

**28 September 2016**

**Item : 11**

**Full Council**

**Report of the Cabinet Member for Finance**

**Report of: Councillor Hebb, Portfolio Holder for Finance**

**This report is public.**

### **Introduction By Portfolio Holder**

The report you are reading is based on one-half of my Cabinet responsibilities – specifically Finance and IT. It is my view, that my Directorate is an enabling directorate; one that enables other areas of the council to survive and thrive.

This report sets out a new direction of travel; how we will ensure that the Thurrock leadership of today, stimulate economic prosperity in the future for our children, and our children’s children.

My Cabinet colleagues have all set their stall on how they seek to reshape community living – focusing on helping the youth of today make good decisions for the future.

Broadly speaking, the Administration’s finance management plan echoes that ethos:

1. **We will not only stabilise the ship, we will chart the course for a 30 year journey** – upon entering administration, we have reviewed upward our “rainy-day” fund, in the most comprehensive way since 2010, and we have shaped the budget planning structure for which this council will create a three year budget, with a 30 year plan in mind. The Council Spending Review is a different mechanism from previous: building budgets to enable the right services to operate well – not merely adopting a salami-slice cut model – will ensure services are set-up strongly to deliver our vision of a better borough.
2. **We will be unashamedly pro-revenue growth** – revenue-generation is not an ugly word. Think about your household budget – if you have too many commitments, you have to reduce your outgoings. You can do that by spending less, but also by trying to earn more. That means being commercial – that means selling our services to other councils and other organisations; it means ensuring that everyone pays what they are due to pay; it means being truly open for business – dragging investment into the borough (grammar schools, Port of Tilbury expansion etc.)
3. **We will enable this council to focus on the right things** – the Conservative Administration took office with a simple mantra – tidying Thurrock up. Thus,

“Clean It – Cut It – Fill It” was born. Revenue generation and smarter finance management enables key initiatives like this to be implemented, and make a difference to people’s lives. Our customers deserve clean green spaces, their public spaces to be kept free of litter, and the promise that there are consequences to those who do not play that game.

The report follows a simple structure, and covers Corporate Finance, Fraud & Intelligence, ICT, Internal Audit, Risk & Insurance and Revenues and Benefits.

I will take a dedicated moment to recognise the many council staff who have worked unceasingly before and after the change of administration, for the betterment of Thurrock residents. Allow me to take this moment to say, on behalf of many, thank you.

I would also pay tribute to my predecessor. While views about “HOW” we try to achieve things sometimes have and will always often vary, I have no doubt that our hopes, dreams and aspirations for the people of this borough are very similar.

Cllr Shane Hebb | Cabinet Member for Finance & Corporate Operations, September 2016

## **CORPORATE FINANCE**

### **► SERVICE OVERVIEW**

Corporate Finance lead on the promotion and delivery of good financial management to ensure that the council's financial position is managed appropriately and public money is safeguarded. The service leads on all financial management processes and supports both internal customers, such as other council services, and external customers in the form of the borough's schools and other statutory bodies. Key duties include:

- Statutory returns and reports
- Provision of financial information and advice
- Budget holder support
- Revenue and capital budget preparation and monitoring
- Preparation of the Statement of Accounts
- Tax advice and planning
- Treasury management activities
- Schools support

### **► REVIEW OF THE PREVIOUS 12M**

The council continues to operate in a challenging financial environment. Significant savings have been delivered in previous years and the council continues to face considerable budget challenges over the coming years. I will take the opportunity to acknowledge the work carried out by officer team, including all members of staff, as well the previous administration in delivering balanced budgets at both budget setting time and, indeed, practically then coming within the budget envelope.

The 2015/16 financial outturn position was reported to Cabinet in July 2016. As noted in the report, the council managed a number of financial pressures such as demand-led social care pressures, re-profiling of the Transforming Homes programme and the termination of the shared services contract with Serco. Despite this, the General Fund balance was maintained at £8.0m and the Housing Revenue Account balance maintained at £1.754m.

The most significant service pressure related to Children's Services. The overspend was due to a combination of factors including service pressures resulting in in-year savings on staffing and placements not being achieved. Staffing costs were made up of both increased numbers over establishment due to demand pressures and the cost of agency staff as recruitment and retention continued to be a problem. Placement costs remained at a similar level to 2014/15, however, the original budget proposed significant savings. The number of Unaccompanied Asylum seekers continued to increase, which resulted in a significant budget pressure as rates paid by the Home Office were considerably below the costs incurred.

In 2015/16 the council had to fund the total cost of terminating the Strategic Services Partnership with Serco. This totalled £13.4m which consisted of £9.9m termination payment and £3.5m of pension costs. Of this, £11.7m was charged to the General Fund, £1.2m to the Housing Revenue Account and £0.5m was capitalised.

The council delivered a balanced position through a combination of service underspends, treasury management and releasing usable reserves set aside for this purpose. An underspend of £3.926m in Treasury related predominantly to savings arising from the rescheduling of minimum revenue provision payments, greater returns on investments and lower than expected interest payments. Useable Reserves of £10.251m were released to fund the in-year pressure of the Serco termination payments.

## ► PERFORMANCE DATA

The 2015/16 outturn position is summarised below. This was reported to Cabinet in July 2016.

	Revised Budget £m	Outturn £m	Variance £m
<b>Service:</b>			
Adults, Health & commissioning	31.820	31.985	0.165
Public Health Expenditure	10.550	10.184	(0.366)
Children's Services	29.896	35.510	5.614
Environment	18.108	18.579	0.471
Planning & Transportation	7.127	6.860	(0.267)
Chief Executives Office	12.749	11.129	(1.620)
Treasury	7.907	3.981	(3.926)
Chief Executives Delivery Unit	2.589	1.189	(1.400)
Commercial Services	14.925	13.519	(1.406)
Public Protection	1.737	1.652	(0.085)
Housing Services	0.735	0.595	(0.140)
<b>Service Total</b>	<b>138.143</b>	<b>135.183</b>	<b>(2.960)</b>
<b>Financed by:</b>			
Other Non-specific Grants	(14.358)	(15.884)	(1.526)
NNDR	(26.780)	(26.806)	(0.025)
RSG	(26.462)	(26.535)	(0.073)
Council Tax	(54.758)	(54.838)	(0.080)
<b>Total Financing</b>	<b>(122.358)</b>	<b>(124.063)</b>	<b>(1.704)</b>
<b>Direct Total</b>	<b>15.785</b>	<b>11.120</b>	<b>(4.664)</b>
Levies & Recharges	(12.656)	(12.569)	0.087
Exceptional	0.000	11.700	11.700
<b>Net Operating Deficit After Exceptional Items</b>	<b>3.129</b>	<b>10.251</b>	<b>7.123</b>
Use of Usable Reserves	(3.129)	(10.251)	(7.123)
<b>Overall Impact on General Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>

## ► FUTURE: COUNCIL SPENDING REVIEW

This administration intends to maintain and, more importantly, improve the budget setting process and the Council's financial standing in an uncertain world.

Since May 2010, Thurrock Council adopted a top-down budget saving process in order to meet the available budget envelopes of each successive year. This model, effectively reducing department budgets, has led to the budget book being, by-and-large, balanced each year.

However, as part of this exercise, departments have not been forced to revisit their purpose and intent. We are now faced with council departments being ill-equipped to fund the services they provide in the now. This carries risk, and must be managed.

The new administration of May 2016 is seeking to change the way Thurrock Council budgets – instead of departments being required to maintain the existing service on less budgets, the new administration is tasking everyone in the organisation of designating which services the council must and/or should offer, and build a budget upward to support the execution and embedding of a quality public service.

Some may call this zero-based budgeting; the new administration calls it the Council Spending Review.

The Council Spending Review – or CSR for short – is not a tool merely to make budgets fit on a spreadsheet and carry on doing what we have been doing for, arguably, decades. The CSR is much more than that – it is a process which has one question in mind:

“What is the role of local government in Thurrock today, and what do we fund as a priority?”

Effectively, what is the “New Thurrock Offer”?

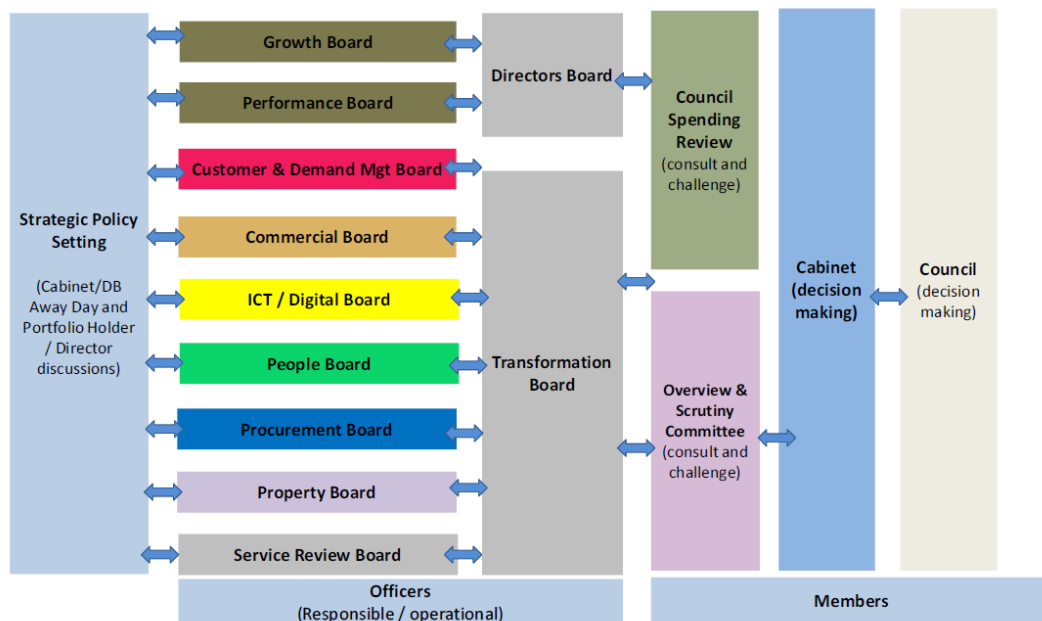
The outputs of this process will be a zero-based set of public services which have been agreed as priorities by:

- The Cabinet (Executive)
- Opposition Group Leaders and Deputy Leaders x2
- Directors Board and Heads of Service
- Members of “shop-floor” (Thurrock Council staff, of which 80% are Thurrock residents)
- Councillors who sit on Overview & Scrutiny
- All 49 Councillors via Budget Council

Over the coming months, all services will have a zero-based review – is there a statutory or non-statutory requirement for the service?; is this service in the public interest?; when held against another service, which service offers more for a higher number of people? These are all questions which will be asked.

Proposals will focus on: income generation; doing more or same for less; and reducing the need for service demand increases (most notably in social care).

Below is the Council Spending Review Framework:



Firstly, the Cabinet (executive) have submitted their collective contributions to the over-arching Transformation Board.

At the next stage, there are a number of new strategic Boards chaired by members of the Council's Directors' Board which will oversee the second stage of this process: Customer and Demand Management; Commercial; Digital and ICT; People; Property; Procurement and Service Review Board. This is where staff involvement is key and my expectation is that staff from the “shop-floor” are fully informed and active in participation.

For clarity, these reviews will not just be about the General Fund. We are all aware that the Council has responsibility for the Housing Revenue Account and Public Health, both services that have a significant impact on our communities and their own challenges. As such, these services will also be covered through this approach.

Once the Boards have met, and have digested Cabinet’s input with the zero-basing of services provided, the next stage will be to go through the entire council leadership – i.e. Conservative, UKIP and Labour Group Leaders and Deputy Leaders – and the Overview and Scrutiny process.

Lastly, all 49 councillors will be able to review proposals, with the faith that staff from all levels, Directors Board, and all political group leadership have reviewed, proposed and progressed the recommendations for the New Thurrock Offer.

### ► FUTURE: CLEAN IT – CUT IT – FILL IT

At September Cabinet, it was reported that the pilot of Clean It – Cut It – Fill It – will cost the local authority in the region of £260k. This long overdue spend, which was met by efficiencies in operational budgets, aimed to give the residents of Thurrock a

well-deserved first-thought in what this council should be doing as a priority – making Thurrock a place we are all proud to live, work and play in.

Such a simple concept isn't it?

However, a “one-off” campaign, paid for once, will simply not suffice. Alarm-clock Thurrock deserves better, not just this year, but each-and-every Summer in the future. The administration take a simple view of clean parks, cut grass, and smooth roads – its what people, in the main, pay their council tax for.

In order to achieve this sustainably into the future, this council has to save more than what the budget gap is in the MTFS over the next three years. It needs to be said now. As everyone will capture from my tone in the paragraph above, this means we have look harder and deeper at our finances, in order to fund this customer service activity #1, #2 and #3. Therefore I can confirm that officers have been instructed to look far past the budget gap figure in order to identify sustainable funding for this scheme, year-in and year-out.

### ► **FUTURE: GENERAL FUND RESERVES**

However, before we can set off completing a CSR, or zero-based service review, it is critical that our “rainy-day” fund is at the required levels to withstand unanticipated events and crises.

Councillors will be aware that one of my first acts as Cabinet Member for Finance was to ask for the General Fund Balance to be thoroughly reviewed. As reported to Cabinet earlier this month, we intend to support the Director of Finance and IT's recommendation for a phased increase of £1.26m over the next three years, meaning that the General Fund Balance will move from £8m to £9.26m by 2019.

Six years has been far too long to thoroughly review the General Fund Balance. In the name of our children, and grandchildren, this is something that we must not allow again. So I confirm that it is my intention that thorough three-yearly General Fund Balance Reviews will be undertaken as a planned norm, not at the sporadic request of political leadership.

Reserves are not to be used to fund reductions in council funding – this is administration policy.

### ► **FUTURE: CAPITAL PROGRAMME**

In terms of the capital programme, there is no question that there have been a number of notable projects delivered in recent years. However, as Chair to the Corporate Overview and Scrutiny Committee last year, I noted that the programme was short of aspiration. As such, an Investment Strategy is being developed that will bring together a number of projects, often discussed by ourselves with the community and partners, but not always taken through to approval. The Investment Strategy will also inform investment decisions over the longer term on the basis of opportunity, risk and the generation of ongoing financial returns.

And all of this will be delivered transparently, through reports to Overview and Scrutiny Committees and Council Spending Review group that includes the three main parties.

Building on the good work previously carried out in Treasury Management, the Council continues to look for opportunities in addition to the gains being made through the CCLA and Gloriana investments. More recently, the Council, with other local authority partners, has issued a bond for the operation of a solar farm in Swindon. The Council's share of this is £15m over a five year period and attracts a 5% return per annum for the first four years and 8% in the final year.

“Open for Business” is no longer just a label on the front door of this council, but a reality. This will be a pro-revenue council, earning as many pennies as it can to put back into our neighbourhoods.

## **COUNTER-FRAUD & INTELLIGENCE**

### **► SERVICE OVERVIEW**

The service is continuing to deliver the Council's annual counter-fraud strategy, working across the different directorates to improve business processes and better educate staff on the fraud risks the council faces. The service operates a trading model selling specialist anti-fraud services to other public bodies.

### **► REVIEW OF THE PREVIOUS 12M**

A programme of anti-fraud workshops took place at the end of last year and there has been a welcome increase in dialog between specialists from the service and other council services, in areas such as identify fraud and anti-fraud data sharing.

Key successes include:

- The launch of the Essex Fraud Partnership (as detailed later in this report)
- The use of the Proceeds of Crime Act to recover monies from convicted fraudsters, over £180,000 has been recovered
- The use of the Proceeds of Crime Act to restrict assets held by suspected fraudsters in order to maximise recovery during the court process
- Successful delivery of co-operation between the service and Essex Police in order to share intelligence and resources to tackle serious and organised fraud

### **► PERFORMANCE DATA**

Reports of fraud received and under investigation:

- Housing fraud - 72
- Blue Badge - 40
- Social Care - 6
- Council Tax - 46



- Other - 20 (including 6 large complex investigations which are ongoing, concerning external threats to Thurrock Council)

Successful recovery of £1.7million which was being held by an external company, but should have been in Thurrock Council bank accounts.

Intelligence reports received from sources including Police and Government are now distributed immediately to areas which could be affected, reducing the risk of fraud occurring

Successful prosecutions relating to Housing Fraud (sub-let) and Council Tax discount, including the first of its type where a student exemption was claimed

7x cases currently at court stage awaiting prosecution

The unit have recovered 52 properties that were being fraudulently used, these have now been re-let to those in genuine need. The value of this fraud is £936,000

Six right to buy applications have also been stopped, meaning that valuable social housing stock remains available and under the control of Thurrock Council

## ► FUTURE: FOCUSES, PROJECTS AND INITIATIVES

The service continues to sell specialist anti-fraud services to other public bodies to assist them tackling their own fraud risks. Building on the relationship with Southend, Thurrock Council has recently agreed to work with Castle Point Borough Council in delivering an anti-fraud strategy for them and has an officer working across the two authorities to share in Thurrock's successful approach.

### Essex Counter Fraud Partnership

As part of the government funded project, hosted at Thurrock Council, the service launched the Essex Counter-Fraud Partnership in July, bringing together councils from around the county as well as the Police, Home Office, Housing Associations and other public bodies to unify against fraud.

This collaboration sees agencies share best practice and resources to safeguard residents where the misuse of social housing through fraud is identified. The operation, named **Operation Domus**, was developed by Thurrock Council's Counter Fraud & Investigation Service and is the first of its kind in the country to bring the advanced technical resources created here into a multi-agency targeted approach.

As Cabinet Member for this department, I am keen to enhance relations with other local authorities and public sector bodies if there is a benefit of doing so. My stance on fraud is clear – that people are individually responsible for the actions they take, and therefore accountable for doing so.

There is no such thing as “frauding the council” – criminals who undertake such practices are stealing from the rates that alarm-clock Thurrock residents are paying

for good public services. We will fight for the highest sanction to be awarded by such perpetrators.

## **RISK & INSURANCE**

### **► SERVICE OVERVIEW**

The Risk and Insurance Team aim to maintain appropriate risk management, insurance and risk financing arrangements for the Council. The team provides a specialist risk and insurance consultancy facility and the key service functions include:

- The development and implementation of the risk and opportunity management framework
- Arrangement of external insurance cover
- Management of internal insurance arrangements
- Coordination and management of all claims covered by the insurance programme.

### **► REVIEW OF THE PREVIOUS 12M**

The Council's Risk and Opportunity Management Framework remains in line with good practice.

The Strategic/Corporate Risk and Opportunity Register is refreshed annually, reviewed quarterly and reported in line with the Risk and Opportunity Management Framework - quarterly reporting to Directors Board, via Performance Board and bi annual reports to Standards & Audit Committee.

Operational Risk and Opportunity Management is maintained through service risk and opportunity registers which are developed and incorporated in Service Plans. Guidance for project level risk and opportunity management has been updated and risk management support is provided for key projects. Risk and opportunity management principles applied when working with Partners are reviewed and incorporated in Finance Procedure rules.

The Risk and Opportunity Management Policy Strategy and Framework are reviewed against good practice on an annual basis with review outcomes reported to Standards & Audit Committee via Directors Board and Performance Board.

### **► PERFORMANCE DATA**

The service continues to monitor risk and opportunity including action identified to manage and mitigate.

### **► FUTURE: RISK MANAGEMENT**

The mid-year review of the Strategic/Corporate Risk and Opportunity Register is to be undertaken in September and the outcome of the exercise is due to be reported

to Standards and Audit Committee November 2016. The annual review of the Risk and Opportunity Management (including the Policy Strategy and Framework) is scheduled to be reported to Standards and Audit Committee February 2017.

### ► **FUTURE: INSURANCE CONTRACT**

The current insurance contract is for an initial period of 3 years and is due to expire 31 March 2017. Under the contract there is an option to extend for a further 2 one year periods if renewal terms presented by the Insurer are favourable. Discussions with the Insurer on possible contract extension commenced in July. The 2017/18 renewal terms are expected to be presented for consideration in September.

If the renewal terms presented by the Insurer are not favourable the Council will tender the contract. This process is underway to ensure compliance with procurement regulations. The presentation of renewal terms by the current Insurer and work with the Insurance Broker on the insurance market and tender will help to inform judgements on which route will provide the best terms available to the Council in the current insurance market conditions.

## **DIGITAL / ICT SERVICES**

### ► **SERVICE OVERVIEW**

The ICT service is responsible for the delivery of digital, information and communication technologies (including telephony) for the council.

The ICT service transferred back to the Council in December 2015 with an initial budget for the 2016/17 financial year of just under £5m, 40% of which is staff cost, and 60% of which is 3rd party contractual costs.

The scope of duties is aligned to the UK Government recognised Information Technology Infrastructure Library (ITIL) and currently includes:

- CTO Office – Service Planning, Budget Management, Business Partnering, Enterprise Architecture, 3-5 Year Strategy, High Level Design, Design Governance, Digital Innovation
- Operations – Incident Management, Problem Management, Service Desk (including Event Management, Request Fulfilment, Access management), Field Services (including Desktop Support, Office Moves), Infrastructure Support (including Servers, Virtual Desktop Infrastructure, Microsoft Productivity Tools), Service Design and Transition (including Continuous Service Improvement, Service Level Management, Continuity Management, Change Management), Network Management, Telephony Support
- Change and Implementation – Business Services (including Business Analysis, Process Engineering), Applications Management (including Software Analysis, Configuration and Development, Data Management, Applications Support), Technical Project Delivery (including Portfolio Management, Project Management, Technology Workstream Management)

- Commercial – Configuration and Asset Management, Supplier Management, Traded Services (including Product Development, Sales Support, Customer Relationship Management, Billing Support), ICT Procurement (including Contract Negotiation, Due Diligence)

## ► REVIEW OF PREVIOUS 12M

The service underwent a review in the final quarter of the 2015/16, and this initiated a transformation and restructuring of the service to ensure it is properly focussed on supporting the digital requirements and ambitions of the council.

ICT continue to provide broadband services to schools, generating £150k in revenues. Officers are investigating ways of developing this further by upselling other services to schools, and expanding the market into other related sectors. The department is also in the early stages of identifying trading opportunities with other councils.

The ICT service is actively pursuing cost savings in the 3<sup>rd</sup> party contracts base through a combination of renegotiation and rationalisation. However it should be recognised that savings made on existing technology and contracts will likely be offset by additional costs as the council invests in more digital technologies.

Key achievements include:

- Entire estate migrated from Windows XP to Windows 7 operating system
- Migration to virtual desktop infrastructure completed as part of Civic Offices refurbishment, and establishment of community hubs in Purfleet and Tilbury.
- Upgraded the council's main data storage infrastructure.
- Supported the changes to systems required as part of the bank change including an upgrade of the councils BACS infrastructure.
- Provided ongoing technical support to the project replacing the council's housing system.
- Moved Oracle system support to a third party organisation, realising a saving of around £50k per annum over provisioning the service internally.

## ► PERFORMANCE DATA

There are no formal corporate performance measurements for ICT, however the service continue to track performance against a subset of the KPIs that were reported by Serco.

The following table shows the average of monthly performance against those measures in the period December 2015 to August 2016.

Title	Target	Actual
The availability of all Servers and Specified Critical / Core Applications and Services - <b>AVAILABILITY OF NETWORKS</b>	99.50%	98.95%
The aggregate percentage of up time for <b>Libraries</b> connected to the LAN within working hours	99.50%	95.97%
The availability of all Servers and Specified Critical / Core Applications and Services - <b>AVAILABILITY OF SERVERS</b>	99.50%	99.86%
Percentage of Helpdesk tasks to be resolved within agreed priorities/targets	85.00%	89.23%
Customer Satisfaction on HelpDesk service	6.00	6.50

The red measures were wholly attributable to refurbishment and building works which required local elements of the network to be taken off line. Without these works, the SLAs would have been met.

#### ► ACTION PLAN FOR “FAILED” PERFORMANCE MEASURES 2015-16

The “missed” measures are because our monitoring systems make no distinction between planned outages (e.g. where a site is being refurbished) and unplanned outages. ICT are currently reviewing the council’s network monitoring systems as part of improving the council’s infrastructure and “smarter” solutions may be available.

#### ► FUTURE: IT STRATEGY

The IT/IM strategy expires in 2016, and a new combined Digital and IT Strategy is being developed for publication in late 2016.

This strategy will define the council’s technology aspirations from four main perspectives:

- Digital Foundation – technologies to ensure reliable and resilient infrastructure
- Digital Office – technologies to enable the council to operate more efficiently.
- Digital Council – technologies to allow citizens to access end to end council services
- Digital Thurrock – technologies that enhance the lives of citizens, enable smart cities, provide income generation opportunities, and facilitate the delivery of community/corporate priorities.

Technology is evolving and becoming pervasive within the community. Technology in its own right is moving towards being a front line service in some local authorities.

This strategy will determine Thurrock's level of readiness for this new world, technology's role in enabling Thurrock to maximise its potential as a strategic economic hub, whilst setting a realistic pace for our journey over the next 5 years.

#### ► **FUTURE: TELEPHONY**

Capital funding has been allocated in the 2016/17 plan to make critical improvements to the Council's infrastructure, the main outputs being a new Contact Centre telephone system – the council currently uses an obsolete telephony platform to serve its contact centre. Serco were in the process of replacing it with their own system at the time the SSP was terminated, and the Council made the decision to retain the old system as an interim measure in order to avoid any future reliance on SERCO. The technology is robust, but lacks many of the features required to support digital channel shift and a replacement is currently being sought.

#### ► **FUTURE: IT SYSTEMS RESILIENCY**

As Cabinet Member for IT, the resilience of our systems is a high-priority for me.

Working with the IT service, we have identified a number of component work-streams which will be progressed to ensure that the security and resiliency of our IT systems is maintained:

- Strategic Infrastructure – The Council's infrastructure is hosted within council premises with the main server room being located in the Civic Offices. The infrastructure has received significant investment in recent years. The facilities, in my view that support a high-tech, high-energy and high heat-generating server room, need review. It is therefore my intention for this council to seek to invest in a facilities upgrade which will exceed the specification requirements for maintaining an environmentally controlled facility for IT servers, so to ensure we have additional capacity in the future, and the potential for housing customer IT systems as part of our pro-revenue growth agenda.
- Strategic Infrastructure – Following the withdrawal of the Culver Centre there is no offsite failover facility which means that all IT can be lost if the Civic Offices Server room is lost. There have been two near misses in the last 12 months, a power failure in November 2015, and an air conditioning failure in June 2016, both of which impacted service for a number of hours. This frailty around resilience will be addressed, starting with the deployment of an interim disaster recovery facility in Southend council. This interim solution will allow for 100 users to have near immediate access to core systems through VDI in the event of a total loss of the Thurrock server room. A more strategic solution will be developed taking individual service requirements into account and will consider all options, including more investment in infrastructure, partnering with other councils, or the procurement of cloud based services.
- External threats – viruses etc. Cybercrime is a growing problem and a number of local authorities have suffered attacks. To put this in context, the most common form of attack at the moment is Ransomware which makes infected files unusable unless a ransom is paid. Other than paying the ransom (which

is not advised as there is no guarantee that files will be released), the only way to recover from an attack is to take all systems down, find and destroy the virus, and then restore all data from back ups. Lincolnshire County Council were without IT systems for four days earlier this year due to this type of attack. ICT and Information Management have been working together to ensure that Thurrock is not vulnerable. Measures currently in place include:

- Attacks are blocked at the perimeter with MessageLabs email filtering from Symantec (almost all attacks are initiated through email).
- If an attack penetrates the perimeter we have MacAfee antivirus on all machines which will prevent the delivery of the “payload” if somebody clicks on the link.
- ICT operate a rigorous approach to windows security patching to close down the vulnerabilities that these viruses exploit.
- Information Management have initiated a communication and training campaign to increase awareness amongst officers and provide guidance on appropriate safety measures.
- ICT have delegated authority to respond immediately to any threat, and will take immediate action to resolve vulnerabilities without seeking approval from services.

ICT are not complacent and are planning the following action to further protect against attack.

- We are planning to upskill the network support team with externally recognised certifications in cyber protection
- We are planning to replace the Symantec email filtering solution with an even more robust solution from Mimecast
- We are reviewing the frequency of our patching regime. Because patching involves downtime on servers this is not a straight forward exercise if we are to maintain our current service availability, however a combination of technology and process solutions are being considered
- We continue to raise awareness of the issue.

## ► FUTURE: ENHANCED MOBILITY – CHOOSE YOUR OWN DEVICE (CYOD)

In advance of the strategy being published a trial of new smart devices is being undertaken. A small number of “2-in-1” tablet devices are being trialled alongside Windows smart phones to assess their usability and determine which form factor allows officers and members to work more efficiently. The aim is to reduce the reasons for officers to have to return to base.

Assuming the trial is successful, a CYOD policy will be implemented where, subject to business case, services will be able to equip their workers with the most productive corporate devices, selected from a service catalogue which will be continually reviewed and updated.

## ► FUTURE: TECHNOLOGY REFRESH

The council's recent investment in technology has vastly improved the council's ICT capability and enabled its digital transformation. In order to maintain this level of service we need to refresh hardware and software as it becomes obsolete. The normal hardware lifecycle is 5 years, although our thin client estate is designed to last a minimum of 7 years.

Our current Windows operating systems will need to be upgraded within the next 24 months, including:

- Upgrade to Windows 10
- Upgrade of Exchange email servers
- Upgrade to Office 2016

ICT will use the opportunity of the Office upgrade to investigate whether there is a business case for moving to Office 365, which allows Word, Excel and other Microsoft applications to be delivered from "the cloud". There are a number of considerations to be taken into account – particularly the licensing model which is based on users rather than devices. However Office 365 offers a number of additional collaboration features which may bring benefit to the council, and therefore a thorough needs and benefits based analysis will be conducted.

## REVENUES & BENEFITS / COLLECTIONS

### ► COUNCIL TAX - REVIEW OF PREVIOUS 12M

The service aims to maximise income through efficient billing, better detection of fraud and error and firm but fair recovery.

In order to support this, the team have been reviewing opportunities to enhance detection of fraud and error within the base and as a result have recently commenced work with Capacitygrid to undertake a review of:

- Empty properties to maximise income from the New Homes Bonus; and
- Tax payers currently claiming Single Person Discount.

The review process consists of matching our data with external sources to identify accounts for further investigation.

Currently there are 19,000 households claiming SPD at a cost of £6m. The work will be undertaken on a no win no fee basis and whilst it is not possible to accurately gauge success rates, based on the experience of other authorities using this product we estimate a potential 5% removal rate, generating a saving to Thurrock of circa £300k per annum.

The team are working with Agilysis to further enhance the E-services available and as part of this are looking to introduce E-billing by the end of September. Once introduced, this will enable people who request it to retrieve their bill online reducing printing and posting costs.



To date circa 12,000 tax payers have registered with my account.

### ► **COUNCIL TAX - FUTURE**

The Thurrock collection process includes additional mailings outside the statutory process in an effort to ensure that those owing money are given fair opportunity to resolve the situation and those in genuine need of assistance are identified and if need be signposted to an organisation for assistance. Whilst debt recovery by its nature can generate complaints I am pleased to report the numbers of upheld complaints remain low. Furthermore, I have reviewed the Debt Collections Process, and have asked for the clear demarcation between what the council does as part of (a) the statutory process, and (b) what Thurrock does above and beyond to support council tax debt recovery in a compassionate way, but with no dilution of the accountability to pay dues. I am pleased the report that Thurrock has voluntarily added 3 stages to its recovery process and enhanced statutory stages to provide clear information for those in financial difficulty; demonstrating a desire to work with those who want to engage with the council to resolve old issues.

For 2015/16 Thurrock collected 98.58% of council tax in-year with further being collected this year. This performance placed Thurrock amongst the top performing councils and well above the national average of 97.1%. In conjunction with these impressive figures the amount we write off as a proportion of the amount billed is well below the national average. Thurrock publically declares its council tax collection %'s, and will continue to do so.

### ► **NATIONAL NON-DOMESTIC RATES (NNDR's) - REVIEW OF PREVIOUS 12M**

The team are placing additional effort on initiatives to counter losses, where possible, through improved collection performance and additional surveillance to identify businesses that either do not appear or are undervalued in the rating list.

Since Business rates retention was introduced, circa £11m in rateable value has been added to the list through these initiatives.

In terms of collection, the performance in Thurrock is again amongst the best performing councils. For 2015/16 the team achieved a collection rate of 99.8% which was significantly higher the National average of 98.2%

### ► **NATIONAL NON-DOMESTIC RATES (NNDR's) - FUTURE**

The next business rates revaluation will come into effect on 1st April 2017 and will re-assess all business properties in England and Wales based on rental value as at 1st April 2015. It has been a full seven years since business rates were last assessed.

Over the last few months the Valuation Office Agency has been in the process of collecting information from businesses to assist the revaluation. This phase is now complete and the VOA is due to publish the draft list online on the 30 September 2016. This will enable Businesses the opportunity to check their draft valuation and advise the VOA of any items which are not correct before Thurrock uses this information to calculate bills for 2017/18.

A key associated risk for councils in relation to Business Rates is the potential impact of reductions in rateable value following appeal to the Valuation office. Currently Thurrock has a total provision of £13.3m for outstanding appeals, the risk for which is jointly shared with the government.

Whilst we continue to monitor the position closely and represent Thurrock's position where appropriate, the responsibility for valuation and appeals itself is outside of the council's control. In addition the extent of future appeals is difficult to forecast with any certainty - for example, Lakeside has recently lodged an appeal with the valuation office for loss of income relating to work on the A13.

#### ► **SUNDRY DEBTORS - REVIEW OF PREVIOUS 12M**

The overall debt book as at the end of July was £4.8m compared to £7m last year. For this year to date almost 10,000 invoices have been raised which is 13% more than the same period last year. The total over 6 months old debt across all portfolios is £1.9m compared to £1.7m last year however the value of write offs has dropped by over £300k in a rolling 12 month period.

#### ► **SUNDRY DEBTORS - FUTURE**

In order to ensure amounts due to the council are billed and recovered as efficiently as possible, I have asked my management team to undertake a review with the aim of streamlining the process of raising an invoice to reduce administration costs and improve cashflow. Potential Options for consideration are:

Introducing improved controls to highlight delays between service provision and invoices being raised.

Providing departments with the facility to 'self raise' invoices directly through Oracle.

#### ► **HOUSING BENEFITS - REVIEW OF PREVIOUS 12M**

This year the Government increased the amount of money it provides to Thurrock for Discretionary Housing Payments by £132k (£423,988 in total) to provide additional support to those affected by the welfare reforms. In Autumn this year the DWP are due to introduce the next phase of the Benefit Cap which will reduce the total amount of Benefits unemployed households can claim to £385 per week for a household with children and £258 per week for single claimants.

The council has received an initial list from the DWP which suggests 493 claimants within Thurrock will be potentially affected by this change. The DWP are currently communicating with those who will potentially be affected, to advise of the likely deduction and options available to them to mitigate the impact. Once the DWP has completed this process it will provide a final list to the council for processing and at this stage, we will again write to people highlighting options and also promoting the DHP fund for those in severe financial difficulty.

The roll out of Universal Credit commenced in Thurrock on 16 March 2015. Initially the DWP's rollout within Thurrock is only for single people of working age submitting a new claim for Job Seekers Allowance. As a result, claimant numbers are still low and there has been minimal impact on Housing Benefit claims.

Whilst Universal Credit is administered by the DWP and longer term will replace Housing Benefit for most working age applicants, there will not be any significant volumes transferring to UC in Thurrock before the DWP rolls out its digital platform later next year, however, full migration will not be completed until March 2022. It is worth noting that under current plans, even when fully rolled out, the Thurrock benefits team will still be responsible for processing claims for Local Council Tax Support and Housing Benefit for pensioners and some other groups.

Whilst the lack of certainty on the migration approach to UC presents difficulties in the long term planning, the service continues to promote online transactions and as a next step to this we are looking at solutions to allow residents to submit evidence to support their E-claims online i.e. Wage slips etc.

In the meantime the processing times for New Claims and Changes in Circumstance continue to achieve processing targets of 18 Days and 8 Days respectively.

### ► HOUSING BENEFITS - FUTURE

The new administration take the view that monies owed to Thurrock Council – rents, council tax etc. – should be paid as soon as possible after benefit / Universal Credit etc. – is issued to claimants.

The onset of Universal Credit will mean that Benefits will no longer be posted to Council Tenants rent accounts, therefore I have requested that Officers investigate ways we can mitigate this risk, so to ensure as full recovery of owed amounts to the council treasury as possible (and as legally mandated) to ensure correct cash-flow through the organisation through the whole year, and to assist claimants on budgeting for the forthcoming period of time between this payment to the council, and their next benefits payment.

### ► ACCOUNTS PAYABLE - REVIEW OF PREVIOUS 12M

Focus remains in this area on paying Creditors in a timely manner and reducing costs through continued promotion of iSupplier, payment through BACS and using electronic methods/system functionality wherever possible.

This year to date, Thurrock has paid 96.6% of invoices within 30 days. Whilst this performance is still 0.4% below our upper quartile target, it continues to improve on previous years with various initiatives being progressed to further improve performance.

### ► ACCOUNTS PAYABLE - FUTURE

We currently pay 94.51% of our suppliers by BACS (electronically). There is also a joint project underway in conjunction with Commercial Services to increase the use of purchase cards for spend under £10k, that will further minimise the use of cheques, speed up payments and deliver back office savings in processing.

Further improvement will be made through the continued push for iSupplier that allows our suppliers to 'self-serve' their own transactions eliminating the need for any data processing duplication. To date approximately 1,528 of our commercial suppliers have signed up which is 59.13% of the supplier base.

As a KPI which Thurrock Council has to yet truly master, I have asked my management team for continued focus on closing the gap on invoices being processed in the required time. Some of the current initiatives in place to achieve this are:

- Ongoing promotion of iSupplier, which negates the need for an invoice.
- Targeted communications to remind requisitioners of correct process and managing invoices on hold.
- Late payment liability reporting to highlight the potential financial impact of late payment.
- Visibility of Retrospective Orders raised by service included in monthly reporting.
- Regular communication, and meetings where necessary, with high impact areas to improve performance by updating processes.
- Procurement card project in process to potentially eliminate all invoices under 10K (Dependant on sign off).
- Targeted distribution of the BVPI08 report to Performance Improvement Officers in high impact areas.

► **PERFORMANCE DATA**

Indicator	RAG Status	New Framework	Direction of Travel since 2014/15	Year End Outturn	Year End Target
% Council Tax Collected	A	FAILED	Worse	98.58	98.9
% National Non-Domestic Rates (NDR) Collected	G	ACHIEVED	Better	99.8	99.3
% Invoices Paid Within Timescale	A	FAILED	Better	95.37	97

► **ACTION PLAN FOR “FAILED” PERFORMANCE MEASURES 2015-16**

See relevant sections above.

**INTERNAL AUDIT**

► **SERVICE OVERVIEW**

In April 2015, the decision was made to end the contract with the previous contractor and bring the Internal Audit service back in house.

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

Internal Audit reports are presented to the Standards and Audit Committee on a quarterly basis and at the July meeting through the Internal Audit Annual Report

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

## ► REVIEW OF PREVIOUS 12M

As a result of the decision to bring the Internal Audit service in-house, the service is in the process of going through a recruitment exercise to strengthen its resources. The service is managed by the Chief Internal Auditor.

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.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation but is one part of the assurance framework 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.

During 2015/16, the service finalised and issued a total of 31 assurance reports including an advisory report on Special Guardianship. We were requested to carry out and assist with a number of investigations involving staff employed by, or working for, the Council and worked closely with the Counter Fraud & Investigation Service. We also provided advice and guidance around procurement cards. In total, we issued 25 reports with a positive assurance opinion and 5 reports with an Amber/Red (negative) assurance opinion.

In June 2016, we reported to the Standards & Audit Committee that we have assessed that there has been no significant change from the previous year for governance which remains Green. Despite the changes in the Amber/Red assurance opinions no longer being seen as positive, we concluded that the control environment remains Green as no Red reports were issued during 2015/16.

## ► PERFORMANCE DATA

Internal Audit issued the following Final Reports in 2015/16 with the following ratings:

Audit Report (2015/16)	Opinion	Recommendations		
		H	M	L
Special Guardianship	Advisory	4	0	0
Adult’s Direct Payments	Amber/Red	1	2	1
Safeguarding of Assets (Appointeeship and Deputyship)	Amber/Red	1	4	2
Bonnygate Primary School	Amber/Red	0	5	6
Children’s Direct Payments	Amber/Red	2	2	0
Supported Living	Amber/Red	1	3	1
Arthur Bugler Primary School	Amber/Green	0	3	4
Fostering	Amber/Green	0	3	0

Audit Report (2015/16)	Opinion	Recommendations		
		H	M	L
Horndon-on-the-Hill Primary School	Amber/Green	0	2	4
Orsett Primary School	Amber/Green	0	3	4
Somers Heath Primary School	Amber/Green	0	3	2
Street Lighting	Amber/Green	0	3	1
Accounts Payable	Green	0	1	3
Accounts Receivable	Green	0	1	2
Adult Social Care Expenditure	Green	0	2	1
Adult Social Care Income	Green	0	2	1
Bonnygate Primary School Follow Up	Green	0	1	2
Cash & Banking	Green	0	0	3
Chadwell St Mary Primary School	Green	0	1	2
Children's Centres	Green	0	2	2
Council Tax	Green	0	0	1
Education Transport (Post 16 and Denominational)	Green	0	0	1
Housing Benefit	Green	0	0	5
Holy Cross Catholic Primary School	Green	0	2	2
Housing Rents	Green	0	1	1
NNDR	Green	0	0	0
Payroll (including HR)	Green	0	2	2
Register of Gifts, Interests and Hospitality	Green	0	0	2
School Condition Funding	Green	0	0	0
St Joseph's RC Primary School	Green	0	2	2
Warren Primary School	Green	0	1	2

Internal Audit issued the following Final Reports in 2016/17 with the following ratings. However, it must be noted that the reports have not been presented to Standards and Audit Committee yet:

Audit Report (2016/17)	Opinion	Recommendations		
		H	M	L
Procurement – Schools	Advisory	0	3	1
Third Party Spend (UNDER £75K)	Advisory	2	3	1
Acquisition and Disposal of Land and Buildings (excluding Council Houses)	Red	2	2	0
Recruitment and Selection Process	Red	1	8	2
Recruitment and Selection Process Follow up	Good Progress			
Car Park Follow Up	Amber/Green	0	0	8
Gas Inspections	Green	0	1	1

## ► ACTION PLAN FOR “FAILED” PERFORMANCE MEASURES 2015-16

There were no Red internal audit reports issued in 2015/16.

Two Red reports have been issued in 2016/17 so far and progress against delivering the resulting actions will be presented to Standards and Audit Committee on 29th September 2016. The reports concerned are:

- Acquisition and Disposal of Land and Buildings (excluding Council Houses)
- Recruitment and Selection Process

## ► FUTURE

The 2016/17 plan was developed following meetings with relevant Directors and Heads of Service and covers operations across all the Council’s directorates. It takes into account the key risks identified within the Council’s Corporate Risk Register as well as the External Auditor’s Annual Audit and Inspection Letter, the Annual Governance Statement and the Annual Governance Report. New issues and potential emerging risks were also identified and discussed with senior management.

As part of the CSR, the future of the way this service is delivered will be reviewed.

## DIRECTORATE BUDGET CONTROL

### ► FINANCIAL INFORMATION – 2016/17

Service Area	Full Year Budget £000	Full Year Forecast £000	Variance £000
Corporate Finance	1,401	1,301	(100)
Counter Fraud	402	352	(50)
Risk & Insurance	693	693	0
ICT	4,881	4,631	(250)
Revenues & Benefits	2,351	2,351	0
Internal Audit	289	289	0
Chief Executive	252	252	0
<b>Total</b>	<b>10,268</b>	<b>9,868</b>	<b>(400)</b>

Finance and IT are currently forecasting to underspend by £0.400m by the end of the year. This will support the mitigation of council wide pressures and contribute towards delivering a breakeven position.

As can be seen from the table above, forecast underspends are within ICT, Corporate Finance and Fraud. An underspend of £0.250m is forecast in ICT primarily through restructure savings and is in addition to a further £0.250m ICT budget reduction at the start of the year in respect of the £1.200m Organisation Challenge

savings target. The underspend forecast within Fraud relates to additional income and the underspend within Corporate Finance will result in post reductions. This represents the first year target towards the 15-20% budget reduction challenge. Revenues and Benefits are forecasting to breakeven, however, this is after a budget reduction of £0.150m as part of the delivery of the £1.200m Organisation Challenge savings target.

► **TREASURY – 2016/17**

	<b>Full Year Budget £000</b>	<b>Full Year Forecast £000</b>	<b>Variance £000</b>
<b>Interest Payable on External Debt</b>	2,876	3,292	417
<b>Interest Receivable on Investments</b>	(3,145)	(4,162)	(1,017)
<b>Net Interest</b>	<b>(270)</b>	<b>(870)</b>	<b>(600)</b>
<b>MRP</b>	4,262	4,262	0
<b>Total</b>	<b>3,992</b>	<b>3,392</b>	<b>(600)</b>

Current projections indicate a further £0.600m to be realised this year through more effective treasury management and investment returns. An increase in interest payable of £0.417m due to the inclusion of debt management costs direct to the interest budget is more than offset by the £1m additional gains on investments. This is from an expected benefit of £0.200m from an improved treasury position and an in-year £0.400m return on a joint LA Bond issued to the private sector for a renewable energy project. This builds on the previous investments that the council has made with CCLA over the last two years. The current MTFs already included a further £0.582m benefit in 2017/18 and this has been increased by a further £0.350m as a result of the full year impact of the renewable energy investment.