revenue Income Treated as Capital Receipts Under Statute

Normally capital receipts arise from disposals of interests in non-current assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or a loan made by the Council to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

1.24 Schools

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

The land and buildings of Community, Voluntary Controlled and Foundation Schools have been recognised on the Council's Balance Sheet as the Council controls the service potential of these assets. In respect of Voluntary Aided schools the service potential of the school buildings are deemed to be controlled by the Board of Governors and consequently these are not included in the Council's Balance Sheet. However the land held by these schools is controlled by the Council and is included on the Council's Balance Sheet.

1.25 Value Added Tax (VAT)

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

1.26 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure statement or in the notes to the accounts, depending on how significant the sums are to an understanding of the Council's financial performance.

1.27 Heritage Assets

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

Historic buildings – these were initially valued at cost as community assets and were then revalued on a restoration basis with any increases or decreases in value recognised in the revaluation reserve or Comprehensive Income and Expenditure statement as appropriate. The valuations are reviewed periodically (and at least every 5 years) as at 31 March by the Council's building surveyor – Geoffrey Bailey FRICS. It is noted the valuations are approximate and more accurate valuations by a specialist cost consultant are recommended but the Council is satisfied their valuations are materially accurate. Magazine No 5 at Purfleet and Coalhouse Fort at Tilbury are open to the public.

Artefacts – These are valued on the basis of insurance valuations with any increases or decreases in value recognised in the revaluation reserve. The valuations are reviewed periodically (and at least

NOTES TO THE CORE STATEMENTS

General Notes

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.

1.28 Collection of Local Taxes

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

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

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

1.29 Interests in Companies and Other Entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has identified two group companies – Thurrock Regeneration Ltd and Gloriana Thurrock Homes Ltd. There has been a full consolidation of the companies into the group accounts.

1.30 Inventories

Inventories are included in the balance sheet at the lower of cost and net realisable value.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Lease Accounting

It is not anticipated that these new standards and amendments will have a material impact on the Council's Statement of Accounts.

The Code required implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

NOTES TO THE CORE STATEMENTS
General Notes

Note 3 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments underlying these financial statements are:

- There is a degree of uncertainty about the future funding levels of local government. However the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Council has recently critically reviewed its portfolio of assets;
- Property, plant and equipment assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end. As a minimum this is at least once every five years. At the 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 2018 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 £0.833m.
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 £19.33m

NOTES TO THE CORE STATEMENTS

General Notes

Item	Uncertainty	Effect
Arrears	<p>The Council's debtors and the overall provision for impairment are disclosed in Note 20. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.</p>	<p>The Council has a bad debt provision for general purposes of £1.03m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.10m.</p> <p>The HRA bad debt provision is £0.329m. If a further 10% of debt over 180 days was provided for this would equate to an additional provision of £0.02m.</p>
Provisions	<p>The Council makes provision for liabilities of uncertain timing or amount. The provisions made by the Council are set out in Note 19 to these financial statements. This also includes the proportion of a provision made in the collection fund for appeals received from business rate payers against their assessed amount of non-domestic rates. This has been set at £12.99m following review by specialist valuers. The impact of this is shared between the Council (49%), Central Government (50%) and Essex Fire Authority (1%).</p> <p>These provisions are based on judgements by officers and by their nature may vary over time.</p>	<p>There is potential for provisions to be under or overstated as the uncertainty over the timing and amount of liabilities are resolved. The appeals against business rates assessments are considered to potentially vary by 5 per cent upwards or downwards which is equivalent to £0.65m.</p>
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example surplus assets, an external valuer is employed).</p> <p>Information about the valuation</p>	<p>The authority has relied on expert valuations to measure the fair value of surplus assets, assets held for sale and financial instruments.</p> <p>These are based on observable inputs used in the fair value measurement which for property assets include industrial land values, residential sales, and consideration of the lease status of these assets.</p> <p>For financial instruments the observable inputs are set out in detail in Note 33 to the financial statements.</p>

NOTES TO THE CORE STATEMENTS

General Notes

Item	Uncertainty	Effect
	techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 30 and 34 below	

Note 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are some regular material items of income and expense worthy of note, due to their size and potential impact on the Council if there are significant fluctuations.

These include figures for sums collected through Council Tax - the Council's proportion is £61.7m (£73.1m across all preceptors). Similarly sums are collected for business rates – the Council's proportion is £54.0m (£110.3m across all preceptors). The Council's proportion is reduced by £21.1m 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 £52.8m and claiming this back from Central Government.

The Council's debt portfolio currently incurs interest of £10.3m. Of this £5.6m relates to the additional debt the Council took on in 2011/12 as part of the Housing Revenue Account reform (£160.9m).

The Council also relies heavily on Government Grants. The revenue grants received from the Government totalled £249.6m. These are shown in Note 24 to the accounts.

Note 6 RECLASSIFICATION OF COMPARATIVE FIGURES

In line with 2017/18 Code, the following changes have been included which impact on the brought forward figures. These changes are:

The staff banding disclosure in Note 15 has been updated in line with updated source data.

NOTES TO THE CORE STATEMENTS

General Notes

Note 7(i) NOTE TO THE EXPENDITURE FUNDING ANALYSIS - ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

ADJUSTMENTS FOR CAPITAL PURPOSES

1) Adjustments for capital purposes- this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure-** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure-** the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure-** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions were satisfied in the year.

NET CHANGE FOR THE PENSIONS ADJUSTMENTS

2) Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

OTHER DIFFERENCES

3) Other differences between amounts debited/ credited to the Comprehensive Income and Expenditure Statement and amounts payable/ receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses of Deficits on the Collection Fund.

NOTES TO THE CORE STATEMENTS
General Notes

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2017/18	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	98	75	16	190
Children's Services	4,466	87	(26)	4,527
Commercial Services	0	2	3	6
Corporate Costs	0	138	(521)	(383)
Corporate Strategy & Communications	30	15	(2)	43
HR; OD and Transformation	1	17	5	23
Schools	0	40	0	40
Place Directorate	3,227	33	(4)	3,255
Environment and Highways	5,046	44	8	5,097
Finance, IT & Legal	40	36	(9)	68
Net Cost of Services	12,907	488	(531)	12,864
Housing Revenue Account	(15,212)	38	(11,022)	(26,196)
Other Income and Expenditure	(6,221)	5,602	2,738	2,119
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(8,526)	6,128	(8,814)	(11,212)

NOTES TO THE CORE STATEMENTS
General Notes

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2016/17	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	190	650	24	865
Children's Services	2,462	777	(1)	3,238
Commercial Services	0	15	2	16
Corporate Costs	0	(3,414)	383	(3,031)
Corporate Strategy & Communications	30	132	9	171
HR; OD and Transformation	0	137	11	147
Schools	0	699	0	699
Place Directorate	2,863	304	30	3,197
Environment and Highways	4,890	328	107	5,325
Finance, IT & Legal	0	338	36	374
Net Cost of Services	10,434	(34)	601	11,002
Housing Revenue Account	8,374	345	(9,835)	(1,116)
Other Income and Expenditure	(2,141)	5,521	(657)	2,724
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	16,667	5,832	(9,890)	12,609

NOTES TO THE CORE STATEMENTS

General Notes

Note 7(ii) ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

NOTES TO THE CORE STATEMENTS
General Notes

	2016/17							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves		Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve			
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the CIES</u>								
Amortisation of intangible assets	(494)	0	0	0	0	0	(494)	494
Charges for depreciation and impairment of non-current assets	(8,453)	(7,457)	0	0	0	0	(15,910)	15,910
Revaluation losses on property, plant and equipment	(752)	(12,959)	0	0	0	0	(13,711)	13,711
Revaluation gains reversing previous losses	894	12,611	0	0	0	0	13,505	(13,505)
Revaluation Depreciation Adjustments	(18)	(533)	0	0	0	0	(551)	551
Movement in the fair value of investment property	0	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(36)	0	0	0	0	(36)	36
Capital Grants and contributions applied	12,148	0	0	0	0	0	12,148	(12,148)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(6,549)	0	0	0	0	0	(6,549)	6,549
Grant Funding for REFCUS	4,938	0	0	0	0	0	4,938	(4,938)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(7,909)	(17,279)	0	0	0	0	(25,188)	25,188
Capital expenditure funded from revenue reserves	57	0	0	0	0	0	57	(57)
<u>Insertion of items not debited or credited to the CIES</u>								
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0

NOTES TO THE CORE STATEMENTS
General Notes

	2016/17							
	Usable Reserves					Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve			
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	1,347	1,347	(1,347)
Capital Grants and contributions unapplied credited to the CIES	4,030	0	0	0	0	(4,030)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	1,963	0	0	1,963	(1,963)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	850	10,301	0	(11,151)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	0	0	0	0	0
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(122)	0	0	122	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,041)	0	0	1,041	0	0	0	0
Use of capital receipts funding transformation expenditure	(440)	0	0	440	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	9,832	0	0	(9,832)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	9,832	0	9,832	(9,832)
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	31	0	0	0	0	0	31	(31)

NOTES TO THE CORE STATEMENTS

General Notes

	2016/17							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(16,275)	(1,601)	0	0	0	0	(17,876)	17,876
Employer's pension contributions and direct payment to pensioners payable in year	11,282	762	0	0	0	0	12,044	(12,044)
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	(408)	0	0	0	0	0	(408)	408
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which non-domestic rating income credited to the CIES is different from non-domestic rating income calculated for the year in accordance with statutory requirements	2,142	0	0	0	0	0	2,142	(2,142)
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	(164)	3	0	0	0	0	(161)	161
Total Adjustments	(6,253)	(6,356)	0	(7,585)	0	(2,683)	(22,877)	22,877

NOTES TO THE CORE STATEMENTS
General Notes

	2017/18							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves		Capital Grants Unapplied	Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve			
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the CIES</u>								
Amortisation of intangible assets	(688)	0	0	0	0	0	(688)	688
Charges for depreciation and impairment of non-current assets	(8,638)	(9,365)	0	0	0	0	(18,003)	18,003
Revaluation losses on property, plant and equipment	(749)	(3,331)	0	0	0	0	(4,080)	4,080
Revaluation gains reversing previous losses	497	28,785	0	0	0	0	29,282	(29,282)
Revaluation Depreciation Adjustments	(9)	(846)	0	0	0	0	(855)	855
Movement in the fair value of investment property	0	0	0	0	0	0	0	0
Movement in the value of held for sale assets	0	(30)	0	0	0	0	(30)	30
Capital Grants and contributions applied	22,945	0	0	0	0	0	22,945	(22,945)
Donations of assets to the CIES	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute (REFCUS)	(6,969)	0	0	0	0	0	(6,969)	6,969
Grant Funding for REFCUS	3,618	0	0	0	0	0	3,618	(3,618)
Amounts of assets written off on disposal or sale as part of the net gain or loss on disposal or sale to the CIES	(19,831)	(20,463)	0	0	0	0	(40,294)	40,294
Capital expenditure funded from revenue reserves	29	0	0	0	0	0	29	(29)
<u>Insertion of items not debited or credited to the CIES</u>								
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0

NOTES TO THE CORE STATEMENTS
General Notes

	2017/18							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	0	213	213	(213)
Capital Grants and contributions unapplied credited to the CIES	7,512	0	0	0	0	(7,512)	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Use of the capital receipts reserve to finance new capital expenditure	0	0	0	2,505	0	0	2,505	(2,505)
Transfer of sale proceeds credited as part of the gains or losses on disposal to the CIES	2,018	14,039	0	(16,057)	0	0	0	0
Capital Receipts from the repayments of external loans	0	0	0	(36)	0	0	(36)	36
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0
Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	0	(150)	0	150	0	0	0	0
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	(1,032)	0	0	1,032	0	0	0	0
Use of capital receipts funding transformation expenditure	(637)	0	0	637	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:								
Reversal of notional major repairs allowance credited to the HRA	0	11,174	0	0	(11,174)	0	0	0
Use of major repairs reserve to finance new capital expenditure	0	0	0	0	11,174	0	11,174	(11,174)
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	436	0	0	0	0	0	436	(436)

NOTES TO THE CORE STATEMENTS
General Notes

	2017/18							
	General Fund Balance	Housing Revenue Account Balance	Earmarked Reserves	Usable Reserves			Movement in Usable Reserves (total)	Movement in Unusable Reserves (total)
				Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(21,055)	(2,262)	0	0	0	0	(23,317)	23,317
Employer's pension contributions and direct payment to pensioners payable in year	15,512	1,677	0	0	0	0	17,189	(17,189)
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	(586)	0	0	0	0	0	(586)	586
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	(483)	0	0	0	0	0	(483)	483
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	97	(4)	0	0	0	0	93	(93)
Total Adjustments	(8,013)	19,224	0	(11,769)	0	(7,299)	(7,857)	7,857

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 8 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2017 Carrying amount		31 March 2018 Carrying amount
£000		£000
	Expenditure/Income	
	Expenditure	
104,197	Third Party Payments	135,793
101,289	Employee expenses	101,505
80,783	Housing Benefits Payments	52,038
54,198	Other operating expenses	47,086
34,305	Depreciation, Amortisation and Impairment	24,753
12,008	Gains on disposals of assets and impairments	15,092
9,281	Interest payments	10,392
5,522	Pen Int Cost & Expect ret on Pension Asset	5,602
1,041	NNDR Pooling Expenses	2,679
670	Payments to housing capital receipts pool	1,032
0	Precepts and Levies	668
(3,883)	Support Services Recharges	(2,169)
399,411	Total Expenditure	394,468
	Income	
(94,389)	Revenue Grants and Contributions	(86,716)
(57,735)	Income from Council Tax	(61,655)
(54,355)	HRA rent and service charge income	(53,265)
(53,513)	Fees, charges and other service income	(52,257)
(46,396)	Dedicated Schools Grant	(51,255)
(34,253)	Income from business rates	(36,448)
(16,178)	Capital Grants and contributions	(30,458)
(15,715)	Better Care Fund	(18,875)
(5,103)	Investment income	(12,082)
(4,938)	Gains on disposals of assets and impairments	(3,618)
(4,670)	Third Party Receipts	(2,443)
(387,244)	Total Income	(409,071)
12,166	Surplus or Deficit on the Provision of Services	(14,604)

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 9 DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) - the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2017/18 are as follows:

Notes Schools Budget Funded By Dedicated Schools Grant (DSG)				
		Central Expenditure	Individual Schools Budget	Total
		£000	£000	£000
A	Final DSG for 2017/18 before Academy Recoupment	32,607	112,568	145,175
B	Academy figure recouped for 2017/18	(5,739)	(92,016)	(97,756)
C	Total DSG after Academy Recoupment for 2017/18	0	0	47,419
D	Brought Forward from 2016/17	0	0	1,343
E	Carry Forward agreed to 2018/19	0	0	(1,343)
F	Agreed budgeted distribution in 2017/18	26,868	20,552	47,420
G	In Year Budget Adjustments	0	0	0
H	Final Budget Distribution for 2018/19	26,868	20,552	47,420
I	Actual Central Expenditures	(29,620)	0	(29,620)
J	Actual ISB deployed to schools	0	(20,501)	(20,501)
K	Local authority contribution 2017/18	0	0	0
L	Carry Forward to 2018/19	(2,752)	51	(4,044)

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 10 OTHER OPERATING EXPENDITURE

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

2016/17		2017/18
£000		£000
672	Levies	667
1,041	Payments to the Government Housing Capital Receipts Pool	1,032
14,037	Gains/losses on the disposal of non current assets	24,237
15,750	Total	25,936

Note 11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2016/17		2017/18
£000		£000
9,281	Interest payable and similar charges	10,067
5,521	Net interest on the net defined benefit liability	5,602
(4,670)	Interest receivable and similar income	(12,082)
10,132	Total	3,587

Note 12 TAXATION AND NON-SPECIFIC GRANT INCOME

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

2016/17		2017/18
£000		£000
(57,735)	Council tax income	(61,655)
(31,363)	Non domestic rates	(31,968)
(24,133)	Non-ringfenced grants	(18,874)
(16,178)	Capital grants and contributions	(30,457)
(129,409)	Total	(142,954)

NOTES TO THE CORE STATEMENTS

Capital Notes

Note 13 MEMBERS' ALLOWANCES

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

2016/17 £000	Members' Allowances	2017/18 £000
630	Allowances	632
0	Expenses	0
630	Total	632

Note 14 REMUNERATION OF SENIOR STAFF

Senior officer remuneration for 2017/18 is set out in the table below:

Senior Staff Emoluments 2017/18	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Lyn Carpenter		171,501	0	0	0	27,612	199,113
Corporate Director of Children's Services		133,719	0	0	0	21,494	155,212
Director of HR, OD & Transformation		96,543	0	0	0	15,537	112,080
Corporate Director of Adults, Housing and Health		126,501	0	0	0	20,367	146,868
Corporate Director of Place		133,500	0	0	0	21,494	154,994
Director of Corporate Finance & IT		96,527	0	0	0	15,537	112,064
Director of Public Health		109,113	0	0	0	17,549	126,662
Director of Strategy, Communication & Customer Services		96,501	0	0	0	15,537	112,038
Director of Commercial Services		92,800	0	0	0	15,537	108,336
Director of Environment and Highways	1	95,322	0	0	0	15,302	110,624

- 1) The Director of Environment and Highways was appointed on 1st November 2017. The amounts above include remuneration as Assistant Director of Environment and Place between 1 April 2017 and 31 October 2017. This new post of Director replaced two previous Assistant Director roles.

NOTES TO THE CORE STATEMENTS

Capital Notes

Senior officer remuneration for 2016/17 is set out in the table below:

Senior Staff Emoluments 2016/17	Note	Salary, Fees and Allowances	Performance Related bonus	Expense Allowance	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – Lyn Carpenter		170,000	0	0	0	24,310	194,310
Corporate Director of Environment & Place		132,000	0	0	0	18,876	150,876
Corporate Director Of Children's Services		108,167	0	0	0	15,468	123,635
Corporate Director Of Children's Services (Interim)		31,496	0	0	0	0	31,496
Corporate Director of Adults, Housing & Health		125,502	0	0	0	17,947	143,449
Corporate Director of Commercial Services & Commissioning		32,421	0	0	0	4,636	37,057
Director Of Public Health		108,000	0	0	0	15,444	123,444
Director of Strategy, Communications and Customer Services		89,960	0	0	0	12,864	102,824
Director of Finance & IT		95,502	0	0	0	13,657	109,159
Director of HR, OD, & Transformation		95,502	0	0	0	13,657	109,159

The number of employees whose remuneration (including severance payments where applicable) was £50,000 or more, in bands of £5,000 is shown in the table below. This does not include the senior officers shown above.

NOTES TO THE CORE STATEMENTS
Capital Notes

Remuneration of Senior Staff	2016/17		2017/18	
	Pay Band	Numbers of Employees	Numbers of Employees	
	50,001 - 55,000	79	84	
	55,001 - 60,000	82	59	
	60,001 - 65,000	55	50	
	65,001 - 70,000	32	26	
	70,001 - 75,000	14	22	
	75,001 - 80,000	10	6	
	80,001 - 85,000	8	5	
	85,001 - 90,000	5	3	
	90,001 - 95,000	6	8	
	95,001 - 100,000	4	4	
	100,001 - 105,000	2	1	
	105,001 - 110,000	3	0	
	110,001 - 115,000	1	1	
	115,001 - 120,000	1	2	
	120,000+	3	2	

Note: The above includes Council officers and staff at grant maintained schools.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The total cost of the exit package includes the redundancy payment to the individual and the pension contribution paid directly to Essex County Council.

Exit Package cost Band £	No of Compulsory Redundancies		Other Departures		Total number of Exit package by cost		Total Cost of Exit Packages	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
0 – 20,000	0	4	16	5	16	9	145,786	88,129
20,001- 160,000	0	2	5	3	5	5	168,969	319,815
Total	-	6	21	8	21	14	314,755	407,943

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.

NOTES TO THE CORE STATEMENTS

Capital Notes

Members and Other Public Bodies

Members have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 13.

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

The current councillors who have not provided a declaration return are Councillor John Allen, Councillor James Baker, Councillor Clare Baldwin, Councillor Victoria Holloway, Councillor Clifford Holloway and Councillor John Kent.

Officers

The Chief Executive is a director of High House Production Park. This is an arts organisation whose transactions with the Council are noted in the table below:

Entity	Income £	Expenditure £	Debtor £	Creditor £
High House Production Park	34,895	25,835	0	0
Your Do It Yourself Centre	0	535	0	0
Thurrock CVS	480	725,050	0	0

Note 16 EXTERNAL AUDIT COSTS

In 2017/18 the Council incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims:

2016/17 £000	External Audit Costs	2017/18 £000
	Fees Payable to Ernst & Young:	
134	External Audit Services including Statutory Inspections	141
17	Certification of Grant Claims and Returns	37
19	Non-Audit Work	0
169	Total	177

NOTES TO THE CORE STATEMENTS

Capital Notes

Note 17 TRANSFERS TO/ FROM EARMARKED RESERVES

The Council maintains a number of reserves which have been set up as a means of earmarking resources to meet future spending needs. This note shows details of amounts set aside in the year and of amounts posted back to meet General Fund expenditure during the year.

Balance at 1 April 2016 £000	Net Transfers (In)/Out £000	Balance at 31 March 2017 £000		Balance at 1 April 2017 £000	Net Transfers (In)/Out £000	Balance at 31 March 2018 £000
(3,753)	1,163	(2,590)	Balances held by Schools under a Scheme of Delegation	(2,590)	1,048	(1,542)
0	0	0	Revenue Grants Unapplied	0	0	0
0	(325)	(325)	Budget Management	(325)	(1,445)	(1,770)
0	(154)	(154)	Commuted Sums	(154)	0	(154)
0	0	0	DCLG DC Reserve	0	0	0
(524)	413	(111)	Grant Carried Forward	(111)	(89)	(200)
(452)	259	(193)	School Improvement Reserve	(193)	1	(192)
(1,149)	2,492	1,343	DSG	1,343	2,701	4,044
(367)	(58)	(425)	Public Health Grant	(425)	48	(377)
0	(3,150)	(3,150)	Development Reserve	(3,150)	(1,201)	(4,351)
0	(1,440)	(1,440)	Housing Zones	(1,440)	276	(1,164)
(2,140)	780	(1,360)	Other Earmarked Reserves	(1,360)	(1,730)	(3,090)
(8,385)	(20)	(8,405)	Earmarked Reserves	(8,405)	(391)	(8,796)

- The **Balances held by Schools under a Scheme of Delegation** comprise the working balances controlled by School Governors in the management of their annual share of DSG and other income;
- The **Revenue Grants Unapplied Reserve** has been set up from revenue grants received but the expenditure has yet to be incurred (i.e. the grants have no conditions or conditions have been met and have therefore been recognised in Comprehensive Income and Expenditure statement). The reserve will be drawn down once the associated expenditure has been incurred;
- The **Budget Management Reserve** was set up to provide a contingency to meet service demand over and above that budgeted for.
- The **DCLG DC Reserve** is the amount of funding remaining for the implementation of the Development Corporation staff into Thurrock Council.
- The **Grant Carried Forward Reserve** relates to grants where the conditions have been met, but the expenditure is yet to be incurred.
- The **School Improvement Reserve** was identified as a requirement during the budget setting process.

NOTES TO THE CORE STATEMENTS

Capital Notes

- The **Development Reserve** was established to fund regeneration and new development works within the Housing Revenue Account.
- The **Public Health Grant Reserve** has been established to fund expenditure in relation to public health which is a Council responsibility from 1 April 2013.
- **Other Reserves** – all other earmarked reserves set up but with balances of less than £1m as at 31 March 2018.

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:

2016/17 £000		2017/18 £000
1,553	Not later than 1 year	1,504
2,097	Later than 1 year and not later than 5 years	1,935
64	Later than 5 years	49
3,714		3,488

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 £12.9m.

Provision has been made for potential insurance claims against the Council. This includes claims made for Mesothelioma (a form of cancer caused by exposure to asbestos) which were fully covered under the policy with Municipal Mutual Insurance Ltd (MMI) until 2011/12.

A judgement by the Supreme Court on 28 March 2012 confirmed that employers insurance liability applies to the time when employees were first exposed to asbestos as opposed to when symptoms appeared. This meant the MMI insurance cover would not be sufficient to cover all potential claims. The Councils' maximum exposure was estimated at £1.1m but officers have been advised a provision of £0.334m remains appropriate.

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

NOTES TO THE CORE STATEMENTS
Capital Notes

Short Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Pension Provision £000	Other Provision £000	Total £000
Balance at 01 April 2017	(106)	(1,563)	0	0	(1,669)
Additional Provision/Amount Used 2017/18	0	(1,937)	0	(30)	(1,967)
Balance at 31 March 2018	(106)	(3,500)	0	(30)	(3,636)
Balance at 01 April 2016	(106)	(2,607)	(3,500)	0	(6,213)
Additional Provision/Amount Used 2017/18	0	1,044	3,500	0	4,544
Balance at 31 March 2017	(106)	(1,563)	0	0	(1,669)

Long Term Provisions	MMI Insurance £'000	Business Rate Appeals £000	Other £000	Total £000
Balance at 01 April 2017	(274)	(4,447)	(67)	(4,788)
Additional Provision/Amount Used 2017/18	46	1,583	67	1,696
Balance at 31 March 2018	(228)	(2,864)	0	(3,092)
Balance at 01 April 2016	(404)	(3,060)	(126)	(3,590)
Additional Provision/Amount Used 2017/18	130	(1,387)	59	(1,198)
Balance at 31 March 2017	(274)	(4,447)	(67)	(4,788)

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:

NOTES TO THE CORE STATEMENTS

Capital Notes

31 March 2017 £000		31 March 2018 £000
5,864	Central government bodies	4,533
471	Other local authorities	1,819
868	NHS bodies	0
0	Public corporations and trading funds	0
40,978	Other entities and individuals	16,657
48,181	Total	23,009

Note 21 SHORT-TERM CREDITORS

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

31 March 2017 £000		31 March 2018 £000
(9,907)	Central government bodies	(13,188)
(1,857)	Other local authorities	(2,063)
(689)	NHS bodies	(298)
0	Public corporations and trading funds	0
(25,678)	Other entities and individuals	(24,709)
(38,131)	Total	(40,258)

Note 22 USABLE RESERVES

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

31 March 2017 £000		Notes	31 March 2018 £000
(8,000)	General Fund Balance	(a)	(11,000)
(2,176)	Housing Revenue Account Balance	(b)	(2,175)
(3,815)	General Fund Earmarked Reserves	(c)	(2,327)
(4,590)	HRA Earmarked Reserves		(6,469)
(15,608)	Capital Receipts Reserve	(d)	(27,379)
0	Major Repairs Reserve	(e)	0
(14,576)	Capital Grants Unapplied	(f)	(21,876)
(48,765)	Total Usable Reserves		(71,226)

The movements in the year and balances at 31 March of the Council's Usable Reserves are set out in the Movement in Reserves Statement supported by Note 7.

NOTES TO THE CORE STATEMENTS

Capital Notes

(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 2017 £000		Notes	31 March 2018 £000
(122,700)	Revaluation Reserve	(a)	(219,323)
(481,949)	Capital Adjustment Account	(b)	(495,223)
14,899	Financial Instruments Adjustment Account	(c)	14,463
219,534	Pensions Reserve	(d)	178,521
(915)	Collection Fund Adjustment Account - Council Tax		(329)
(123)	Collection Fund Adjustment Account - NNDR		360
772	Financial Instruments For Sale Account		(109)
1,012	Accumulated Absences Account		920
(369,470)	Total Unusable Reserves		(520,720)

(a) Revaluation Reserve

This reserve functions as a store of the gains made by the Council from the increases in the value of its Property, Plant and Equipment since 1 April 2007 when the reserve was created. Gains prior to that date are consolidated in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, used in the provision of services with the gains consumed through depreciation and disposed of with the gains being realised.

NOTES TO THE CORE STATEMENTS
Capital Notes

31 March 2017 £000		31 March 2018 £000
(119,254)	Balance at 1 April	(122,700)
(15,661)	Upward revaluation of assets	(114,906)
8,251	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,822
(7,410)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(111,084)
1,233	Difference between fair value depreciation and historical cost depreciation	1,941
2,731	Accumulated gains on assets sold or scrapped	12,520
3,964	Amount written off to the Capital Adjustment Account	14,461
(122,700)	Balance at 31 March	(219,323)

(b) Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account includes accumulated gains and losses on Investment Properties and gains recognised on any donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment prior to 1 April 2007 when the Revaluation Reserve was created to hold such gains. The source of the majority of postings in the table below can be seen in Note 7.

NOTES TO THE CORE STATEMENTS
Capital Notes

31 March 2017 £000		31 March 2018 £000
(496,633)	Balance at 1 April	(481,948)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
16,461	Charges for depreciation of non current assets (PPE)	18,858
13,711	Revaluation and Impairment losses on Property, Plant and Equipment	4,080
(13,505)	Revaluation gains reversing previous losses (PPE)	(29,282)
494	Amortisation of intangible assets	688
6,549	Revenue expenditure funded from capital under statute (REFCUS) - net of Funding	6,969
18,194	PPE written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	31,819
6,994	Assets Held for Sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,475
(2,731)	Accumulated gains on assets sold or scrapped	(12,520)
46,167		29,087
(1,233)	Adjusting amounts written out of the Revaluation Reserve	(1,941)
44,934	Net written out amount of the cost of non current assets consumed in the year	27,146
	Capital financing applied in the year:	
(1,963)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,469)
(9,832)	Use of the Major Repairs Reserve to finance new capital expenditure	(11,174)
(18,433)	Application of grants to capital financing from the Capital Grants Unapplied Account	(26,776)
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances (including finance lease liabilities)	0
(57)	Capital expenditure charged against the General Fund and HRA balances (DRC)	(29)
0	Other Adjustments	0
(30,285)		(40,448)
36	Movements in assets held for sale debited or credited to the CIES	30
(481,948)	Balance at 31 March	(495,220)

(c) Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains according to statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure statement when they are incurred but reversed out of the General Fund Balance to this Account in the Movements in Reserves statement. Over time the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. Usually this means writing off the balance over the unexpired term of the loans when they were redeemed. The large balance is due to the debt rescheduling undertaken in August 2010 whereby the premium payable on each loan has been written down over remaining life of the loan. When rescheduled in 2010/11 the remaining life of the loans repaid ranged from 3–48 years. Therefore the balance on this account will be cleared over a period of 48 years with currently a further 46 years remaining.

NOTES TO THE CORE STATEMENTS

Capital Notes

31 March 2017 £000		31 March 2018 £000
14,930	Balance at 1 April	14,899
(31)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(436)
14,899	Balance at 31 March	14,463

(d) Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions about investment returns on those resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Council makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and present employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2017 £000		31 March 2018 £000
159,466	Balance at 1 April	219,534
54,236	Actuarial gains or losses on pensions assets and liabilities	(47,141)
17,876	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	23,317
(12,044)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,189)
219,534	Balance at 31 March	178,521

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 24 ANALYSIS OF GOVERNMENT GRANTS

The Council credited the following material grants and contributions to the Comprehensive Income and Expenditure statement:

2016/17 £000		2017/18 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue		
(58,143)	Council Tax	(61,655)
(29,289)	National Non Domestic Rates	(31,968)
(20,678)	Revenue Support Grant	(14,660)
(3,380)	New Homes Bonus	(3,604)
(870)	Education Services Grant	(590)
0	Other	(19)
Capital		
(3,253)	Department for Transport	(4,046)
(5,836)	Department for Education	(6,259)
(331)	Homes and Communities Agency	0
0	South Essex Local Enterprise Partnership	(18,448)
(6,875)	Other	(1,704)
(128,655)	Total	(142,953)
Credited to Services:		
Revenue		
(53,182)	Housing Benefit	(51,433)
(11,619)	Public Health Grant	(11,333)
(49,758)	Dedicated Schools Grant	(47,080)
(242)	Music Education Grant	(277)
(32)	Adult Learning	0
(1,876)	Unaccompanied Asylum Seekers Grant	(1,055)
(858)	Housing Benefit Admin Grant	(781)
(15,714)	Health Authority Social Care Funding (now better care fund)	0
	Better Care Fund - Reablement	(878)
	Better Care Fund - Section 256	(3,105)
	Better Care Fund - Main Stream	(11,939)
	Better Care Fund - Improved BCF	(132)
	Better Care Fund - Improved BCF £2bn	(2,821)
	Adult social care support grant	(718)
	LOCASM	(1,334)
(1,054)	Other	(931)
Capital		
(3,347)	DOE	(910)
0	South Essex Local Enterprise Partnership	(1,422)
(1,591)	Other	(1,286)
(139,274)	Total	(137,435)

NOTES TO THE CORE STATEMENTS

Capital Notes

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

31 March 2017		31 March 2018
£000		£000
	Capital Grants & Contributions - Receipts in Advance	
(9,115)	Section 106	(12,040)
0	Department for Education	(6)
(133)	Department of Communities and Local Government	(137)
0	South Essex Local Enterprise Partnership	0
(6,275)	Other Contributions	(5,133)
(686)	Port of London Authority	(688)
(16,209)	Total	(18,004)

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 31 May 2018. There have been no events arising between the 31 March 2018 and 31 May 2018 that provides information about conditions existing at 31 March 2018 which need to be reflected in the financial statements.

Note 27 EXCEPTIONAL ITEMS

There were no exceptional items in 2017/18.

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 28 HERITAGE ASSETS SUMMARY OF TRANSACTIONS

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

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

There have been no additions or disposals of heritage assets between 2014/15 and 2017/18 with the only changes in asset values relating to revaluations.

	2014/15	2014/15	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18
	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts	Buildings	Artefacts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Carrying Value	21,166	122	22,144	122	22,144	122	22,144	122
Revaluations	978	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0
Closing Carrying Value	22,144	122	22,144	122	22,144	122	22,144	122

Note 29 ASSETS HELD FOR SALE

2016/17		2017/18
£000		£000
2,399	Balance outstanding at start of year	1,890
	<u>Assets newly classified as held for sale:</u>	
6,607	Property, Plant and Equipment	8,501
	<u>Revaluations and Impairments:</u>	
(122)	Revaluation losses	(146)
0	Revaluation gains	0
	<u>Assets declassified as held for sale:</u>	
0	Property, Plant and Equipment	0
(6,994)	Assets sold	(8,475)
1,890	Balance outstanding at year-end	1,770

NOTES TO THE CORE STATEMENTS
Capital Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT

Movement 2017/18	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 2017	604,450	153,951	26,673	18,866	107,037	3,507	60,718	975,202
Adjustment - Note 1	0	0	0	0	0	(3,055)	0	(3,055)
Additions / Donations	11,988	4,487	5,891	434	23,712	1,476	0	47,988
Derecognition - Disposals	0	(35)	(712)	0	0	0	(1,795)	(2,542)
Derecognition - Other	(11,990)	(18,250)	0	0	0	0	0	(30,240)
Revaluations Recognised in Revaluation Reserve	107,100	1,533	0	0	0	0	1,062	109,695
Revaluations Recognised in Surplus/Deficit on Provision of Services	25,166	(71)	0	0	0	0	0	25,095
Assets reclassified (to)/from Held for Sale	(8,501)	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	(8,501)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2018	728,213	141,615	31,852	19,300	130,749	1,928	59,985	1,113,642

Note 1 – The adjustment relates to the reclassification of capital expenditure to revenue expenditure funded from capital under statute.

NOTES TO THE CORE STATEMENTS
Capital Notes

Movement 2017-18	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 2017	0	(7,350)	(15,318)	(6,824)	(26,116)	0	(153)	(55,761)
Depreciation charge	(9,149)	(2,716)	(2,472)	(674)	(2,920)	0	(72)	(18,003)
Depreciation written back to the Revaluation Reserve	42	512	0	0	0	0	99	653
Depreciation written back to Surplus/Deficit on Provision of Services	3	104	0	0	0	0	0	107
Derecognition - Disposals	0	1	595	0	0	0	0	596
Derecognition - Other	0	366	0	0	0	0	0	366
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2018	(9,104)	(9,083)	(17,195)	(7,498)	(29,036)	0	(126)	(72,042)
NBV At 31 March 2017	604,450	146,601	11,355	12,042	80,921	3,507	60,565	919,441
NBV At 31 March 2018	719,109	132,532	14,657	11,802	101,713	1,928	59,859	1,041,600

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2016	633,357	155,481	29,349	18,411	94,385	3,393	61,336	995,712
Additions / Donations	10,805	5,000	2,224	456	12,693	5,469	715	37,362
Additions - Other	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	(773)
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	(22,270)
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	(12,244)
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	(15,979)
Assets reclassified (to)/from Held for Sale Property	(6,607)	0	0	0	0	0	0	(6,607)
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	0
At 31 March 2017	604,449	153,947	26,674	18,867	107,037	3,508	60,719	975,201

NOTES TO THE CORE STATEMENTS
Capital Notes

Comparative 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2016	(25,174)	(7,277)	(17,433)	(6,165)	(23,539)	0	(74)	(79,662)
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	(15,910)
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	19,189
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	15,773
Derecognition - Disposals	0	0	324	0	17	0	0	341
Derecognition - Other	0	323	4,184	0	0	0	0	4,507
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2017	(1)	(7,348)	(15,318)	(6,825)	(26,116)	0	(154)	(55,762)
NBV At 31 March 2016	608,183	148,204	11,916	12,246	70,846	3,393	61,262	916,050
NBV At 31 March 2017	604,448	146,599	11,356	12,042	80,921	3,508	60,565	919,439

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

Note 30 PROPERTY, PLANT AND EQUIPMENT (cont.)

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Council's property portfolio have been valued at 31 March 2018 by the Council's own valuers. The valuers are members of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

From the 1st April 2016 the Social Housing Factor, the amount by which the open market value is multiplied by (for properties used for social housing) was amended from 39% to 38%, in line with guidelines issued by the Department for Communities and Local Government.

A full valuation of council dwellings was undertaken at 1 April 2017 and this is followed by an annual desktop valuation to determine any further increases or decreases in property values as at 31 March 2018. Three indices (Halifax, Land Registry and The Communities and Local Government House Price Index) were referenced in order to reach a decision. The consensus from the evidence gathered is that there has been no discernible movement in the local housing market and in house prices over the period under review. Based on the information no increase was applied. The next full valuation of council dwellings is scheduled to take place in 2022.

A desktop review of other land and building assets was undertaken as at 31 March 2018. Three categories were reviewed (Retail, Offices and Industrial) and each indicated a 0% change. A desktop review of the former Development Corporation Assets was undertaken at 31 March 2018 and based on the evidence obtained, no increase was applied.

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

SURPLUS ASSETS

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2017 and 31 March 2018 are as follows:

	Quoted Prices in			Fair Value as
	Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	at 31 March 2017
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	9,659	367	10,026
Industrial properties	0	46,903	0	46,903
Other properties	0	3,340	296	3,636
Total	0	59,902	663	60,565

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

	Quoted Prices in			Fair Value as at 31 March 2018
	Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	£'000	£'000	£'000	£'000
Recurring Fair Value Measurements Using:				
Land	0	9,659	367	10,026
Industrial properties	0	46,203	0	46,203
Other properties	0	3,335	295	3,630
Total	0	59,197	662	59,859

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Properties

Significant Observable Inputs – Level 2

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The value of the assets disclosed at Level 3 in the table above are not material to the Council accounts and have been valued at existing use value by the Council's internal valuers. It has been confirmed these values would not alter materially if valued on the open market.

Note 31 CAPITAL EXPENDITURE AND FINANCING

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

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

2016/17 £000		2017/18 £000
327,736	Opening Capital Financing Requirement	341,748
	Capital investment	
37,362	Property, Plant and Equipment	47,988
387	Intangible Assets	854
6,549	Revenue Expenditure Funded from Capital under Statute	3,913
0	Long Term Debtors	339,503
2016/17 £000		2017/18 £000
	Sources of finance	
(1,963)	Capital receipts	(2,505)
(28,323)	Government grants and other contributions (includes REFCUS & MRA)	(37,980)
	Sums set aside from revenue:	
0	• MRP (including finance leases liabilities)	0
341,748	Closing Capital Financing Requirement	693,521
	Explanation of movements in year	
0	Decrease in underlying need to borrowing (supported by government financial assistance)	0
14,012	Increase in underlying need to borrowing (unsupported by government financial assistance)	351,773
0	Assets acquired / adjusted under finance leases	0
14,012	Increase/(Decrease) in Capital Financing Requirement	351,773

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

2016/17 £000	Balance Sheet Item	2017/18 £000
919,441	Property Plant & Equipment	1,041,600
0	Investment Property	0
1,890	Assets Held for Sale	1,770
1,375	Intangible Assets	1,541
22,266	Heritage Assets	22,266
1,425	Long Term Debtors	340,892
(122,701)	Revaluation Reserve	(219,325)
(481,948)	Capital Adjustment Account	(495,222)
341,748	Total Capital Financing Requirement	693,522

Note 32 CAPITAL COMMITMENTS

As at 31 March 2018, the Council had authorised expenditure in future years of £11.2m. In addition a further £184.3m had been previously authorised for use in 2018/19 and 2019/20, giving a total future years' commitment of £195.5m. These commitments included contractual commitments of £34.347m

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

Note 33 FINANCIAL INSTRUMENTS

a. Categories of Financial Instrument

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

31 March 2017 Carrying amount £000	Fair Value £000		31 March 2018 Carrying amount £000	Fair Value £000
(205,020)	(205,020)	Temporary Market Debt	(553,861)	(554,861)
(270)	(270)	Long Term Loans maturing in less than 1 year	(476)	(476)
(205,290)	(205,290)	Short Term Borrowing	(554,337)	(555,337)
(160,889)	(221,921)	PWLB Debt	(160,889)	(214,127)
(29,893)	(63,301)	Long Term Market Debt	(79,597)	(110,694)
(3)	(3)	Bonds/Annuities	(3)	(3)
(190,785)	(285,225)	Long Term Borrowing	(240,489)	(324,824)
(7,684)	(7,684)	Other Creditors at Contract Amounts	(7,763)	(7,763)
0	0	Total Leasing Liability	0	0
(403,759)	(498,199)	Total Financial Liabilities	(802,588)	(887,923)
69,289	68,517	CCLA Property Fund/Gloriana	91,011	91,100
69,289	68,517	Long Term Investments	91,011	91,100
22,948	22,948	Tempoorary Investments	77,658	77,658
0	0	Fund Managers Investments	0	0
22,948	22,948	Short Term Investments	77,658	77,658
88	88	Cash held by the Council	276	276
6,248	6,248	Bank Current Accounts	4,657	4,657
1,599	1,599	Short term deposits with Financial	23,049	23,049
7,935	7,935	Cash and Cash Equivalents	27,982	27,982
41,317	41,317	Other Debtors at Contract Amounts	14,079	14,079
141,489	140,717	Total Financial Assets	210,730	210,819

Fair Values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields on similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

NOTES TO THE CORE STATEMENTS

Financial Instruments Notes

	31st March 2017			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB	0	(221,991)	0	(221,991)
Long-term LOBO loans	0	(61,673)	0	(61,673)
Other Loans	0	(878)	0	(878)
Total Financial Liabilities	0	(284,542)	0	(284,542)
Financial Assets				
Gloriana Equity		19,289		19,289
Available for Sale Financial Instruments:				
CCLA Property Fund		49,228	0	49,228
Total Financial Assets	0	68,517	0	68,517

	31st March 2018			
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at Amortised Cost:				
Long-term loans from PWLB		(214,127)		(214,127)
Long-term LOBO loans		(109,360)		(109,360)
Other Loans		(584)		(584)
Total Financial Liabilities	0	(324,071)	0	(324,071)
Financial Assets				
Gloriana Equity/Bonds		15,991		15,991
Available for Sale Financial Instruments:				
CCLA Property Fund		75,109		75,109
Total Financial Assets	0	91,100	0	91,100

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:

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

2017/18				
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available for Sale Financial Assets	Total
	£000	£000	£000	£000
Interest expense	10,037	0	0	10,037
Total expense in Surplus or Deficit on the Provision of Services	10,037	0	0	10,037
Interest income	0	(9,338)	(2,744)	(12,082)
Total income in Surplus or Deficit on the Provision of Services	0	(9,338)	(2,744)	(12,082)
Net gain/(loss) for the year	10,037	(9,338)	(2,744)	(2,045)

2016/17				
	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	9,203	0	0	9,203
Total expense in Surplus or Deficit on the Provision of Services	9,203	0	0	9,203
Interest income	0	(1,086)	(3,506)	(4,592)
Total income in Surplus or Deficit on the Provision of Services	0	(1,086)	(3,506)	(4,592)
Net gain/(loss) for the year	9,203	(1,086)	(3,506)	4,611

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:

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

31 March 2017 £000	Maturity Profile of Financial Liabilities	31 March 2018 £000
(213,184)	Less than 1 year	(561,513)
(900)	Between 2 and 5 years	(50,600)
(18,000)	Between 25 and 30 years	(18,000)
0	Between 30 and 35 years	0
(11,000)	Between 35 and 40 years	(61,000)
(160,889)	Between 40 and 45 years	(110,889)
0	Over 45 years	0
(403,973)	Total Financial Liabilities	(802,602)

31 March 2017 £000	Maturity Profile of Financial Assets	31 March 2018 £000
113,917	Less than 1 year	187,629
0	Between 1 and 2 years	10,000
0	Between 2 and 5 years	0
15,000	Between 5 and 10 years	0
4,289	Between 10 and 15 years	5,629
0	Between 15 and 20 years	0
0	Between 25 and 30 years	0
0	Between 30 and 35 years	0
0	Between 35 and 40 years	0
0	Between 40 and 45 years	0
0	Over 45 years	0
133,206	Total Financial Assets	203,258

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of LOBO loans have been increased by the value of the embedded options. Lenders options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrowers contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- No early repayment or impairment is recognised;
- The fair values of other long term loans and investments have been discounted at the market rates of similar instruments with similar remaining terms to maturity on 31 March 2018;
- The fair value of short term investments/loans, including trade payables and receivables is assumed to approximate the carrying amount;

NOTES TO THE CORE STATEMENTS

Financial Instruments Notes

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 2017/18 the Operational Limit was £453.7m and the Authorised Limit was £483.7m;
 2. Its maximum and minimum exposures to fixed and variable rates. For 2017/18 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 2017/18 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 2017/18 this limit was set at £65m, and by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual Council Tax and budget setting meeting. They are reported with the 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.

NOTES TO THE CORE STATEMENTS

Financial Instruments Notes

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance Service to implement the approved strategies and policies.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's current credit policy is not solely based on credit ratings. The minimum credit rating for institutions is A- and for countries is AA+; this is based on the ratings from all three rating agencies with the lowest rating of all three being used. Assessments are also made of Credit Default Swaps (when quoted), Public Debt as a percentage of GDP (for Countries), levels of sovereign support, share prices, macro-economic indicators and corporate developments/news articles/market sentiment. For foreign countries the Council may not invest more than £12.5m in each country, except for the UK where all the Council's funds can be invested. For single institutions the maximum level of investment is £5m. The assessments are all made by the Council's Treasury Management Advisors, Arling close.

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

Deposits with Banks and Financial Institutions	Amount at 31 March 2017	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure
	£000	£000	%	%	£000
Gloriana Equity	4,289	5,629	0	0	0
CCLA	50,000	76,000	0	0	0
Banks Rates AAA Long Term	0	0	0	0	0
Banks Rates AA Long Term	0	0	0	0	0
Banks Rates A Long Term	2,600	1,000	0	0	0
Solar Deal	34,000	50,000	0	0	0
Un-rated Building Societies	1,000	34,050	0	0	0
Local Authorities	0	12,500	0	0	0
Cash	0	0	0	0	0
Bonds	0	10,000	0	0	0
	91,889	189,179	0	0	0

The analysis in the above table is based on the nominal values of investments outstanding as at 31 March 2018 and therefore not comparable to the balance sheet.

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

The Council does not generally allow credit for its trade debtors, and effectively £2.2m of the total balance was past its due date for payment at 31st March 2018. Therefore the provision for bad debts of £1.03m has been calculated with reference to estimated default rates.

NOTES TO THE CORE STATEMENTS

Financial Instruments Notes

Liquidity Risk

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

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

All creditors are due to be paid in less than one year and are therefore shown in the less than one-year total in the financial liabilities table in Note 33c. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the Less Than 1 Year.

Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow management procedures described above are considered to be adequate to deal with short-term financing risks, there is a longer-term risk to the Council relating to managing exposure to the replacement of financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets that might need to be replenished at a time of unfavourable interest rates. The Council sets limits on the proportion of fixed rate borrowing maturing during specified periods.

The Prudential Indicator limits for the maturity structure of debt and the limits placed on investments made for greater than one year in duration are the key parameters used to address this risk. The Council's Treasury and Investment Strategies address the main risks and the Capital, Taxation and Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities and financial assets is set out in note 33c.

The maturity analysis of both financial assets and liabilities are based on the nominal value of the assets outstanding at 31st March 2018 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

NOTES TO THE CORE STATEMENTS
Financial Instruments Notes

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 2018 would have been:

2016/17 £000	Sensitivity Analysis	2017/18 £000
(47,476)	Decrease in fair value of fixed rate borrowings liabilities	(45,591)

(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 2017/18 the Council paid a total of £ £2.131m, including £0.737m actual teachers’ contributions, (£1.019m in 2016/17) in respect of teachers’ retirement benefits. The employer’s contribution rate remained at 16.48%.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

Note 36 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers and its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose the items at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-Employment Benefits

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

NOTES TO THE CORE STATEMENTS
Pensions Notes

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service costs	12,219	17,577	0	0
• administration costs	136	156	0	0
Financing and Investment Income and Expenditure:				
• Net interest cost	5,521	5,602	320	244
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	17,876	23,335	320	244
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)	51,819	18,086	0	0
• actuarial (gains) and losses arising on changes in demographic assumptions	9,186	0	453	0
• actuarial (gains) and losses arising on changes in financial assumptions	(122,943)	29,091	(1,017)	197
• experience loss (gain) on defined benefit obligation	691	0	0	0
• other	7,011	0	(107)	0
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(36,360)	70,512	(351)	441
	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £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	(17,876)	(23,335)	(320)	(244)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	12,044	17,189		
• Retirement benefits payable to pensioners			640	626

NOTES TO THE CORE STATEMENTS

Pensions Notes

The cumulative amount of actuarial gains and losses, since 1 April 2005 recognised in the Comprehensive Income and Expenditure statement to 31 March 2018 is a £9.067m loss.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Unfunded Benefits 2016/17 £000	Unfunded Benefits 2017/18 £000
Present value of defined benefit obligation	605,235	597,572	9,347	8,768
Fair Value of plan assets	(395,048)	(427,819)	0	0
Sub-total	210,187	169,753	9,347	8,768
Net liability arising from defined benefit obligation	210,187	169,753	9,347	8,768

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

	Local Government Pension Scheme 2016/17 £000	Local Government Pension Scheme 2017/18 £000	Discretionary Benefits Arrangements 2016/17 £000	Discretionary Benefits Arrangements 2017/18 £000
Opening fair value of scheme assets	324,100	395,048	0	0
Opening adjustment			-	-
Interest income	11,712	10,694	0	0
Remeasurement gain/(loss)	7,011	0	0	0
- The return on plan assets, excluding the amount included in the net interest expense	51,819	18,068	0	0
- Other	(136)	(156)	0	0
Contributions from employer	12,044	17,189	0	0
Contributions from employees into the scheme	3,665	3,742	0	0
Benefits paid	(14,481)	(14,358)	0	0
Settlements Received/(Paid)	(686)	(2,408)	0	0
Closing fair value of scheme assets	395,048	427,819	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.

NOTES TO THE CORE STATEMENTS
Pensions Notes

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

	Local Government Pension Scheme (all benefits)	Local Government Pension Scheme (all benefits)	Unfunded Liabilities: Discretionary Benefits	Unfunded Liabilities: Discretionary Benefits
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening balance at 1 April	483,566	614,582	(9,210)	(9,347)
Current service cost	13,407	21,295	0	0
Interest cost	17,233	16,296	(320)	(244)
Contributions by scheme participants	3,665	3,742	0	0
Liabilities assumed/(extinguished) on settlements	(1,903)	(6,340)	0	0
Remeasurement (gains) and losses:			107	0
- Actuarial (gains) and losses arising from changes in demographic assumptions	(9,186)	0	453	0
- Experience loss/(gain) on defined benefit obligation	(691)	0		
- Actuarial (gains) and losses arising from in financial assumptions	122,943	(29,091)	(1,017)	197
Estimated Benefits Paid Net of Transfers In	(13,841)	(13,732)	0	0
Curtailements & Settlements	29	214	0	0
Unfunded Pension Payments	(640)	(626)	640	626
Closing balance at 31 March	614,582	606,340	(9,347)	(8,768)

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2016/17	Fair Value of Scheme Assets 2017/18
	%	%
Cash and Cash Equivalents	4	4
Equity	68	65
Bonds		
- Corporate	4	4
- Government	3	7
Sub-total Bonds	7	11
Property	10	9
Alternative Assets	7	7
Other Managed Funds	4	4
Total assets	100	100

	Fair Value of Scheme Assets 2016/17	Fair Value of Scheme Assets 2017/18
	%	%
Equity instruments:	68	65

NOTES TO THE CORE STATEMENTS

Pensions Notes

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 2018.

The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme 31-Mar-17	Local Government Pension Scheme 31-Mar-18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
* Men	22.1 yrs	22.2 yrs
* Women	24.6 yrs	24.7 yrs
Longevity at 65 for future pensioners:		
* Men	24.3 yrs	24.4 yrs
* Women	26.9 yrs	27.0 yrs
Rate of inflation	2.70%	2.30%
Rate of increase in salaries	4.20%	3.80%
Rate of increase in pensions	2.70%	2.30%
Rate for discounting scheme liabilities	2.70%	2.55%
Take-up of option to convert annual pension into retirement lump sum	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme:

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	629,347	584,201
Rate of increase in salaries (increase or decrease by 0.1%)	607,249	605,436
Rate of increase in pensions (increase or decrease by 0.1%)	616,720	596,150
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	595,284	617,612
	2,448,600	2,403,399

NOTES TO THE CORE STATEMENTS
Pensions Notes

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 2018.

The expected employer contribution to the plan for the year to 31 March 2018 is £12.63m.

Note 37 CASH AND CASH EQUIVALENTS

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

31 March 2017		31 March 2018
£000		£000
88	Cash held by the Council and in transit	275
6,248	Bank current accounts	4,657
1,599	Short-term deposits in UK banks & investments in money market funds	23,050
7,935	Total Cash and Cash Equivalents	27,982

Note 38 OPERATING ACTIVITIES CASH FLOW STATEMENT

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

2016/17		2017/18
£'000		£'000
3,635	Interest Received	3,767
(4)	Interest Received Opening Debtor	(948)
948	Interest Received Closing Debtor	9,263
(3,419)	Interest paid	(3,791)
0	Adjustments for differences between EIR and actual interest payable	0
562	Interest Paid Opening Creditor	586
(586)	Interest Paid Closing Creditor	(1,386)
1,136	Total Operating Activities	7,491

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.

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 39 INVESTING ACTIVITIES CASH FLOW STATEMENT

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

2016/17		2017/18
£'000		£'000
(36,748)	Purchase of property, plant and equipment, investment property and intangible assets	(47,856)
(354,506)	Purchase of short-term and long-term investments	(371,191)
(2,167)	Other payments for investing activities	(338,906)
11,029	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,943
325,000	Proceeds from short-term and long-term investments	296,350
30,350	Other receipts from investing activities (including capital grants)	37,271
(27,042)	Net cash flows from investing activities	(408,389)

Note 40 FINANCING ACTIVITIES CASH FLOW STATEMENT

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

2016/17		2017/18
£'000		£'000
207,980	Cash receipts of short and long-term borrowing	1,143,750
0	Other receipts from financing activities	0
(267)	Cash payments for the reduction of the outstanding liabilities (finance leases)	0
(167,380)	Repayments of short- and long-term borrowing	(745,800)
2,623	Other payments for financing activities	389
42,956	Net cash flows from financing activities	398,339

NOTES TO THE CORE STATEMENTS
Cash Flow Notes

Note 41 NON CASH MOVEMENT CASH FLOW STATEMENT

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

2016/17 £'000		2017/18 £'000
(12,167)	Net Surplus or (Deficit) on the Provision of Services	14,603
	Adjust net surplus or deficit on the provision of services for non cash movements:	
16,461	Depreciation	18,857
242	Impairment and downward valuation	(25,172)
494	Amortisation	688
0	Increase/decrease in provision for Impairments/doubtful debts re: Loans & Advances	0
0	Financial Guarantee Adjustments	0
0	Increase/Decrease in Interest Creditors	0
4,875	Increase/Decrease in Creditors	2,979
0	Increase/Decrease in Interest and Dividend Debtors	0
(20,863)	Increase/Decrease in Debtors	22,102
(245)	Increase/Decrease in Inventories	(634)
5,832	Movement in Pension Liability	6,128
(3,348)	Contributions to/(from) Provisions	271
25,188	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	40,294
0	Movement in Investment Property Values	0
28,636		65,513
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(21,116)	Capital Grants credited to surplus or deficit on the provision of services	(34,076)
0	Net adjustment from the sale of short and long term investments	0
(11,029)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,943)
(32,145)		(50,019)
(15,676)	Net Cash Flows for Operating Activities	30,097

NOTES TO THE CORE STATEMENTS

NOTE 42 BETTER CARE FUND

The Better Care Fund is a collaborative arrangement governed by a Section 75 agreement with Thurrock Clinical Commissioning Group (CCG) to enable the joint provision of a range of adult social care and health services. Thurrock Council is the lead commissioner and enters into contracts on behalf of both parties but only with the consent of both bodies through the Integrated Care Executive. Consequently the Council reflects all the transactions in these financial statements as well as the associated funding from Thurrock CCG.

The total value of the pool was £40.4m which includes the Council contribution of £21.5m and the Improved Better Care funding (iBCF) of £3.0m. At the end of 2017/18 the pool had an underspend of £1.1m which is held in an earmarked reserve by the Council.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2016/17		2017/18
£'000	Notes	£'000
	EXPENDITURE	
12,158	Repairs and Maintenance	12,630
21,340	Supervision and Management	22,782
143	Rents, rates, Taxes and Other Charges	159
8,374	Depreciation and Impairment of Non Current Assets	2
140	Debt Management Costs	8
206	Movement in the Allowance for Bad Debts	202
42,361	Total Expenditure	20,797
	INCOME	
(44,696)	Gross Rent from Dwellings	1
0	Less Voids	(43,916)
(44,696)	Net Rent from Dwellings (sub total)	(43,916)
	Non Dwelling Rents:	
(21)	Shop Rents	(9)
(795)	Garage Rents	(784)
(200)	Premises Income	(97)
(1,016)	Non Dwelling Rents (sub-total)	(890)
	Charges for Services and Facilities:	
(5,433)	Water Charges	(5,705)
(41)	Central Heating Charges	(42)
(5,474)	Charges for Services and Facilities (sub total)	(5,747)
	Contributions Towards Expenditure:	
(683)	Leaseholder Charges	(983)
(2,368)	Tenants Service Charges	(2,755)
(3,051)	Contributions Towards Expenditure (sub total)	(3,738)
0	Micellaneous Income	0
(54,237)	Total Income	(54,291)
(11,876)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(33,494)
(11,876)	Net Expenditure for HRA Services	(33,494)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
6,978	(Gain) or loss on sale of HRA non-current assets	6,424
5,760	Interest payable and similar charges (Deferred Purchase Interest)	5,477
0	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	0
(13)	Interest and Investment Income	(56)
495	Pensions interest cost and expected return on Pension Assets	3
0	Capital Grants and Contributions Receivable	547
1,344	(Surplus)/ Deficit for the Year on HRA Services	(21,102)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

MOVEMENT ON HRA BALANCE

2016/17		2017/18
£'000		£'000
(1,754)	Balance on HRA at 1 April	(2,176)
1,344	(Surplus)/Deficit for the Year on HRA Services	(21,102)
(6,356)	Adjustments Between Accounting Basis and Funding Basis under Statute:	19,224
(6,766)	Total	(4,054)
4,590	Transfer to/(from) Reserves:	1,878
(2,176)	Balance on HRA at 31 March	(2,176)

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17		2017/18
£'000		£'000
	Reversal of Items debited or credited to the HRA Income and Expenditure Account	
(7,990)	Depreciation of non-current assets	(10,211)
(12,959)	Revaluation and Impairment losses on Property, Plant and Equipment	(3,331)
12,611	Revaluation gains reversing previous losses	28,785
0	Movement in Market Value on Investment Property	0
(36)	Movement in value of Held for Sale Assets	(30)
0	Revenue expenditure funded from capital under statute (REFCUS)	0
(17,279)	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	(20,463)
10,301	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	14,039
0	Contribution from the capital receipts reserve towards administration costs of non-current assets disposal	(150)
(15,352)		8,639
	Insertion of items not debited or credited to the HRA Income and Expenditure Account	
9,832	Reversal of Major Repairs Allowance credited to the HRA	11,174
(1,601)	Reversal of items relating to requirement benefits debited or credited to the CIES	(2,262)
762	Employer's pension contributions and direct payment to pensioners payable in year	1,677
3	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	(4)
8,996		10,585
(6,356)	Total	19,224

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1 GROSS RENT INCOME

The level of rent arrears was as follows:

2016/17 £'000	Rent Arrears	2017/18 £'000
1,462	Gross Current Arrears at 31 March	1,310
	2.74% As a Proportion of Gross Rent Income Collectable in the Year	2.42%

There have been no amounts written off in 2017/18. There is a provision of £0.329m for the potential write-off of irrecoverable debts.

Note 2 DEPRECIATION

Depreciation of £9.37m was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings. There were further charges in respect of reversal of impairments of (£24.58m).

2016/17 £'000	Analysis of Depreciation and Impairment Charges	2017/18 £'000
	Depreciation:	
7,273	Dwellings	9,148
138	Other Land and Buildings	160
0	Plant and Equipment	33
46	Non-Operational Property, Plant and Equipment	24
917	Impairment of Property, Plant and Equipment	(24,578)
8,374	Total for Year	(15,213)

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 2017	Number and Types of Properties at 31 March	31 March 2018
5,282	Number of Houses and Bungalows	5,217
3,510	Number of Flats and Maisonettes	3,468
1,222	Number of Aged Person Dwellings	1,214
10,014	Total	9,899

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2016/17	Change in Stock of Properties	2017/18
10,096	Stock at 1 April	10,014
(94)	Less Sales	(115)
12	Additions	0
10,014	Total	9,899

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

31 March 2017	Balance Sheet Value of HRA Properties	31 March 2018
£'000		£'000
	Operational Non-Current Assets:	
616,879	Dwellings and other land and buildings	731,557
12,604	Non-Operational Non-Current Assets	13,885
629,483	Total	745,442

The vacant possession value of dwellings within the HRA as at 1st April 2015 was £1.56bn. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

Note 5 MAJOR REPAIRS RESERVE

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

2016/17	Major Repair Reserve	2017/18
£'000		£'000
0	Balance as at 1 April	0
(9,832)	Transfer to HRA	(11,174)
9,832	Financing of Capital Expenditure	11,174
0	Total	0

Note 6 CAPITAL EXPENDITURE

Capital expenditure on land, houses and other properties within the HRA in 2017/18 was financed as follows:

2016/17	Financing of Capital Expenditure	2017/18
£'000		£'000
9,832	Major Repairs Reserve	11,174
406	Grants	0
1,085	Capital Receipts	852
2,026	Prudential Borrowing	1,059
0	Development Reserve	0
13,349	Total	13,085

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 7 CAPITAL RECEIPTS

Capital receipts from the sale of dwellings under the tenants' "Right to Buy" provisions and from sales of other land and buildings held within the HRA were as follows:

2016/17 £'000	Capital Receipts	2017/18 £'000
(10,301)	Sales of Dwellings	(14,039)
(10,301)	Total	(14,039)

Note 8 DEBT MANAGEMENT COSTS

Debt management costs charged to the HRA were as follows:

2016/17 £'000	Debt Management Cost	2017/18 £'000
140	Debt Management Costs	237

THE COLLECTION FUND STATEMENT COUNCIL TAX

Notes	2016/17 £'000	2017/18 £'000	£'000
INCOME			
2 Council Tax	(68,985)	(73,449)	
Total Income	(68,985)		(73,449)
EXPENDITURE			
Precepts and Demands:			
Essex Police Authority	7,431	7,898	
Essex Fire Authority	3,307	3,471	
Thurrock Borough Council	57,135	61,683	
Precepts and Demands (sub-total)	67,873		73,051
Provision for Bad Debts:			
Change in Provision	(16)	(229)	
Write offs	416	657	
Provision for Bad Debts (sub-total)	400		428
CONTRIBUTIONS			
Essex Police Authority	132	73	
Essex Fire Authority	60	32	
Thurrock Borough Council	1,008	558	
Contributions (sub-total)	1,199		663
Total Expenditure	69,472		74,143
(Surplus)/ Deficit for Year	487		694
Fund Balance Brought Forward	(1,096)		(609)
Fund Balance Carried Forward	(609)		85
 Share of Collection Fund (Council Tax) Balance:			
Thurrock Council	(514)		72
Essex Police Authority	(66)		9
Essex Fire Authority	(29)		4
Total	(609)		85

THE COLLECTION FUND STATEMENT NATIONAL NON-DOMESTIC RATES

Notes	2016/17 £'000	2017/18 £'000	£'000
INCOME			
3	Income Collectable from Non-Domestic Ratepayers	(112,184)	(111,325)
	Transitional Protection Payments	443	4,530
	Cost of Collection	0	230
	Total Income	(111,741)	(106,566)
EXPENDITURE			
Share of Business Rates:			
	Essex Fire Authority	1,118	1,103
	Thurrock Borough Council	54,783	54,038
	Share of Non-Domestic Rates (sub-total)	55,901	55,141
	Payment of the Central Share of the Non-Domestic Rating Income to Central Government	55,901	55,141
Provision for Bad Debts:			
	Change in Provision	181	(198)
	Write Offs	216	335
	Provision for Bad Debts (sub-total)	397	137
Provision for Appeals:			
	Change in Provision	700	721
	Interest	234	30
CONTRIBUTIONS			
	Essex Fire Authority	(58)	(36)
	Thurrock Borough Council	(2,823)	(1,773)
	Central Government	(2,881)	(1,809)
	Contributions (sub-total)	(5,761)	(3,618)
	Total Expenditure	107,372	107,552
	(Surplus)/ Deficit for Year	(4,369)	986
	Fund Balance Brought Forward	4,120	(249)
	Fund Balance Carried Forward	(249)	737
Share of Collection Fund (NDR) Balance:			
	Thurrock Council	(122)	361
	Essex Fire Authority	(2)	7
	Central Government	(125)	369
	Total	(249)	737

Notes to the Collection Fund

Note 1 GENERAL

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the Code. The balance on the account attributable to Thurrock Council is consolidated into the Council's Balance Sheet as an Unusable Reserve, the remainder is consolidated into debtors or creditors on the Balance Sheet as amounts owed to or owing by the other preceptors on the Fund (i.e. Police and Fire Authorities).

Note 2 COUNCIL TAX

For 2017/18 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*	4	5:9	4
A	2,987	6:9	2,957
B	7,802	7:9	7,724
C	19,887	8:9	19,688
D	10,687	9:9	10,580
E	5,161	11:9	5,109
F	2,949	13:9	2,919
G	1,263	15:9	1,250
H	55	18:9	54
	50,795		50,287
			0
			50,287
Council Tax Base			50,287

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.

Notes to the Collection Fund

Note 3 INCOME FROM BUSINESS RATE PAYERS

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government. In 2017/18 46.6p was the small business multiplier and 47.9p the large business multiplier (48.4p small business multiplier and 49.7p large business multiplier in 2016/17). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is collected by the Council and then redistributed to the major preceptors - The Government (50%) and Essex Fire Authority (1%) The remainder of £54.8m was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure statement. Overall amount collected from NNDR Rate payers was £111.8m.

The total Non-Domestic rateable value at the 31 March 2018 was £267,852,537 (£252,586,303 as at 31 March 2017).

Group Accounts 2017/18

GROUP ACCOUNTS

STATEMENT OF ACCOUNTS - GROUP ACCOUNTS

■ Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council has been consolidated with the group companies - Thurrock Regeneration Ltd and Gloriana Thurrock (Homes) Ltd. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Expenditure Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement

These statements, together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages, as detailed below.

Contents	Page
Group Expenditure Funding Analysis	116
Group Comprehensive Income and Expenditure Statement	117
Group Movement in Reserves Statement	118
Group Balance Sheet	120
Group Cash Flow Statement	121
Notes to the Group Accounts	122

GROUP EXPENDITURE FUNDING ANALYSIS

2016/17			2017/18		
Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
34,095	1,001	35,096	35,981	190	36,171
37,687	3,281	40,968	37,471	4,527	41,998
644	16	660	488	6	494
2,000	(9,726)	(7,726)	1,723	(383)	1,340
2,311	171	2,481	2,285	43	2,328
23,814	8,386	32,200	20,813	5,097	25,910
7,687	313	8,000	9,449	68	9,517
2,974	147	3,121	3,446	23	3,469
1,646	62	1,708	4,681	3,255	7,936
3,664	699	4,364	3,751	40	3,791
116,522	4,349	120,871	120,088	12,865	132,953
(10,759)	(1,116)	(11,875)	(1,641)	(31,853)	(33,494)
105,763	3,233	108,995	118,447	(18,989)	99,459
0	0	0	78	0	78
(105,337)	9,376	(95,961)	(119,173)	7,777	(111,396)
426	12,609	13,035	(648)	(11,212)	(11,860)
(17,275)		Opening General Fund and HRA Balance at 31 March 2017	(16,849)		
426		Less Deficit on General Fund and HRA Balance in Year	(648)		
(16,849)		Closing General Fund and HRA Balance at 31 March 2018	(17,497)		

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Core Statement

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	
74,339	(39,243)	35,096	Adults; Housing and Health	85,199	(49,029)	36,170
82,642	(41,674)	40,968	Children's Services	86,454	(44,456)	41,998
628	32	660	Commercial Services	601	(107)	494
54,922	(55,960)	(1,038)	Corporate Costs	55,583	(54,244)	1,339
3,650	(1,168)	2,481	Corporate Strategy & Communications	2,477	(149)	2,328
43,543	(11,343)	32,200	Environment & Highways	28,720	(2,810)	25,910
11,286	(3,286)	8,000	Finance, Information Technology & Legal	11,565	(2,049)	9,516
51,570	(63,445)	(11,875)	Housing Revenue Account	21,019	(54,514)	(33,495)
3,752	(631)	3,121	HR; OD and Transformation	3,777	(308)	3,469
3,118	(1,411)	1,708	Place Directorate	15,505	(7,569)	7,936
35,012	(30,649)	4,364	Schools	27,758	(23,967)	3,791
364,462	(248,777)	115,684	Cost of Services	338,658	(239,202)	99,456
26,901	(11,151)	15,750	Other operating expenditure	41,993	(16,057)	25,936
14,802	(3,792)	11,010	Financing and investment income and expenditure	15,669	(10,547)	5,122
3,920	(133,328)	(129,408)	Taxation and non-specific grant income and expenditure	5,363	(147,738)	(142,375)
410,085	(397,049)	13,037	(Surplus) or deficit on Provision of Services	401,683	(413,545)	(11,861)
0	(7,410)	(7,410)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	0	(111,084)	(111,084)
0	54,236	54,236	Actuarial gains/ losses on pension assets/ liabilities	0	(47,141)	(47,141)
0	782	782	(Surplus) or deficit on revaluation of available for sale financial assets	0	(881)	(881)
0	47,608	47,608	Other Comprehensive Income and Expenditure	0	(159,106)	(159,106)
410,085	(349,441)	60,645	Total Comprehensive Income and Expenditure	401,683	(572,651)	(170,967)

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	(15,520)	(1,754)	(8,023)	0	(11,893)	(37,190)	(439,955)	(477,145)
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	11,691	1,344	0	0	0	13,035	47,608	60,643
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(6,253)	(6,356)	(7,585)	0	(2,683)	(22,877)	22,877	0
Increase or (Decrease) in 2016/17	5,438	(5,012)	(7,585)	0	(2,683)	(9,842)	70,485	60,643
Balance at 31 March 2017 carried forward	(10,082)	(6,766)	(15,608)	0	(14,576)	(47,032)	(369,470)	(416,502)

GROUP MOVEMENT IN RESERVES STATEMENT

Core Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	(10,082)	(6,766)	(15,608)	0	(14,576)	(47,032)	(369,470)	(416,502)
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	9,200	(21,102)	0	0	0	(11,902)	(159,107)	(171,009)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	7 (8,012)	19,225	(11,770)	0	(7,299)	(7,856)	7,857	1
Increase or (Decrease) in 2017/18	1,188	(1,877)	(11,770)	0	(7,299)	(19,758)	(151,250)	(171,008)
Balance at 31 March 2018 carried forward	(8,894)	(8,643)	(27,378)	0	(21,875)	(66,790)	(520,720)	(587,510)

GROUP BALANCE SHEET

Core Statement

31 March 2017		31 March 2018
£000	Notes	£000
941,108	Property, Plant & Equipment	1,041,600
0	Investment Property	0
1,375	Intangible Assets	1,541
22,266	Heritage Assets	22,266
63,718	Long Term Investments	85,381
1,834	Long Term Debtors	314,926
1,030,301	Long Term Assets	1,465,714
22,948	Short Term Investments	77,658
1,890	Assets Held for Sale	1,770
10,923	Inventories	30,747
20,091	Short Term Debtors	24,068
8,396	Cash and Cash Equivalents	28,125
64,248	Current Assets	162,367
(205,290)	Short Term Borrowing	(554,337)
(39,505)	Short Term Creditors	(40,323)
0	Leasing Liability	0
(1,669)	Short Term Provisions	(3,636)
(246,464)	Current Liabilities	(598,296)
(4,788)	Long Term Provisions	(3,092)
(190,785)	Long Term Borrowing	(242,388)
0	Deferred Discounts	0
(219,534)	Pension Liability	(178,521)
0	Leasing Liability	0
(225)	Long Term Creditors	(272)
(16,209)	Capital Grants Receipts in Advance	(18,004)
(431,541)	Long Term Liabilities	(442,277)
416,544	Net Assets	587,510
0	Share Capital	0
648	Profit and Loss	4,434
(47,722)	Usable reserves	(71,225)
(369,470)	Unusable Reserves	(520,719)
(416,544)	Total Reserves	(587,510)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Director of Finance and IT

31 May 2018

GROUP CASH FLOW

Core Statement

2016/17 £'000	Notes	2017/18 £'000
(12,131)	Net surplus or (deficit) on the provision of services	19,410
28,198	Adjustment to surplus or deficit on the provision of services for non cash movements	65,514
(31,282)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,019)
(15,215)	Net Cash flows from operating activities	34,905
(27,042)	Investing Activities	(414,697)
42,956	Financing Activities	399,521
699	Net increase or decrease in cash and cash equivalents	19,729
7,697	Cash and cash equivalents at the beginning of the reporting period	8,396
8,396	Cash and cash equivalents at the end of the reporting period	28,125

GROUP STATEMENTS

Notes to the Accounts

Notes to the Group Accounts

Notes to the Group accounts have been completed where consolidation of the group companies has a specific impact. Where this is not the case then please refer to the equivalent note in the Council accounts.

Note 1 GROUP BOUNDARY

The Council owns 100% of the share capital of Thurrock Regeneration Ltd. Thurrock Regeneration Ltd is the owner of 100% of the share capital of the subsidiary company – Gloriana Thurrock (Homes) Ltd. Both Thurrock Regeneration Ltd and Gloriana Thurrock (Homes) Ltd have been consolidated into the group financial statements.

Note 2 ACCOUNTING POLICIES

In preparing the Group Accounts the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary;
- Consolidated the financial statements of the company with those of the Council on a line by line basis; and
- Eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

GROUP STATEMENTS

Notes to the Accounts

Note 3 EXPENDITURE AND INCOME ANALYSED BY NATURE

31 March 2017 Carrying amount		31 March 2018 Carrying amount
£000		£000
	Expenditure/Income	
	Expenditure	
104,199	Employee Expenses	101,505
94,942	Third Party Payments	139,381
73,814	Other operating expenses	47,394
54,198	Housing Benefits	52,038
36,927	Depreciation, Amortisation and Impairment	24,753
25,188	Gains/Losses on disposal Non-Current Asset	15,092
9,281	Interest Payments	10,392
5,522	Pen Int Cost & Expect ret on Pension Asset	5,602
4,263	Transfer Payments	0
0	NNDR Pooling Expenses	2,679
1,041	Payments to the Housing Capital Receipts Pool	1,032
670	Precepts and Levies	668
117	Support Costs	(2,169)
0	Taxation	883
410,163	Total Expenditure	399,248
	Income	
(3,792)	Investment Income	(10,547)
(1,617)	Support Services Recharges	0
(18,444)	Revaluations	0
(15,715)	Better Care Fund	(18,875)
(16,178)	Capital Grants and contributions	(29,959)
(34,253)	Income from business rates	(36,448)
0	Gains on disposals of assets and impairments	(3,618)
0	Third Pary Receipts	(8,145)
0	Taxation	(804)
(43,135)	Fees, Charges and Other Service Income	(52,257)
(54,868)	Dedicated Schools Grant	(51,255)
(54,195)	HRA rent and service charge income	(53,265)
(57,735)	Income from Council Tax	(61,655)
(97,195)	Revenue Grants and Contributions	(86,716)
(397,127)	Total Income	(413,544)
13,036	Surplus or Deficit on the Provision of Services	(14,296)

GROUP STATEMENTS

Notes to the Accounts

Note 4 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2016/17		2017/18
£000		£000
9,203	Interest payable and similar charges	10,067
5,521	Net interest on the net defined benefit liability	5,602
(3,714)	Interest receivable and similar income	(10,547)
11,010	Total	5,122

Note 5 INVENTORIES

31 March		31 March
2017		2018
£000		£000
512	Materials	1,146
9,292	Residential Property	29,601
9,804	Total	30,747

Note 6 SHORT-TERM DEBTORS

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

31 March		31 March
2017		2018
£000		£000
6,195	Central government bodies	4,946
471	Other local authorities	1,819
868	NHS bodies	0
0	Public corporations and trading funds	0
13,522	Other entities and individuals	17,303
21,056	Total	24,068

GROUP STATEMENTS

Notes to the Accounts

Note 7 SHORT-TERM CREDITORS

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

31 March 2017 £000		31 March 2018 £000
(9,907)	Central government bodies	(13,188)
(1,857)	Other local authorities	(2,063)
(689)	NHS bodies	(298)
0	Public corporations and trading funds	0
(28,051)	Other entities and individuals	(24,774)
(40,504)	Total	(40,323)

Note 8 USABLE RESERVES

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

31 March 2017 £000		Notes	31 March 2018 £000
(6,267)	General Fund Balance	(a)	(11,000)
(2,176)	Housing Revenue Account Balance	(b)	(2,175)
(8,405)	Earmarked Reserves	(c)	(8,796)
(15,608)	Capital Receipts Reserve	(d)	(27,379)
(14,576)	Capital Grants Unapplied	(f)	(21,875)
(47,032)	Total Usable Reserves		(71,225)

GROUP STATEMENTS

Notes to the Accounts

Note 9 PROPERTY, PLANT AND EQUIPMENT

Movement in 2017/18	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 2017	604,450	153,951	26,673	18,866	107,037	26,360	60,718	998,055
Adjustment - Note 1	0	338	0	0	0	(4,537)	0	(4,199)
Additions / Donations	11,988	4,487	5,891	434	23,712	4,048	0	50,560
Additions - Other	0	0	0	0	0	1,476	0	1,476
Derecognition - Disposals	0	(35)	(712)	0	0	0	(1,795)	(2,542)
Derecognition - Other	(11,990)	(18,250)	0	0	0	0	0	(30,240)
Revaluations Recognised in Revaluation Reserve	107,100	1,533	0	0	0	0	1,062	109,695
Revaluations Recognised in Surplus/Deficit on Provision of Services	25,166	(71)	0	0	0	0	0	25,095
Assets reclassified (to)/from Held for Sale	(8,501)	0	0	0	0	0	0	0
Assets reclassified (to)/from Investment Property	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Stock	0	(338)	0	0	0	(25,419)	0	(25,757)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31 March 2018	728,213	141,615	31,852	19,300	130,749	1,928	59,985	1,113,642

Note 1 – The adjustment relates to the reclassification of capital expenditure to revenue expenditure funded from capital under statute.

GROUP STATEMENTS

Notes to the Accounts

Movement in 2017-18	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 2017	0	(7,350)	(15,318)	(6,824)	(26,116)	0	(153)	(55,761)
Depreciation charge	(9,149)	(2,716)	(2,472)	(674)	(2,920)	0	(72)	(18,003)
Depreciation written back to the Revaluation Reserve	42	512	0	0	0	0	99	653
Depreciation written back to Surplus/Deficit on Provision of Services	3	104	0	0	0	0	0	107
Derecognition - Disposals	0	1	595	0	0	0	0	596
Derecognition - Other	0	366	0	0	0	0	0	366
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2018	(9,104)	(9,083)	(17,195)	(7,498)	(29,036)	0	(126)	(72,042)
NBV At 31 March 2017	604,450	146,601	11,355	12,042	80,921	26,360	60,565	942,294
NBV At 31 March 2018	719,109	132,532	14,657	11,802	101,713	1,928	59,859	1,041,600

GROUP STATEMENTS

Notes to the Accounts

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation:								
At 1 April 2016	633,358	155,485	29,348	18,410	94,385	3,392	61,335	995,713
Additions / Donations	10,805	5,000	2,224	456	12,693	37,572	715	69,465
Additions - Other	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	(420)	0	(41)	0	(312)	(773)
Derecognition - Other	(10,805)	(6,361)	(4,479)	0	0	0	(625)	(22,270)
Revaluations Recognised in Revaluation Reserve	(11,591)	(677)	0	0	0	0	24	(12,244)
Revaluations Recognised in Surplus/Deficit on Provision of Services	(16,064)	504	0	0	0	0	(419)	(15,979)
Assets reclassified (to)/from Held for Sale	(6,607)	0	0	0	0	0	0	(6,607)
Assets reclassified (to)/from Stock	0	0	0	0	0	(9,292)	0	(9,292)
Other movements in Cost or Valuation	5,354	0	0	0	0	(5,354)	0	0
At 31 March 2017	604,450	153,951	26,673	18,866	107,037	26,318	60,718	998,013

GROUP STATEMENTS

Notes to the Accounts

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Infrastructure Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PP&E £000
Accumulated Depreciation and Impairment								
At 1 April 2016	(25,173)	(7,279)	(17,433)	(6,164)	(23,539)	0	(73)	(79,661)
Depreciation charge	(7,273)	(2,910)	(2,393)	(660)	(2,594)	0	(80)	(15,910)
Depreciation written back to the Revaluation Reserve	16,739	2,450	0	0	0	0	0	19,189
Depreciation written back to Surplus/Deficit on Provision of Services	15,707	66	0	0	0	0	0	15,773
Derecognition - Disposals	0	0	324	0	17	0	0	341
Derecognition - Other	0	323	4,184	0	0	0	0	4,507
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2017	0	(7,350)	(15,318)	(6,824)	(26,116)	0	(153)	(55,761)
NBV At 31 March 2016	608,185	148,206	11,915	12,246	70,846	3,392	61,262	916,052
NBV At 31 March 2017	604,450	146,601	11,355	12,042	80,921	26,318	60,565	942,252

GROUP STATEMENTS

Notes to the Accounts

Note 10 NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2016/17	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	363	613	25	1,001
Children's Services	2,462	777	42	3,281
Commercial Services	0	15	2	16
Corporate Costs	(6,688)	(3,414)	376	(9,726)
Corporate Strategy & Communications	30	132	9	171
Environment and Place	7,580	669	137	8,386
Finance and Information Technology	0	282	31	313
HR; OD and Transformation	0	137	11	147
Legal	0	57	5	62
Schools	0	699	0	699
Net Cost of Services	3,746	(34)	637	4,349
Housing Revenue Account	8,374	345	(9,835)	(1,116)
Other Income and Expenditure	4,547	5,521	(692)	9,376
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	16,667	5,832	(9,890)	12,609

GROUP STATEMENTS

Notes to the Accounts

Note 10b NOTE TO THE EXPENDITURE FUNDING ANALYSIS

Adjustment from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts 2017/18	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Adults, Housing and Health	98	75	16	190
Children's Services	4,466	87	(26)	4,527
Commercial Services	0	2	3	6
Corporate Costs	0	138	(521)	(383)
Corporate Strategy & Communications	30	15	(2)	43
HR; OD and Transformation	1	17	5	23
Schools	0	40	0	40
Place Directorate	3,227	33	(4)	3,255
Environment and Highways	5,046	44	8	5,098
Finance, IT & Legal	40	36	(9)	68
Net Cost of Services	12,907	488	(531)	12,865
Housing Revenue Account	(15,212)	38	(11,022)	(26,196)
Other Income and Expenditure	(6,221)	5,602	2,738	2,119
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(8,526)	6,128	(8,814)	(11,212)

GLOSSARY OF TERMS

Accruals

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

Actuarial Gains and Losses

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

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

Assets Held for Sale

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

Balances

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

Capital Adjustment Account (CAA)

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Contingent Assets and Liabilities

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

Corporate and Democratic Core

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

GLOSSARY OF TERMS

Corporate Governance

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

Current Service Cost (Pensions)

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

Curtailment Costs (Pensions)

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

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

Defined Benefit Scheme (Pensions)

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

Depreciation

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

Discretionary Benefits

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

Fair Value

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

GLOSSARY OF TERMS

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Investments (Pensions)

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

Investments (Non - Pension)

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

Levies

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

Minimum Revenue Provision (MRP)

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

Net Worth

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

Non-Current Assets

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

GLOSSARY OF TERMS

Non-Distributed Costs

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

Non-Domestic Rate (NNDR)

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

Past Service Costs (Pensions)

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

Post Balance Sheet Events

These are events which arise after the end of an accounting period. They comprise:

- Adjusting events which provide further evidence of conditions that existed by the end of the accounting period and that require adjustments to the accounts; and
- Non adjusting events which are indicative of conditions that arose subsequent to the end of the accounting period, and are reported by way of a note to the accounts.

Precept

This is an amount required by another statutory body (such as a police authority) and collected on its behalf by a billing authority as part of its overall council tax demand.

Property, Plant and Equipment

These are assets which yield economic benefits to a local authority and the services it provides for a period of more than one year. They are assets which are held and occupied, used or consumed by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility.

Provisions

These are amounts set aside for any liabilities or losses which are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Reserves

These are amounts set aside for specific purposes. A local authority has discretion in setting aside amounts for reserves whereas the setting aside of amounts for provisions is an accounting requirement.

Revaluation Reserve

This reserve was introduced in 2007 for all local authorities and started off with a nil balance at 1 April 2007. Revaluation gains and losses are calculated on an asset by asset basis and subsequent losses can be offset against accumulated revaluation gains after which they must be charged to the Comprehensive Income and Expenditure Statement. It is classified as an Unusable Reserve

Scheme Liabilities (Pensions)

These are the liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that an employer is committed to provide for employees up to the valuation date.

GLOSSARY OF TERMS

Settlement Costs (Pensions)

These comprise irrevocable actions that relieve an employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminate significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- Lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
- The purchase of irrevocable annuity contracts sufficient to cover vested benefits; and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Support Services

These are services, such as finance and legal, that are not statutory local authority services but which give support to authorities' statutory (and discretionary) services.

Supported Capital Expenditure

This is the term for central government support for local authority capital expenditure financed from borrowing with effect from 1 April 2004. Under this "Prudential system" local authorities receive funding through the revenue support grant to meet the costs of specified borrowing.

Unsupported Borrowing

This is borrowing permitted to authorities under the "Prudential Code" framework but which does not receive revenue support through the grant system.

Useful Life

This is the period over which a local authority derives benefit from the use of a Non-current asset.

19 July 2018	ITEM: 11
Standards and Audit Committee	
Counter Fraud & Investigation Annual Report & Strategy	
Wards and communities affected: All	Key Decision: N/A
Report of: David Kleinberg, Assistant Director for Fraud & Investigation	
Accountable Assistant Director: David Kleinberg, Assistant Director for Fraud & Investigation	
Accountable Director: Sean Clark, Director of Finance and IT	
This report is Public	

Executive Summary

The Counter Fraud & Investigation Department (CFID) is responsible for the prevention, detection and deterrence of all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

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

CFID's success has grown and has been recognised nationally as a leading local authority fraud service and as a model for the approach to tackling fraud and corruption.

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

1. Recommendation

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

2. Introduction & Background

2.1 To present the Counter Fraud & Investigation Department's (CFID) Annual Report for 2017/18 to the Committee for consideration.

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

3. Performance

3.1 CFID has made good progress in delivering the 2017/18 counter fraud work plan over the last year.

- 142 reports of suspected fraud have been received
- 42 of those cases have been closed as 'no fraud'
- 100 sanctions have been delivered in cases of proven fraud.

3.2 **Appendix 1** the CFID annual report details the background to the above figures as well as its programme of other work delivered over the last year.

4. Work Plan for 2017/18

4.1 CFID has a programme of proactive work conducted to ensure the council's posture against fraud is robust and effective. **Appendix 2** sets out the progress made in delivering the proactive work programme this year.

4.2 The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFID and the Section 151 Officer, these will be brought back to the Committee.

5. National Counter Fraud

5.1 CFID are working with a number of national bodies to champion and raise the profile of fraud, sharing knowledge and working best practice between partner agencies. The acknowledgment of fraud by the public sector remains a common challenge with continual work being done to publicise successful outcomes. CFID continues to support other local councils and government bodies providing specialist capabilities, particularly in the emerging cyber crime and digital space.

5.2 CFID is an Executive Board member of NAFN.gov Data & Intelligence. NAFN is a national body funded in-part by the Home Office that develops and shares intelligence across local councils and central government. CFID developed a national paper to enhance the work of NAFN to increase its leadership role for the sector. CFID's strategy sought to increase the recognition and professionalisation by councils in the areas of Digital Forensics, Cyber-Crime, Criminal Finances and Fraud Awareness.

5.3 CFID continues to provide support to HM Government Cabinet Office in the development of the national Counter Fraud Profession for all law enforcement agencies. This programme of developing the 'profession' is in recognition that:

- fraud is the most prevalent crime in the UK

- fraud in the public sector is under-reported
- the historical approach to deal with fraud through disciplinary activity alone is no longer acceptable
- the capabilities in cyber and digital have not developed quick enough
- the public sector needs to share its practice and intelligence to protect the public purse.

CFID are now co-writing the standards using its experience having direct input into the development and rollout across law enforcement and wider public sector.

5.4 CFID is an Executive Board member of the National Tenancy Fraud Forum (TFF). TFF is the lead body for housing tenancy fraud across local councils and registered providers nationally.

5.5 CFID is unique in that it is the only body that is a member of all of the above three functions in the counter fraud sector to ensure that CFID is at the forefront of changes and development.

6. MHCLG Counter Fraud Fund Project

6.1 CFID is working with the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA to produce a detailed report on the effectiveness of the 2014-16 counter fraud fund grant project in England & Wales.

6.2 CFID's model of tackling fraud has been identified as a best practice approach recognising its development of national capabilities. These specialist function were never previously available to local councils nor the public sector as a whole particularly in the horizon scanning in cyber-crime, supply chain fraud & corruption.

7. Multi Agency Collaborations

7.1 CFID's capability in cyber-crime and digital forensics was identified by policing as being an opportunity to co-locate and share capacity and resources where there are obvious, or regular, cross over in criminals targeting local councils and others generally.

7.2 Working with Police forces CFID's work has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children and over 60 convictions.

7.3 CFID is working with national police agencies to share its experiences and skill to ensure the capabilities are accessible for the whole of law enforcement.

8. Fraud Loss Assessment

- 8.1 The Fighting Fraud & Corruption Locally strategy was published in 2016 and provided a snapshot of the crime risks faced by local councils. The strategy could only take account of information known at the time it was published and has not been updated since. To ensure that CFID had a live understanding on the threats faced by the council and its partners a significant amount of time was invested in research and analysis.
- 8.2 CFID's intelligence bureau used all the national intelligence and published reports and strategies to relate the fraud risks to Thurrock Council. This work has provided current knowledge of the current threats and impact on frontline services, both locally and on the national spectrum.
- 8.3 Various data sources have been used by CFID including information from:
- Counter Fraud Centre at the University of Portsmouth
 - Annual Fraud Indicator published by Crowe Clark & Whitehall
 - Home Office Serious & Organised Crime Strategy
 - Home Office working group on 'Costs of Cyber Crime'
 - National Cyber Security Centre cyber assessments
 - National Audit Office Cross Government Annual Fraud Landscape Report
- 8.4 This research now puts the annual loss figure to local councils from fraud at £12.9bn, a significant increase from the reported £2.1bn in 2013 and 2016.
- 8.5 CFID has collated all the published tools and information from the leading government sources and used the information from internal fraud risk assessment process to devise an annual fraud impact assessment and strategy. These tools and strategy are now shown at **Appendix 3**.
- 8.6 The '4P's' strategy has been adopted to outline the areas where CFID will target its resources, similar to the national CONTEST terrorism strategy. This approach mirrors the soon to be published fraud strategy for policing to ensure easy interoperability and cohesion.

9. Reasons for Recommendation

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

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

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

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

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

12. Implications

12.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

The figures of detected fraud and potential fraud risk are set out in Appendix 1

12.2 Legal

Implications verified by: **David Lawson**
Assistant Director – Governance & Law

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

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

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

12.3 Diversity and Equality

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

Whilst there are no specific equality and diversity implications arising from this update report, it is noted that CFID's work in 2017/18 has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children.

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

None.

- 13. 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.

- 14. Appendices to the report**

Appendix 1 – CFID Annual Report 2017/18

Appendix 2 – Work plan

Appendix 3 – Risk Matrix

Report Author:

Daniel Helps

Senior Manager

Counter Fraud & Investigation



**Counter Fraud &
Investigation Directorate**

Safeguarding frontline services, protecting communities

Annual Report 2017/18



The Counter Fraud & Investigation Directorate was launched as an internal service but also as a separate national function in 2014 following the award of government grant. The funded programme was to install advanced capabilities for crime fighting in order to protect not only Thurrock & Southend Councils but provide assistance to other public bodies around the UK.

Since we started that journey our work has led to over £24.5m of economic crime being detected and the recovery of £3.9m of public funds from criminals.

We have provided specialist support to twenty-five local authorities, three police forces and two government departments all over the UK from Essex to London, Lancashire, Manchester and Wales. Last year we were also called upon by the Foreign & Commonwealth Office to assist the government of Malawi suffering from a serious economic crime incident.

I am proud to say that our effectiveness in countering the most serious types of crime, now across the world speaks for itself. None of that success could have been achieved without the continuing commitment of the CFID officers working 24/7 to protect the public purse supporting frontline public services.

Our work is far from complete and the ensuing year will see us pursue further collaborations to make sure that public bodies continue to acknowledge and respond better to the ever changing threats from fraud and economic crime.

David Kleinberg

Assistant Director - Head of CFID

Our Performance

Our key role is to protect Thurrock, Southend and Castle Point Councils from fraud and economic crime. We also have a national remit providing expertise to other public bodies to reduce economic crime.

This work is provided by the specialist capabilities not present in other public authorities, including:

- Criminal Intelligence – Strategic Assessment Programmes, helping organisations understand the threats they face and implementing plans to deal with them
- Digital Forensics – providing access to electronic evidence in investigations to international standards (ISO17025)
- Criminal Finances – providing officers, accredited by the National Crime Agency to investigate, restrain and confiscate criminal proceeds
- Cyber Resilience – providing advanced technology and expertise to protect public bodies from cyber crime



£24.5m
Detected



£3.9m
Recovered



48
Convictions



29
Insider Threats
Apprehended



81
Adults &
Children
Safeguarded



3
Organised Crime
Groups (OCGs)
Disrupted



3
Police
Forces
Supported



27
Public
Bodies
Supported

How we operate

In order to deliver this support to other public bodies CFID's officers will deliver specific investigative projects or will co-locate CFID officers to support ongoing operations:



Collaboration

CFID continue to support these partners to fight economic crime:



Operational collaboration agreements are being developed with these partners:



A Shared Services Board was formed in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The board considers the work of CFID across the partners as well as opportunities to develop more collaboration ensuring good quality, professional services are provided that meet each individual organisation's needs.

The provision of a national capability brings with it national responsibilities and oversight. Recognising our role and responsibilities, we sought assistance from national bodies to implement an appropriate inspection regime to provide assurance over our work.

The governance structure overseeing the directorate's work is now formed of several independent bodies:

- **Local & Central Government – Standards & Audit Committees**
 - Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance
- **Her Majesty's Inspector of Constabulary**
 - Annual inspection to monitor use of police data by the Directorate and its use in investigative work
- **Investigatory Powers Commissioner's Office**
 - Inspections to monitor the use of investigatory tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998
- **Home Office - National Police Information Risk Management Team**
 - Inspections to monitor the security of data used in the department
- **College of Policing**
 - Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations
- **United Kingdom Accreditation Service**
 - Inspections to monitor our forensics activity for criminal casework
- **UK Forensic Science Regulator**
 - The Regulator ensures that the provision of forensic science services by CFID across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

Inspections

CFID did not have any inspections over the last year but two inspections are planned for this year:

National Crime Agency – Proceeds of Crime Regulator

CFID uses a number of powers afforded by Parts 2, 5 and 8 of the Proceeds of Crime Act 2002. The National Crime Agency is the regulator of these powers. An inspection in to CFID's use of the powers will take place in July 2018.

UK Accreditation Service

CFID has its own forensic laboratory to deal with digital media recovering material from electronic devices for use in criminal justice or civil outcomes. All laboratories conducting this work in the UK must now be accredited to ISO17025 (International Standards). CFID has work towards this accreditation for 2 years. This year the final inspection will take place to accredit CFID's laboratory to ISO17025 standards.

The CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council or other agencies. Other partners can join the service with a financial contribution or with the secondment of staff into CFID.

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

Overall CFID Budget 2017/18

	Contribution	Contributor
	£898,502	Thurrock Council
	£288,960	Southend Council
	£349,467	Other Partners
Total Budget	£1,536,929	

Detected Fraud 2017/18

	£1,499,894	Thurrock Council
	£687,742	Southend Council
	£263,400	Castle Point Council
	£238,900	South Essex Homes
	£448,900	Poplar HARCA
Total Fraud	£3,138,836	

These statistics show that for every £1.00 that CFID costs it detects £2.04 in fraud and other economic crime.

Strategic Assessment

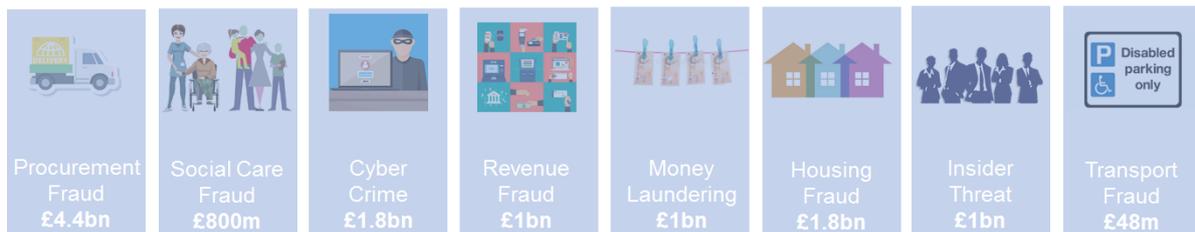
The Counter Fraud & Investigation Directorate's primary focus is the protection of Thurrock and its partners, around the UK, from economic crime.

Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally Strategy. That strategy provided only limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically. The loss figures used were also from 2013. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime and Money Laundering. All of these areas have seen an increase to CFID's casework detecting those crimes for councils around the UK.

CFID's commissioned its own assessments supported by the Cabinet Office which were concluded in April 2018. This assessment provided a better understanding the full threat picture and its impact on local government.

CFID developed a new Fraud Loss Matrix¹ which provides partners a better understanding of the threats and what they should be doing about it.

Fraud Loss Matrix - Top 10 risks for local government



Economic Crime in Local Government



The Threats **£12.9bn**
Cost local government *annually*

Each of the partners now have an organisation-specific strategy based on these risk, which has been presented to their Audit Committees.

¹ This was supported by publications from Crowe Clark Whitehill
<https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/11/Annual-fraud-indicator-2017.pdf>

Social Housing Fraud

Last year 45 social housing properties were recovered by CFID with an additional five housing applications stopped due to fraud. Recovering properties lost due to fraud and preventing further housing stock being lost saves the public purse in terms of increased temporary accommodation costs as well as ensuring that those in real need of housing receive accommodation. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.



45

Properties Recovered

In one particular case, in Southend-on-Sea, a sole social housing tenant died, and the housing provider served a notice to quit (NTQ) to recover the property. The deceased's estranged wife contested the NTQ, claiming that she had been continually living in the property. An investigation identified that this claim was untrue and took the matter to Court. The Court agreed with the findings of the investigation and the property was returned to the housing provider. The Defendant was also ordered to reimburse the housing provider for lost income during the false claim period.

In another case in Thurrock, it was alleged that a female tenant falsely claimed to be living in her council property but was in fact living with her partner in another property. An investigation confirmed what was suspected and the council property was recovered and put it back into circulation for a family in genuine need. CFID also identified that full council tax wasn't being paid by her partner at the property the female tenant resided in. The council recharged her partner for wrongfully claiming council tax single person discount for the period the female tenant resided at the property.

Right to Buy Fraud

The Right to Buy Scheme provides social housing tenants the opportunity to buy their social housing property. After a qualifying period properties can be sold to the tenants at a maximum discount between £77,900 and £103,900.

CFID reviews all right to buy applications for Thurrock Council and in the future intends to do this also for Castle Point and South Essex Homes.

Last year CFID detected 6 cases of Right to Buy fraud preventing the social housing properties from being lost. This intervention prevented a significant loss to the public purse ensuring that the properties remained available to those who are in genuine need.

Blue Badge Fraud

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

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

A total of 39 blue badge warnings were issued for first offences, and 19 blue badges seized where criminality was detected. CFID prosecuted one resident of Thurrock for multiple use of a deceased person's blue badge. This person received a

sentence of 120hrs unpaid work and ordered to pay over £2000 in legal costs.

CFID are working closely with Civil Enforcement Officers in Southend-on-Sea to ensure body cameras are worn and activated when enforcing blue badge crime. Training has also been provided to CEOs to ensure they provide witness statements to a criminal standard. This approach provided better outcomes for the CEOs where one member of the public was prosecuted by CFID for a public order offence when they abused a CEO for doing their job.

Council Tax Fraud

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

CFID works closely with the affected revenues departments and their inspectors to recover the losses and ensure an accurate liability is recorded for properties.



Conviction

A female who fraudulently claimed 100% council tax reduction worth £5,000

One example in Southend-on-Sea related to a liable party who fraudulently claimed to be living alone as a full-time student to receive a 100% discount on their council tax.

CFID found that other adults were also living at the property and therefore a full charge should have been applied. The liable party was prosecuted for fraud amounting to more than £5,000. The woman was sentenced to 150 hours of unpaid work and was required to pay court costs.



58
Fraud Incidents
Detected

Insider Threats

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

THURROCK Gazette

Thurrock Council worker spared jail after cheating system to provide her friends with council houses

Jonathan Pickles



In one case at Thurrock, CFID found that a staff member had been manipulating housing allocations records to provide housing to her friends and associates. The investigation culminated in several arrests leading to five prosecutions at Basildon Crown Court for various fraud offences. Two social housing properties were recovered, one housing application was stopped from progressing and one staff member resigned prior to her disciplinary hearing for gross misconduct.

In another case CFID found that a member of staff working at a Theatre had been stealing money from the refreshment kiosk. A CFID operation identified irrefutable video and physical evidence of the thefts taking place. The suspect was interviewed and fully admitted the offence when presented with the video evidence. They attended the Basildon Magistrates Court pleading guilty at the earliest opportunity. The staff member was also dismissed from their employment for gross misconduct.

Social Care Fraud

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

In one Southend case, a Carer for a vulnerable adult continued to claim payments into their own bank accounts following the death of the vulnerable person. They then contacted the council claiming to be someone else stating that they had taken over the care of the vulnerable service user. CFID identified that the service user had died and that over £6,000 had been fraudulently claimed for his care since his death. The suspect was prosecuted and ordered to carry out 160 hours of unpaid work, a 12-month community order, legal costs of £4000 and ordered to pay compensation of £6,077.50.



Conviction

Resulted in 160 hours unpaid work, £4k costs, £6k compensation

Operational Activity

In another Southend case, CFID were asked to review a person's application for support after they claimed to be destitute. Council staff became suspicious when the person refused to answer questions surrounding their financial circumstances. CFID identified that they were not in fact destitute, with financial assets and debts with financial institutions going back a number of years. The application for support was refused resulting in a significant saving to the public purse.

Joint Working

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of the public. Over the last year **32 Alerts** and guidance notes were disseminated by CFID across all our local authority and public partner service areas.

The Criminal Intelligence Unit have also disseminated **117 Intelligence Reports** to other agencies to assist with the apprehension of criminals.

CFID's specialist expertise has been used by other local authority services to protect the public including tactical support to other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.



CFID has also delivered an enhanced national assessment of the economic crime risks faced by local government using data from its national work as well as reports by professional bodies like CroweClarkWhitehall. This new **Fraud Loss Matrix** is being adopted by councils around the UK and government.

Disruption Operations

In some cases, the most effective way to deal with fraud and other economic crime affecting the public purse is through disruption tactics.

CFID were asked by Environmental Services at Thurrock Council to investigate reports of trade waste being illegally dumped at a local refuse site. CFID deployed tactics to identify prolific offenders. This information was collated and a day of action took place whereby nine fixed penalty notices, with a value of more than £3,000 were issued, two vehicles were seized and six requirements to produce certificates were issued.

Operational Activity

The information obtained by CFID was used to support the recent decision to implement a permit system for vans and commercial vehicles at the site.

Another case concerned NNDR in Castle Point, where a resident business attempted to claim that the landlord was actually operating at the premises, and they were due to pay the NNDR. They provided what was suspected to be false documents. CFID took action to disrupt this criminality and the business quickly moved from the address. The property was seen as an easy target as the landlord was out of the country. NNDR records were updated accordingly to prevent this from occurring at this property again.



Results

CFID presents all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where fraud or other criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently. This process includes the use of the Code for Crown Prosecutors in consideration of criminal litigation.

In 2017/18 the number of fraud cases identified by CFID increased, as did the number of sanctions delivered.

The overall fraud detected figure for 2017/18 is £3,138,836.

This figure as reduced from the 2016/17 figure of £5,558.808 This change has been attributed to the inclusion of one case last year that was valued at £3.2m alone. The increased disruption activity, where controls are changed, and deterrence factors are included will also have had an impact.

The table below details the sanctions, investigations and compliance activities completed by CFID across each partner for 2017/18. The table has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Sanctions Applied – Fraud Proven	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
Blue Badge Seizure	4	15	0	N/A	N/A	19
Blue Badge Warning	3	33	0	N/A	N/A	36
Civil Action	0	1	1	N/A	N/A	2
Disruption Activity	10	7	1	N/A	N/A	18
Dismissal (Staff)	7	2	0	N/A	N/A	9
Financial Penalty	1	2	0	N/A	N/A	3
Fixed Penalty Notice	9	0	0	N/A	N/A	9
Formal Caution	1	1	0	N/A	N/A	2
Goods Recovered	1	0	0	N/A	N/A	1
Housing App Stopped	3	2	0	0	0	5
Overpayment Recovery	2	11	0	N/A	N/A	13
Parking App Stopped	0	1	0	N/A	N/A	1
Parking Permit Seized	1	2	0	N/A	N/A	3
Property Recovered	26	2	1	6	10	45
Prosecution (Criminal)	10	5	0	0	0	15
Prosecution (Joint)	2	0	0	N/A	N/A	2
Referral to HR	8	3	2	N/A	N/A	13
Repayment of Monies	2	2	1	N/A	N/A	5
Resignation (Staff)	3	2	0	N/A	N/A	5
Right to Buy Stopped	3	0	2	0	1	6
Tenancy Sanction	2	0	0	0	0	2
Vehicle Seized	2	0	0	N/A	N/A	2
TOTAL SANCTIONS	100	91	8	6	11	216
VALUE	£1,499,894	£687,742	£263,400	£238,900	£448,900	£3,138,836
Investigations Completed with No Further Action 2017-18	42	45	4	7	10	108
All Investigations Completed 2017-18 (Sanction + NFA)	142	136	12	13	21	324

Results

Compliance Activity	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
NNDR Reviews	0	0	22	N/A	N/A	22
Tenancy Audits	221	0	0	0	0	221
Right to Buy Review	65	0	0	0	0	65
Council Tax Review	23	0	0	0	0	23
Referral to DWP	48	4	0	0	0	52
TOTAL	357	4	22	0	0	383

Comparison to Previous Years

The table below shows the detected fraud value year on year since the inception of CFID, for investigations solely conducted by CFID

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	£1,823,300	£585,697	N/A	N/A	1,230,930	£3,639,927
2015/16	£1,312,038	£1,887,589	N/A	N/A	£5,569,330	£8,768,957
2016/17	£4,562,031	£375,302	£40,000	£191,000	£1,790,475	£6,958,808
2017/18	£1,499,894	£687,742	£263,400	£448,900	£2,238,900	£5,138,836
						£24,506,528

The total value of fraud detected during **April 2014 to March 2018 is £24,506,528.**

The table below shows the number of investigations completed year on year, since the inception of CFID,

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	205	339	N/A	N/A	0	544
2015/16	256	225	N/A	15	18	514
2016/17	110	112	15	27	38	302
2017/18	142	136	12	21	13	324

In addition to CFID own investigations support and expertise has been provided to other law enforcement agencies such as the Police and Local Authorities.

This assistance has been to agencies that have their investigation capability but require specialist tools and resources that exist within CFID to conclude casework.

One such example was an organised welfare fraud committed against the London Borough of Redbridge. CFID provided digital forensic support to the investigation team from Redbridge and identified key pieces of evidence from seized devices which ultimately led to guilty verdicts for a **fraud valued at £1,124,000**

Assistance to other council service areas

CFID have provided support to other service areas within the partner agencies requiring assistance.

Private Sector Housing Enforcement

CFID have worked with the private sector housing team to provide guidance on interviewing suspects under conditions in-line with the Police & Criminal Evidence Act, known as 'interviews under caution'. CFID officers have mentored these officers and conducted interviews under caution to pursue prosecution for offences under the various Housing Acts.

This has been a successful project and has greatly up-skilled the Environmental Health Officers enabling them to more effectively deal with offences including unlicensed Houses in Multiple Occupation, unlawful eviction & harassment and breaches of notices.

Additionally CFID have provided support to the officers in using different tactics to obtain intelligence and evidence to support prosecutions, this includes the use of the Data Protection Act 1998 (now DPA 2018) to obtain evidence.

Trading Standards

CFID's Financial Investigation Unit has assisted Thurrock Council's Trading Standards during several investigations. CFID are the only unit with Thurrock Council that are accredited by the National Crime Agency to use powers under the Proceeds of Crime Act 2002.

One example relates to an investigation by Trading Standards into the sale of counterfeit cigarettes. CFID assisted with a premises search and used powers under the Proceeds of Crime Act to seize more than £20,000 in cash from the suspect's home address.

Cabinet Office

David Kleinberg – Assistant Director and Head of CFID, was seconded to HM Government – Fraud, Error and Debt Taskforce as the Head of Standards (Punishment, Sanction and Redress) in January 2016. David's role is to assist government in the creation of a 'Counter Fraud Profession'.

David also sits on the HM Government, Cross-Sector Group and the College of Policing' Cyber Crime Careers Pathway, Programme Board with other senior members from law enforcement including from the City of London Police, National Crime Agency, government and private sector.

National Anti-Fraud Network (NAFN.gov)

Daniel Helps – Senior Manager, was elected to the national executive board for NAFN.gov. This organisation was selected by David Anderson QC (*the government's independent reviewer of RIPA & covert policing*) to be the national body with the powers to acquire communications data for local government.

National Tenancy Fraud Forum

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

College of Policing

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

There are 12 members of the group (including CFID) out of the 43 police forces in the UK.

How to Report Fraud



See it



Report it - Email
reportfraud@cfid.uk



Report it - Call
03000 999111

©2018

CFID
Civic Offices
New Road
Grays, Essex
Tel: 03000 999111

Appendix 2 - Counter Fraud & Investigation Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status
Council-wide	Fraud risk matrix assessment to be delivered to all service areas	July – Sep 2018	Meetings to be booked for DMT with relevant Directors and Assistant Directors
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	In Progress	This item is delayed due to the ICT system implementation difficulties.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	In Progress	This item is delayed due to the ICT system implementation difficulties.
Proactive Fraud Drives	Conduct proactive activity to disrupt and detect fraud affecting the council.	In Progress	Proactive work continues to be undertaken across the high-risk areas. So far this year activity has been conducted in: <ul style="list-style-type: none"> • NRPF • Parking Enforcement of Blue Badge misuse • Payment Card Fraud/ Money Laundering
Investigation Review	Review of insider fraud investigations with Human Resources to reviews action and learning points	Ongoing monthly	Monthly meetings are taking place with the CFID Senior Manager and HR SPOC where all investigations are reviewed
Fraud Awareness Training	Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy	Ongoing to December 2018	Meeting has taken place between CFID Senior Manager and housing management team and bespoke training is being developed for each team.

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thurrock.gov.uk

Economic Crime Threat Analysis & Strategy

Counter Fraud & Investigation



Economic Crime in Local Government



The Threats **£15m**
Could cost the council *annually*

Our Strategy

Prevent

- Stop individuals becoming involved in fraud or providing support for economic crime activity

Protect

- Create the conditions in which crime prevention against fraud, particularly cyber enabled, mirrors the best aspects of physical crime prevention

Prepare

- Use intelligence to change perceptions and create effective actions against the threats across the council and in its supply-chain

Pursue

- Investigate individuals and groups engaged in fraud disrupting their activities, taking away their finances

Procurement Fraud

Risk Profile

Procurement
Fraud
£5.6m

- **Fraud in this area, includes:**
- Legitimate suppliers adding unauthorised costs to invoices
- Legitimate suppliers conspiring with staff to add costs to invoices
- Fraudulent suppliers/staff submitting completely false invoices
- Fraudulent diversion of payments to suppliers to another bank account
- Suppliers intentionally providing poor quality goods or services
- Criminals diverting legitimate payments for suppliers to their own accounts

Counter Fraud



Social Care Fraud

Our Risks

Social Care Fraud
£3.6m

- **Around £48m spent every year on adult social care**
- **Fraud in this area occurs when:**
 - A person falsely presents their social care needs
 - A person intentionally withholds their true financial status
 - A person does not use care monies for what it was paid for
 - A carer abuses their position by not delivering the care they are paid for
 - A carer steals from a person or submits false claims for work
 - An adult or child is financially abused by a person, stealing or depriving them of their/ or family assets

Counter Fraud



Cyber Crime

Our Risks

Cyber Crime
£1.6m

- **Thurrock has over 2,100 users of its systems**
- **The cyber crime risks include:**
 - Unlawful access to data we hold including people's earnings, children & adults protection and care, property and supplier information
 - Intentional disruption of council services
 - Asset mis-appropriation – both tangible and intangible assets
 - Extortion – i.e. RansomWare
 - Money Laundering & Fraud through the council's network infrastructure

Counter Fraud



Revenue
Fraud
£1m

Revenues Fraud

Our Risks

- **Thurrock receives £122m a year from payers**
- **Our risks here include:**
 - Fraudulent claims for exemptions or discounts on Council Tax or Non-Domestic (business) rates
 - Debtors dishonestly avoiding payments, e.g. companies trading fraudulently to accrue debts with no intention of paying them back
 - A person dishonestly representing their circumstances to avoid paying the council

Counter Fraud



Money
Laundering
£1m

Money Laundering

Our Risks

- **The council receives £122m a year from payers**
- **The risks here include:**
 - Criminals paying for legitimate debts on behalf of another individual, with illegal proceeds.
 - These risk would be present in our property and supply-chain transactions, the use of stolen credit or debit cards to pay council tax and business rates or even social rents and Right-to-Buy

Counter Fraud



Housing
Fraud
£991k

Housing Fraud

Our Risks

- **Thurrock has 10,100 social housing properties**
- **The council spends £53.2m a year in housing**
- **Fraud risks in this area, include:**
 - Housing applicants being dishonest about their circumstances
 - Tenants unlawfully subletting their property
 - People fraudulently claiming 'succession' of a tenancy
 - False Right-to-Buy applications
 - Key-selling, where a tenant 'sells' their tenancy to another

Counter Fraud



Worker
Fraud &
Corruption
£699k

Worker Fraud & Corruption

Our Risks

- **Thurrock spends £65m annually on its work-force**
- **Fraud and corruption by workers include:**
 - False (inflated) claims for overtime / flexi-time / allowances
 - Remote workers falsely starting late / finishing 'early'
 - Taking days off without claiming it officially
 - Claiming to have delivered work when they haven't (plagiarism)
 - Falsely claiming to be absent sick
 - Working in secondary employment whilst absent sick
 - Corrupting recruitment and other council processes

Counter Fraud



Blue Badge
Fraud
£408k

Blue Badge Fraud

Our Risks

- **Thurrock has over 6,000 blue badges issued**
- **Fraud in this area includes:**
 - A third party using a badge without the badge holder present
 - The falsification of an expired badge to re-use it
 - The use of a stolen/counterfeit blue badge
 - The unlawful use of institutional badges by care staff

Counter Fraud



Insurance
Fraud
£76k

Insurance Fraud

Our Risks

- **Thurrock spends £1.9m a year on insurance**
- **The risks here include:**
 - Contrived accidents, where people claim an accident has happened suffering property damage or injuries when it hasn't
 - Phantom passenger claims where people claim to have been in a vehicle involved in an accident with a council vehicle, when they haven't
 - False claims for property damaged as a result of council activity, such as through potholes

Counter Fraud



Grants
Fraud
£8k

Grants Fraud Our Risks

- **Thurrock awards around £230k a year in grants**
- **Fraud in this area includes:**
 - A person lying or exaggerating about their circumstances in order to get a grant
 - An organisation submitting false information to obtain a grant
 - The use of a grant for a purpose is was not intended for
 - Failure to repay surplus monies awarded in grants

Counter Fraud

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**Standards & Audit Committee
Work Programme
2018/19**

Dates of Meetings: 19 July 2018, 27 September 2018, 13 December 2018 and 14 March 2019

Topic	Lead Officer
19 July 2018	
Regulation of Investigatory Powers Act (RIPA) 2000 - 2017/18 Activity Report	Lee Henley
Chief Internal Auditor's Annual Report – Year ended 31 March 2018	Gary Clifford
Refresh of the Strategic / Corporate Risk and Opportunity Register	Andy Owen
Internal Audit Progress Report 2017/18	Gary Clifford
Audit Results Report for the Year Ended 31 March 2018	Ernst & Young / Sean Clark
Financial Statements and Annual Governance Statement 2017/18	Ernst & Young / Sean Clark
Red Reports (as required)	
Counter Fraud & Investigation Annual Report & Strategy	David Kleinberg
Work Programme	Democratic Services
27 September 2018	

Annual Access to Records Report	Lee Henley
Annual Complaints Report	Lee Henley
Internal Audit Progress Report	Gary Clifford
Counter Fraud & Investigation Quarterly Status Report	David Kleinberg
Annual Audit Letter	Ernst & Young / Sean Clark
Red Reports (as required)	
Work Programme	Democratic Services
13 December 2018	
Mid-Year RIPA Report	Lee Henley
Mid-Review of the Strategic/Corporate Risk and Opportunity Register in Mid-Year Report	Andy Owen
Internal Audit Service Update Report	Gary Clifford
Internal Audit Progress Report	Gary Clifford
Counter Fraud & Investigation Quarterly Status Report	David Kleinberg
Red Reports (as required)	
Work Programme	Democratic Services
14 March 2019	

Mid-Year Complaints Report	Lee Henley
Annual Review of Risk and Opportunity Management	Andy Owen
Internal Audit Plan & Strategy	Gary Clifford
Audit Planning Report and Certification of Claims report	BDO / Sean Clark
Internal Audit Progress Report	Gary Clifford
Counter Fraud & Investigation Quarterly Status Report	David Kleinberg
Red Reports (as required)	
2018-2019 Fee Letter (Date to be confirmed)	Jonathan Wilson
Work Programme	Democratic Services

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