



Essex County Council

Audit, Governance and Standards Committee

10:30	Monday, 06 July 2020	Online Meeting
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The meeting will be open to the public via telephone or online. Details about this are on the next page. Please do not attend County Hall as no one connected with this meeting will be present.

For information about the meeting please ask for:

Andy Gribben, Senior Democratic Services Officer

Telephone: 033301 34565

Email: democratic.services@essex.gov.uk

Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

In accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held via online video conferencing.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

How to take part in/watch the meeting:

Participants: (Officers and Members) will have received a personal email with their login details for the meeting. Contact the Democratic Services Officer if you have not received your login.

Members of the public:

Online:

You will need the Zoom app which is available from your app store or from www.zoom.us. The details you need to join the meeting will be published as a Meeting Document, on the Meeting Details page of the Council's website (scroll to the bottom of the page) at least two days prior to the meeting date. The document will be called "Public Access Details".

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Telephone from the United Kingdom: 0203 481 5237 or 0203 481 5240 or 0208 080 6591 or 0208 080 6592 or +44 330 088 5830.

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Accessing Documents

If you have a need for documents in, large print, Braille, on disk or in alternative languages and easy read please contact the Democratic Services Officer before the meeting takes place. For further information about how you can access this meeting, contact the Democratic Services Officer.

The agenda is also available on the Essex County Council website, www.essex.gov.uk. From the Home Page, click on 'Running the council', then on 'How decisions are made', then 'council meetings calendar'. Finally, select the relevant committee from the calendar of meetings.

Please note that an audio recording may be made of the meeting – at the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

		Pages
1	Election of Chairman	
2	Appointment of Vice-Chairman The position of vice-chairman becoming vacant if the current vice-chairman be elected as Chairman.	
3	Membership, Apologies, Substitutions and Declarations of Interest	5 - 5
4	Minutes and Matters Arising To approve as a correct record the minutes of the meeting held on 20 January 2020 and identify matters arising	6 - 11

5	Notes of the informal meeting held on 23 March 2020	12 - 16
6	Internal Audit and Counter Fraud Annual Report for the year ended 31 March 2020 To receive a report (AGS/69/20 and appendix), deferred from the informal meeting on 23 March 2020, from Paula Clowes, Head of Assurance, Essex County Council	17 - 43
7	Prosecution and Sanction Policy (Fraud and Corruption) To receive a report (AGS/70/20 and appendix 1), deferred from the informal meeting on 23 March 2020, from Paula Clowes, Head of Assurance, Essex County Council	44 - 50
8	Revised Internal Audit Plan for 2020/21	51 - 94
9	To receive the Draft Statement of Accounts 2019/2020 and the Draft Annual Governance Statement	95 - 324
10	Consultation on proposed Local Government Association Code of Member Conduct	325 - 362
11	Review of Gifts and Hospitality Register	363 - 369
12	Work Programme To receive a report (AGS/75/20) from Paul Turner, Director, Legal and Assurance, Essex County Council	370 - 372
13	Date of the Next meeting To note that the next meeting will be held on Monday 28 September at 10.30am in Committee Room 1 or virtually via ZOOM (to be advised) and will be preceded by a private meeting for AGS members only	

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

Agenda item 3

Committee: Audit, Governance and Standards Committee

Enquiries to: Andy Gribben, Senior Democratic Services Officer

Membership, Apologies, Substitutions and Declarations of Interest

Recommendations:

To note

1. The membership of the committee as shown below
2. Apologies and substitutions
3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

Membership

(Quorum: 3)

Councillor G Butland
Councillor P Channer
Councillor A Davies
Councillor A Hedley
Councillor A Jackson
Councillor R Mitchell
Councillor R Moore
Councillor M Platt
Councillor K Smith
Councillor A Turrell

Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford, CM1 1QH on Monday, 20 January 2020

Present:

Members:

Councillor P Channer	
Councillor T Cutmore	Chairman
Councillor A Davies	
Councillor A Hedley	
Councillor M Maddocks	(substitute for Councillor A Erskine)
Councillor M Mackrory	(substitute for Councillor A Turrell)
Councillor R Mitchell	
Councillor Dr R Moore	
Councillor M Platt	

Also Present:

Barry Pryke	BDO LLP (external auditor)
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ECC Officers:

Alison Ansell	Senior Manager Adult Operations
Karen Bellamy	Counter Fraud Manager
Paula Clowes	Head of Assurance
Victoria Freeman	Senior Democratic Services Officer (clerk to the meeting)
Christine Golding	Chief Accountant
Simon Griffiths	Chief Technology Officer
Rebecca Jarvis	Head of Strategic Commissioning and Policy, Adult Social Care
John Tyreman	Chief Technology Officer
Paul Turner	Director, Legal and Assurance (Monitoring Officer)
Lisa Wilson	Commissioning Support Manager

1 Welcome and Introduction

The Chairman welcomed members of the committee, officers in attendance, and the representative from BDO LLP, the Council's external auditor.

2 Membership, Apologies, Substitutions and Declarations of Interest.

The report of Membership, Apologies and Declarations was received, and it was noted that:

1. The membership of the Audit, Governance and Standards Committee was as shown in the report.

2. Apologies for absence had been received from Councillor Erskine who was substituted by Councillor Maddocks and Councillor Turrell who was substituted by Councillor Mackrory.
3. There were no declarations of code interests or disclosable pecuniary interests. The Chairman reminded members that any interests must be declared during the meeting if the need to do so arose.

3 Minutes and Matters Arising

The minutes of the meeting held on 16 September 2019 were approved as a correct record and signed by the Chairman.

4 Audit Social Care Audits Update

The committee received a report (AGS/47/20 and appendix) from the Director of Local Delivery, Adult Social Care.

Members received an update on the progress to address the recommendations in Internal Audit Reports in relation to Supporting Living (ASC11), Personal Budgets (ASC1) and Carer's Personal Budgets (ASC4).

Members of the committee were advised that a Direct Payment Monitoring Team had been agreed, which would undertake proportionate financial monitoring of Direct Payments and that the team would be in place from April 2020, with benefits being seen by the end of September 2020.

Resolved

That the Committee noted the progress against the recommendations made in the three Internal Audits.

5 Technology Services Audits Update

The committee received a report (AGS/48/20 and appendix) from the Chief Technology Officer.

It was proposed, seconded and unanimously agreed that the press and public be excluded from the meeting on the grounds that consideration of the item involved the likely disclosure of exempt information falling within paragraph 7 of Schedule 12A of the Local Government Act 1972.

Following discussion in private session, it was **resolved**:

- i) That the Committee considered the situation with respect to the implementation of internal audit.
- ii) That a further update be presented at the meeting on the 27 July 2020.

6 Internal Audit and Counter Fraud Progress Report

The committee received a report (AGS/49/19 and appendices) from the Head of Assurance.

Members noted the position regarding Internal Audit and Counter Fraud activity in relation to the 2019/20 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in March 2019) and that it reflected the situation as at 3 January 2020.

In relation to the audit review of 'No Recourse to Public Funds' within the Children, Families and Education function, an initial scoping meeting had indicated very low number of cases due to extensive work with the Home Office. Internal Audit staff had met with the Home Office to gain an understanding of what they do and have established that the area is now lower risk than was originally assessed. The audit review had therefore been removed from the Internal Audit and Counter Fraud Plan.

Concern was expressed regarding the increase in the fraudulent use of blue badges across the county and publicity surrounding this issue. The fraudulent use of blue badges was a high profile issue for the Council, who worked closely with district enforcement teams. Unfortunately, although there had been an increase in the number of prosecutions, the publication of these were beyond the authority's control, as it was dependent on the priorities of the local media.

Resolved:

That the report was noted.

7 Audit Committee Effectiveness review

The committee received a report (AGS/50/20 and appendices) from the Director, Legal and Assurance.

The Chairman explained that he had discussed the proposal with officers and was supportive of the proposal, provided that it led to a plan that worked for the Authority. The committee's work programme would be amended to reflect the work of the review.

Resolved:

That an effectiveness review of the Audit, Governance and Standards Committee be carried out, supported by CIPFA in accordance with the proposal appended to the report.

8 Counter Fraud and Anti-Bribery Strategy

The committee received a report (AGS/51/20 and appendix) from the Head of Assurance.

Resolved:

That the updated Strategy be adopted.

9 Anti-Bribery Policy

The committee received a report (AGS/52/20 and appendix) from the Head of Assurance.

Resolved

That the updated Policy be adopted.

10 Internal Audit Charter

The committee received a report (AGS/53/20 and appendix) from the Head of Assurance.

Resolved:

That the updated Charter be adopted in the form at appendix 1.

11 Risk Management Strategy

The committee received a report (AGS/54/20 and appendix) from the Head of Assurance.

Resolved:

That the revised Risk Management Strategy be approved.

12 Anti-Money Laundering Policy report

The committee received a report (AGS/55/20 and appendix) from the Head of Assurance.

Resolved

That the updated Policy be adopted.

13 Standards: Revised Investigation and Hearings Procedure

The committee received a report (AGS/56/20 and appendix) from the Director, Legal and Assurance.

Resolved:

That the document at Appendix 1 be adopted as the Council's arrangement for the investigation and hearing of complaints of breaches of Code of Member Conduct for all complaints where no decision on investigation has been made before 20 January 2020.

14 Cyber Fraud

The committee received a report (AGS/57/20 and appendix) from the Counter Fraud Manager.

Members received a presentation which highlighted the different types of cyber fraud and provided real life examples.

It was explained that the team worked closely with Trading Standards, and alongside a project with CIFAS, to assist in the protection of vulnerable residents.

Resolved:

That the report be noted.

15 External Audit Framework

The committee received a report (AGS/58/20) from the Executive Director, Finance and Technology.

Members received a presentation on the development of the external audit framework.

Resolved:

That the report be noted.

16 Work Programme

The committee received a report (AGS/59/20) from Paul Turner, Director, Legal and Assurance and noted that an updated version of the report had been circulated prior to the meeting.

The Chairman reminded members that the work programme was subject to regular updates and he encouraged members to suggest any matter that might be included in the programme.

Members noted that the work programme would be amended to include an update on the Technology Services Audits in July 2020 and the work of the Audit Committee Effectiveness review.

Resolved

The report be noted.

17 Date of Next Meeting

The committee noted that the next meeting would be held on Monday 23 March 2020, at 10.00am in Committee Room 1, County Hall.

18 Technology Services Audits Update - Confidential Appendix

The committee considered the confidential appendix to report AGS/48/20 which contained information exempt from publication referred to in that report and in decisions taken earlier in the meeting (minute 5 above refers).

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**Chairman
6 July 2020**

Notes of the discussion that took place between the members of the Audit, Governance and Standards Committee, held online as a 'virtual conversation' at 10:00am on Monday, 23 March 2020

Members:

Councillor P Channer

Councillor A Davies

Councillor T Hedley (Chairman)

Councillor M Maddocks

Councillor R Mitchell

Councillor M Platt

Councillor A Sheldon

Councillor A Turrell

Also Present:

David Eagles

Barry Pryke

BDO LLP (external auditor)

BDO LLP (external auditor)

ECC Officers:

Paula Clowes

Victoria Freeman

Christine Golding

Andy Gribben

Head of Assurance

Senior Democratic Services Officer

Chief Accountant

Senior Democratic Services Officer (clerk to the meeting)

Paul Turner

Director, Legal and Assurance (Monitoring Officer)

1 Welcome and Introduction

The Vice-Chairman, Councillor Hedley, in the absence of the Chairman, Councillor Cutmore who had sent his apologies, welcomed members of the committee, officers, and the representatives from BDO LLP, the Council's external auditors, to the virtual meeting.

He reminded everyone that this was not a formal meeting of the committee and it would not be possible to make formal decisions, but it was a chance for the committee members to discuss items on the agenda and give feedback to officers and the external auditor. The meeting was not being broadcast or recorded.

2 Membership, Apologies, Substitutions and Declarations of Interest.

The report of Membership, Apologies and Declarations was received, and it was noted that:

1. The membership of the Audit, Governance and Standards Committee was as shown in the report.
2. Apologies for absence had been received from Councillor Cutmore (the chairman of the committee), and Councillors Erskine, Mackrory, Moore, Scordis and Smith. Councillor Hedley, being the Vice-Chairman of the committee chaired the online discussion.

3. This not being a formal meeting of the committee there were no declarations of code interests or disclosable pecuniary interests required. However, it was noted that Councillor Hedley was a member of the Essex Pension Strategy Board and Councillor Channer a member of the Essex Cares Board.

3 Minutes and Matters Arising

The meeting being online, matters being for discussion only and no formal decisions being made, the minutes of the meeting held on 20 January 2020 were received without comment. The decision to agree the minutes was deferred to the next formal meeting of the committee.

4 Internal Audit and Counter Fraud Progress Report

The committee received a report (AGS/60/20) from Paula Clowes, Head of Assurance, Essex County Council.

Members noted the position regarding Internal Audit and Counter Fraud activity in relation to the 2019/20 Internal Audit Plan (approved by the Audit, Governance and Standards Committee in March 2019) and that it reflected the situation as at 11 March 2020.

The meeting being online, matters being for discussion only and no formal decisions being required, the report was noted.

5 Prosecution and Sanction Policy (Fraud and Corruption)

The committee received a report (AGS/61/20) from Paula Clowes, Head of Assurance, Essex County Council

The report advised members that the council had a duty to seek to eliminate fraud and bribery in order to protect public funds, and ensure that, where fraudulent activity is detected, appropriate action is taken in a fair and consistent way. As such, the Council has a Prosecution and Sanction Policy (Fraud and Corruption) to outline its approach and commitment to addressing instances of detected fraud and corruption.

In response to a question, members were advised that the sanction imposed, including, if appropriate an immediate suspension, would be dependent on the nature of the infringement and the risk to the council.

The members of the committee had been asked to make a decision to adopt the policy attached at appendix 1 to the report but meeting being online, matters being for discussion only and no formal decisions being made, the report was received, and the matter deferred to the next formal meeting of the committee.

6 Closure of Accounts 2019/20

The committee received a report (AGS/62/20) by Nicole Wood, Executive Director, Finance and Technology presented by Christine Golding, Chief Accountant, Essex County Council.

The purpose of the report was to provide the committee with an overview of the activities and arrangements in place for closure of the Council's 2019/20 accounts, and for production and approval of the Statement of Accounts.

Members were advised that there was an expectation that the current statutory deadlines for the closure of accounts would be revised in view of the current national situation.

The meeting being online, matters being for discussion only and no formal decisions being made, the report was received, and the matter deferred to the next formal meeting of the committee.

7 2019-10 Audit Plans for Essex County Council and the Essex Pension Fund

The committee received a report (AGS/63/20) by Nicole Wood, Executive Director, Finance and Technology and presented by Christine Golding, Chief Accountant, Essex County Council.

Members were also addressed by Barry Pryke of BDO LLP who presented the external auditor's plans for the County Council and for the Essex Pension Fund, as appended to the report.

The meeting being online, matters being for discussion only and no formal decisions being required, the report was noted.

8 Regulation of Investigatory Powers Act 2000 – Review of Activity

The committee received a report (AGS/64/20) from Paul Turner, Director, Legal and Assurance.

The committee were advised that no applications for authorisation to undertake Directed Surveillance or use a covert human intelligence source (CHIS) had been made by ECC since the last written report to the Committee in December 2018.

The meeting being online, matters being for discussion only and no formal decisions being required, the report was noted.

9 Audit Committee Effectiveness review

The committee received a report (AGS/65/20 and appendices) from Paul Turner, Director, Legal and Assurance.

The committee considered the action plan following the effectiveness review undertaken in March 2020.

The meeting being online, matters being for discussion only and no formal decisions being made, the report and the action plan shown at appendix 1 of the report was received. It was also noted that:

- The Chairman may approve the recommendation that future meetings of the committee will start at 1030 hours with all members be asked to attend from 0945 to attend a briefing session/pre meeting and
- The other recommendations be referred to the next meeting of Council to include:
 1. That the composition of the committee be amended to include a co-opted independent member to be recruited by the committee and
 2. if Council accepts the recommendation relating to independent members that the interview panel should comprise the Chairman and two other members, at least one of which shall be an opposition member and that the recruitment panel should be appointed.

10 Internal Audit Plan for 2020/21

The committee received a report (AGS/66/20) from Paula Clowes, Head of Assurance, Essex County Council.

The report detailed the activity of the Internal Audit and Counter Fraud Service in order to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence-based opinion on the overall adequacy and effectiveness of the Council's system of internal control. The planned coverage also informed the Council's Annual Governance Statement.

The meeting being online, matters being for discussion only and no formal decisions being made, the report was received, and the matter deferred to the next formal meeting of the committee.

11 Work Programme

The committee received a report (AGS/67/20) from Paul Turner, Director, Legal and Assurance and noted that the document was subject to regular revisions and change.

The meeting being online, matters being for discussion only and no formal decisions being required, the report was noted.

12 Date of Next Meeting

The committee noted that the next meeting would be held on Monday 1 June 2020, at 10.00am in Committee Room 1, County Hall.

Post meeting note: because of the prevailing 'lock-down' the next meeting was re-scheduled to be on Monday 6 July 2020, at 10.00am, in Committee Room 1, County Hall or online (as circumstances dictate).

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Chairman
6 July 2020

Report title: Internal Audit and Counter Fraud Annual Report 2019/20	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 6 July 2020	For: Noting
Enquiries to: Paula Clowes – Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1. The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit service in accordance with proper practices. The UK Public Sector Internal Audit Standards requires that the Chief Audit Executive (Head of Assurance) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment (framework of governance, risk management and control).
- 1.2. The Internal Audit and Counter Fraud Annual Report (see Appendix 1) also provides oversight of Internal Audit & Counter Fraud activity for 2019/20.

2. Recommendation

- 2.1. That the Internal Audit and Counter Fraud Annual Report and the opinion on the overall adequacy and effectiveness of the organisation's internal control environment be noted.

3. Summary of the issue

- 3.1. The overall internal audit opinion of the internal control environment (framework of governance, risk management and internal control) for 2019/20 is one of **Satisfactory** assurance, which means that although there are some weaknesses which may put individual system/process/service objectives at risk of achievement, there is an overall satisfactory system of internal control, appropriately designed to meet the Council's objectives, and controls are generally being applied consistently.

4. Financial Implications

- 4.1. There are no financial implications as the Internal Audit activity for 2019/20 was met within existing resources, approved by the Audit Committee in March 2019.

5. Legal Implications

- 5.1. Internal audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur. This report seeks to update the Committee on the activities of the Council's Internal Audit and Counter Fraud service for the purposes of providing further assurance.

6. Staffing and Other Resource Implications

- 6.1. There are no staffing or resource implications.

7. Equality and Diversity Implications

- 7.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 7.3. Equality and diversity matters have been considered in the production of the progress report.

8. List of Appendices

Appendix 1 – Internal Audit and Counter Fraud Annual Report 2019/20

Essex County Council

Internal Audit and Counter Fraud

Annual Report

2019/20



Including Chief Audit Executive Annual Opinion

June 2020

Distribution:

- Audit Governance and Standards Committee
- Leader of the Council
- Cabinet Member for Finance
- Chief Executive
- Executive Director for Corporate and Customer Services
- S151 Officer
- Corporate Leadership Team

Introduction

Purpose of Annual Report

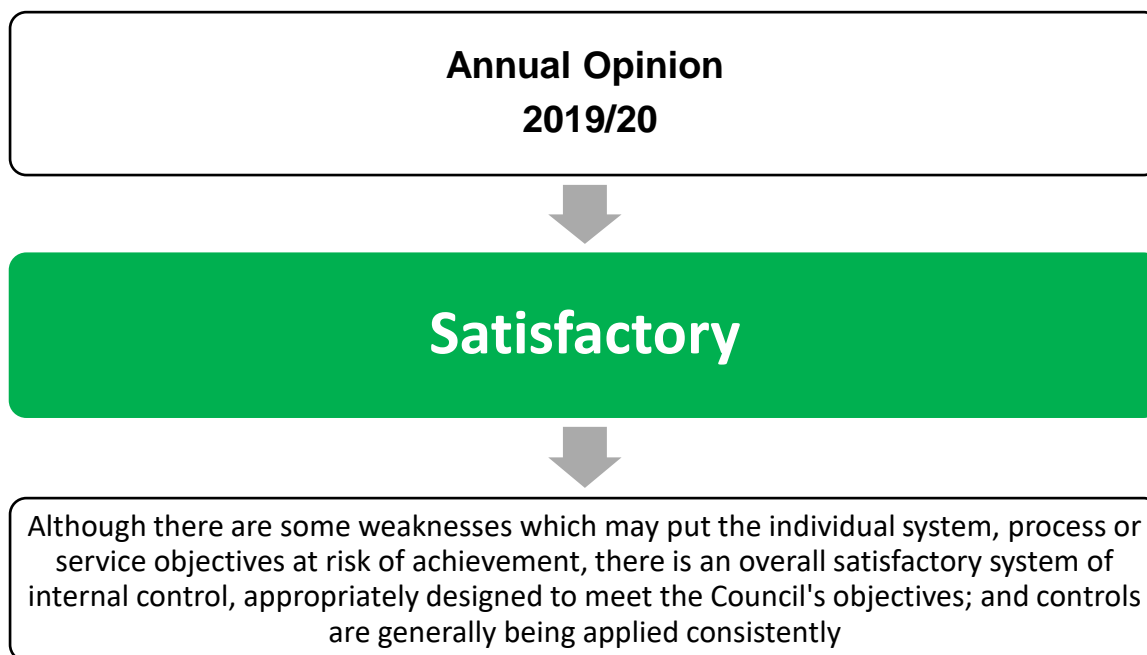
The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit service in accordance with proper practices. The UK Public Sector Internal Audits Standards (PSIAS) requires that the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Annual Internal Audit Opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment (framework of governance, risk management and internal control).

The Audit Governance and Standards Committee, as those charged with governance, are collectively responsible for ensuring adequate controls are in place across the Council and so, whilst the work of Internal Audit and Counter Fraud is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources within the Council from which the Section 151 Officer and Members should gain assurance, for example Service Assurance Statements and audits/inspections by external bodies.

Annual Opinion

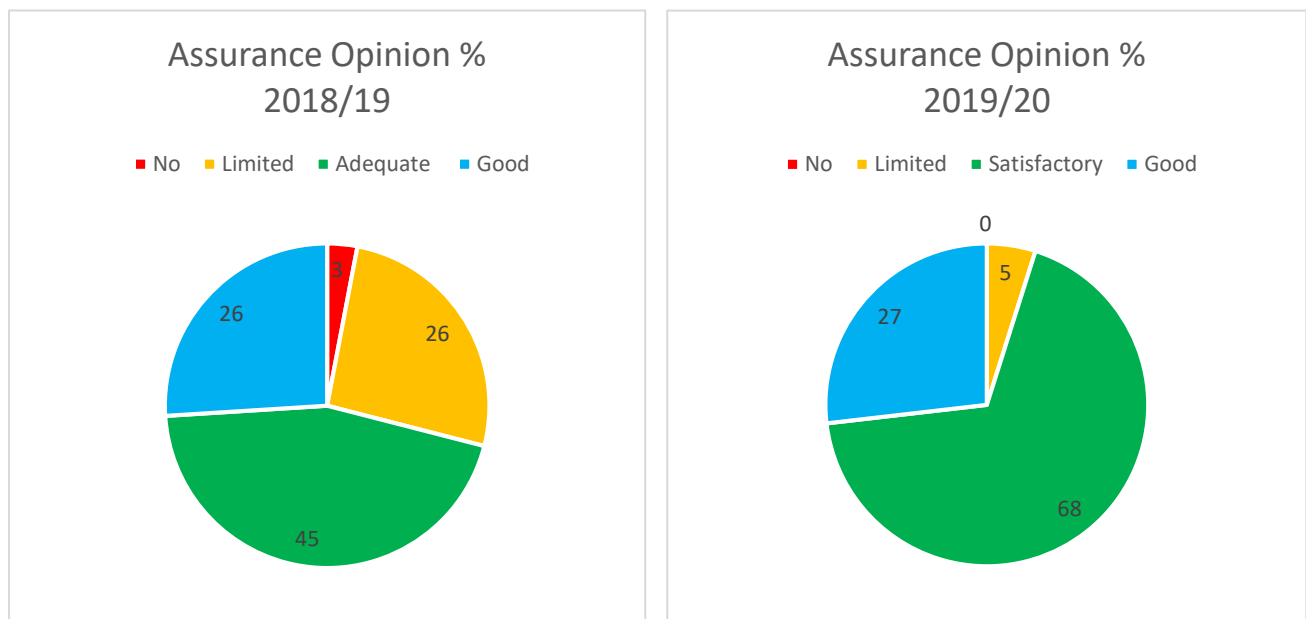
In March 2019 the Audit Governance and Standards (AGS) Committee approved the 2019/20 risk-based Internal Audit and Counter Fraud Plan. Progress reports on delivery and outcomes have been provided to the AGS Committee quarterly throughout 2019/20.

This annual report provides an oversight and summary of the Internal Audit and Counter Fraud activity undertaken in the financial year 1 April 2019 to 31 March 2020. My audit opinion is based on, and restricted to, the work we have performed during the year. The opinion does not imply that Internal Audit and Counter Fraud have reviewed and commented on all risks and assurances related to the Council. I have considered whether there has been any impact of Covid-19 in my ability to reach this year's annual opinion; however I am satisfied that I have sufficient evidence to reach an unqualified opinion. Appendix 1 provides more detail on which individual audit reviews have been delayed as a result of Covid-19.



The assurance opinion of “Satisfactory” is the same as the prior year’s opinion, demonstrating that the control environment has remained stable, but with a **positive direction of travel**, with a lower percentage of Limited and No Assurance opinions and a higher percentage of Satisfactory Assurance opinions compared to the prior year.

The pie charts below show the range of individual assurance opinions given over the past two financial years (expressed as a percentage) on which we have based our overall annual opinion:



A summary of our audit opinions on finalised and draft reports is detailed below and an explanation of the basis of our opinions, assurance and risk ratings for these reviews is included in Appendix 2. In addition, a full breakdown and reconciliation of the 2019/20 Internal Audit Plan can be found in Appendix 1.










Overview of Internal Audit Activity from 1 April 2019

No		
Limited	Shorefields School	IT Major Incident Management – Follow Up
Satisfactory	Little Waltham School	Great Easton School
	Mersea Island School	Counter Fraud Service
	Langenhoe Primary and Pre School	General Data Protection Regulation (GDPR) Governance
	Office 365 Implementation	South East Local Enterprise Partnership (SELEP)
	Supplier Resilience	Country Parks - Income
	Statutory Reporting	Facilities Management – Follow Up Review
	Risk Management Maturity Assessment – Follow Up Review	Deprivation of Assets/Deferred Payments (Adult Social Care)
	Insurance	Building Security
	Complaints	Client Contributions (excluding direct payments)
	Procurement	Schools - Income
	Cyber Security	Coroners
	Brightlingsea School	Ford End School
	Budget Setting and Medium Term Financial Planning	Identifying Deliverable and Desirable Savings
	Technology Services – Change Management	Oracle Integrated Assurance (see Table below)*
	Passenger Transport Entitlement	Decision Making
	Schools – Year End Balances	Carbon Reduction Efficiency Scheme
	Essex Pension Fund - Administration	Essex Pension Fund – Funding and Investments
Good	Strategic Workforce Planning	
	Adult Social Care Payments	ECC Companies – Follow Up Review
	Trading Standards	Fees and Charges

* Those reports marked with an asterisk are currently in draft (i.e. not finalised) but the overall opinion is not expected to change. **Those reports in bold are not yet issued in draft and are an indicative opinion.**

Oracle Integrated Assurance – Assurance Opinions

Included in the above Table of Audit Opinions is the Oracle Integrated Assurance review which received an overall opinion of Satisfactory Assurance. This can be further broken down into the following key fundamental processes:

Process	2018/19 Opinion	2019/20 Opinion	Direction of Travel
Accounts Payable (AP)	Adequate	Good	
Accounts Receivable (AR)	Limited	Limited*	
General Ledger/Journals and Virements	Adequate	Satisfactory*	
Reconciliations	Adequate	Satisfactory*	
Payroll	Adequate	Satisfactory	
Cash Receipting and Banking	Adequate	Included in AP and AR	
Expenses	Adequate	Good	
Approvals Management Engine (AME)	Adequate	Good	
Change Management	Adequate	Satisfactory	
Access and Security	Good	n/a	
Overall	Adequate	Satisfactory	

Accounts Receivable has received a Limited Assurance opinion for the last two financial years. Whilst there has been close oversight of debt management and a sustained focus on improving collection processes and outcomes, supported by senior management and Members, it has been acknowledged by management that

throughout 2019/20 the income recovery processes have needed further improvements as, in particular, the current IT systems do not have some key functionality to provide consistent, timely and easy to produce assurance over the end-to-end debt collection process and to be able to demonstrate full compliance with the Debt Collection Strategy.

Risk Management

The Public Sector Internal Audit Standards (Standard 2120) require the internal audit activity to evaluate the effectiveness and contribute to the improvement of risk management processes. Internal Audit gathers the information to support this assessment during multiple engagements including a specific Risk Management assignment.

In 2019 PricewaterhouseCoopers (PwC) were commissioned to conduct a high-level review of the maturity of the Council's risk management arrangements, practices, and capability. ECC's risk management procedures were benchmarked against the Association of Local Authority Risk Managers' (ALARM) National Performance Model for Risk Management in Public Services; and in July 2019 the review concluded that on a maturity scale of 1 to 5, the Council generally scored at a level 3, meaning that the fundamental building blocks for risk management are in place and working adequately, but there are clear opportunities to enhance maturity through:

- further embedding risk management activity into ongoing management;
- more actively and demonstrably using risk management in planning and decision making; and
- better equipping staff to manage risk well.

These improvements would also help the Council more clearly understand and demonstrate how risk management contributes to successful outcomes.

In 2020, a follow up review was undertaken by the in-house Internal Audit team which concluded that satisfactory progress had been made in implementing the agreed recommendations and that it could be evidenced that insight from the PwC review had informed the refresh of the Council's risk management approach. ECC's Audit Governance and Standards Committee approved the Council's new Risk Management Strategy in September 2019.

No Assurance and Limited Assurance Audits

I have not issued any No Assurance opinions in the 2019/20 financial year.

Two reviews received an overall opinion of Limited Assurance (compared to nine for 2018/19) and are detailed below.

IT Major Incident Management

A Limited Assurance report was issued in March 2019 regarding major incident management. The follow up review concluded in May 2020 that limited progress had been made in implementing the original recommendations with three Major recommendations still requiring further action to fully implement.

Shorefields School

At the time of the review the school had experienced significant staff changes within the finance function, with some key tasks not being completed promptly. The school were experiencing a very tight budget position, with an in-year projected deficit due to the majority of staffing cost centres predicting an overspend and the income received being lower than originally planned for. These issues were being addressed with additional support from an external company and improved processes being implemented.

In addition to the above Limited Assurance opinions, although no formal reports in relation to IT Disaster Recovery and Absence Management were issued in the 2019/20 financial year, the following is worthy of note and was taken into account in reaching my overall opinion:

IT Disaster Recovery

In September 2017, Internal Audit issued an adverse report on IT Disaster Recovery (DR). Due to a range of commercial, business and technical challenges, the required actions to mitigate some of the Major and Critical risks identified have been delayed and Technology Services (TS) have indicated that these will be implemented during 2020/21. The Audit, Governance, and Standards Committee have received regular

updates from TS during 2019/20 on progress and the residual risks in respect of disaster recovery that the Council faces until the required actions are complete.

The Council has introduced new technology (e.g. rolling out Office 365 to all staff) which has increased operational resilience to some degree and reduced some, but not all, disaster recovery risks. Migration of 'personal drives' to resilient cloud technology is approaching completion and significant progress has been made on the resilience of Corporate file data as a copy is now replicated in Microsoft Azure. More infrastructure and data centre improvements which will deliver the fundamental required disaster recovery capability are planned for 2020/21, and Technology Services has revisited the Cloud design and improved the provision of DR by including a second data centre within the UK.

Some key actions are dependent on the completion of ECC's Strategic Business Impact Analysis (SBIA) exercise to determine the Council's critical services and the technology needed to deliver them. The results of the SBIA are needed to inform many of the future actions and may require further revision of technical design, continuity and recovery plans.

Absence Management

The Limited Assurance opinion from the prior year (2018/19) has been rolled forward into the 2019/20 financial year as limited progress has been made in addressing the outstanding recommendations and implementation is predicated on the introduction of Oracle Fusion Cloud in 2021 and the expectation that the new Enterprise Resource Planning (ERP) system will demonstrate better functionality and oversight.

Grants

We provide audit services in relation to certifying some grant claims where this is a requirement of the grant terms and conditions and/or we are a designated First Level Controller. Grants audited in 2019/2020 include:

- **Troubled Families**
Department for Communities and Local Government (DCLG) payment by results scheme to help troubled families turn their lives around. The DCLG require that 10% of claims are internally audited
- **School Centred Initial Teacher Training (SCITT) Grant** – payment of bursaries to newly qualified teachers
- **Interreg – Professional framework For Innovation in Tourism**
- **Interreg – Co-creation and implementation of innovative, participative climate adaptation solutions in densely-built areas**
- **SELEP Growth Hub**
- **Carbon Reduction Commitment Energy Efficiency Scheme**

In 2019/20 we continued to maintain oversight of Broadband Delivery UK (BDUK) through the monitoring and review of quarterly performance reports with each quarterly grant claim and annual return also reviewed by Finance and signed-off by the S151 Officer.

Unplanned Reviews

During the year we carried out some unplanned internal audit reviews usually in response to a previously unidentified risk or concern and these are detailed below.

- **Housing Infrastructure Fund**

The review assessed whether there are robust processes to forecast and manage costs and delivery of the HIF grant funded projects to ensure that the risks of cost overruns are promptly identified, communicated, and effectively mitigated. The interim audit concluded that the HIF programme and project governance arrangements are broadly satisfactorily designed and consequently recommendations mainly focused on the operation of these arrangements, with further internal audit work to be timed at key stages throughout the lifecycle of the HIF.

- **Energy Invoicing Processes and Procedures**

The objective of this review was to assess whether there are efficient and effective energy invoice processes to ensure that all invoices paid on behalf of ECC are appropriate to the volume of energy used, the supply contract terms and all other requirements, to minimise future instances of incorrect payments and missing payments and improve service delivery. At the time of writing this report, this review has not yet been finalised.

- **M11 Junction 7A Business Case Costing**

Internal Audit reviewed the circumstances around the increased project cost for the M11 junction 7A work between the Outline Business Case approved by Cabinet in November 2017, and the proposed Final Business Case that was deferred by Investment Board in October 2019. Recommendations were made to strengthen the process and improve reporting for future projects.

Projects and Programmes

Internal Audit and Counter Fraud have been involved in supporting a number of key corporate projects during the year, to help ensure that appropriate control systems are in place during design, transition and implementation, and that these controls are proportionate to financial cost and risk. These projects include:

The Corporate Systems Project

This is an ongoing project to move our core financial systems (including Accounts Receivable, Accounts Payable, Procurement, General Ledger, HR and Recruitment) to Oracle Fusion Cloud in 2021. At the time of writing ECC are at the Advisory Stage of the project which involves a high level assessment of the solution, identifying system gaps and business impacts.

Direct Payments Monitoring Team

The Council's Design Authority approved the setting up of a new direct payments monitoring team for Adult Social Care in 2019. Internal Audit & Counter Fraud have supported the design and induction of the new team and will continue to do so in

2020/21 as a key control in ensuring direct payment funds are being spent correctly in accordance with care and support plans, that service users have a better experience of direct payments and that we are legally compliant with the Care Act.

Income System

Internal Audit supported the project to replace the Council's cash management system (PARIS) with a new payments system, Capita Pay360 in early 2020.

Fostering Portal

Internal Audit provided advice and guidance on internal controls to the Children, Families and Education Function as part of developing the business requirements for a new Fostering Expenses & Carer Recording System which is expected to be implemented in 2020.

Covid-19

Internal Audit & Counter Fraud provided advice and guidance on internal controls and governance arrangements, in particular to Adult Social Care, to get funds quickly to our suppliers to support their cashflow during the Covid-19 pandemic.

In addition, we advised on the control framework around ordering laptops from the Department for Education, receiving them at County Hall, distributing them to schools or to the various quadrants and then onwards via a social worker to the child.

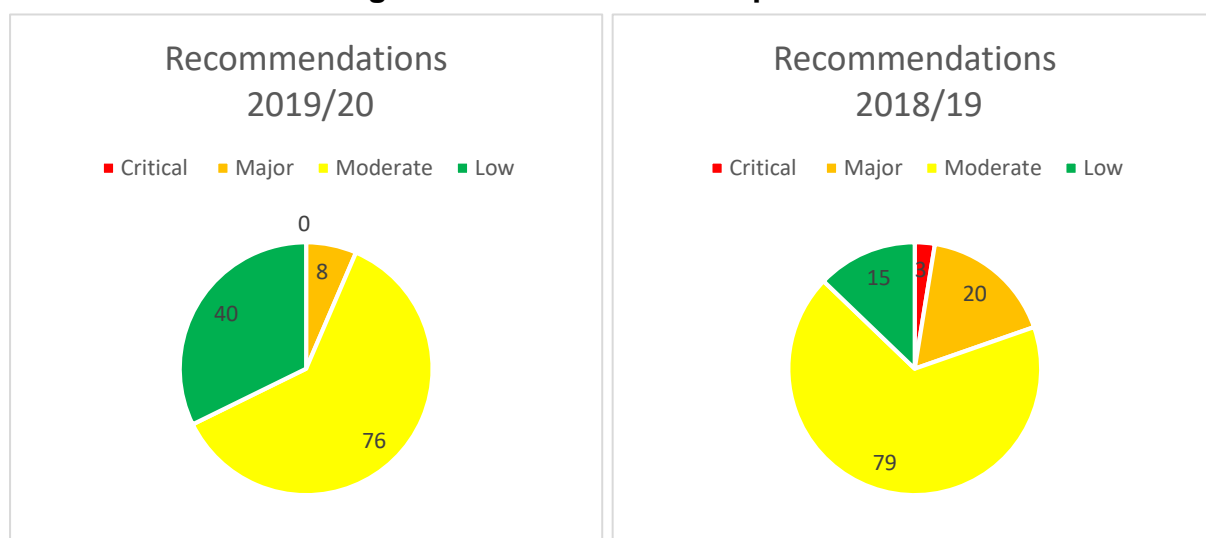
Internal Audit & Counter Fraud also provided advice on policies and procedures to allow volunteers to purchase and deliver shopping to those shielding and vulnerable especially the payment arrangements and volunteer food delivery guidance.

The Counter Fraud Team provided fraud alerts, advice and guidance to the supplier maintenance team and procurement, reminding all staff to be vigilant due to the heightened risk of fraud in these areas.

Internal Audit Recommendations

One measure of the effectiveness of Internal Audit is the extent to which recommendations made by them are subsequently implemented. Tracking of Internal Audit recommendations takes place regularly, with monthly emails being sent to Recommendation Owners to request status updates which they provide directly via a web-based system.

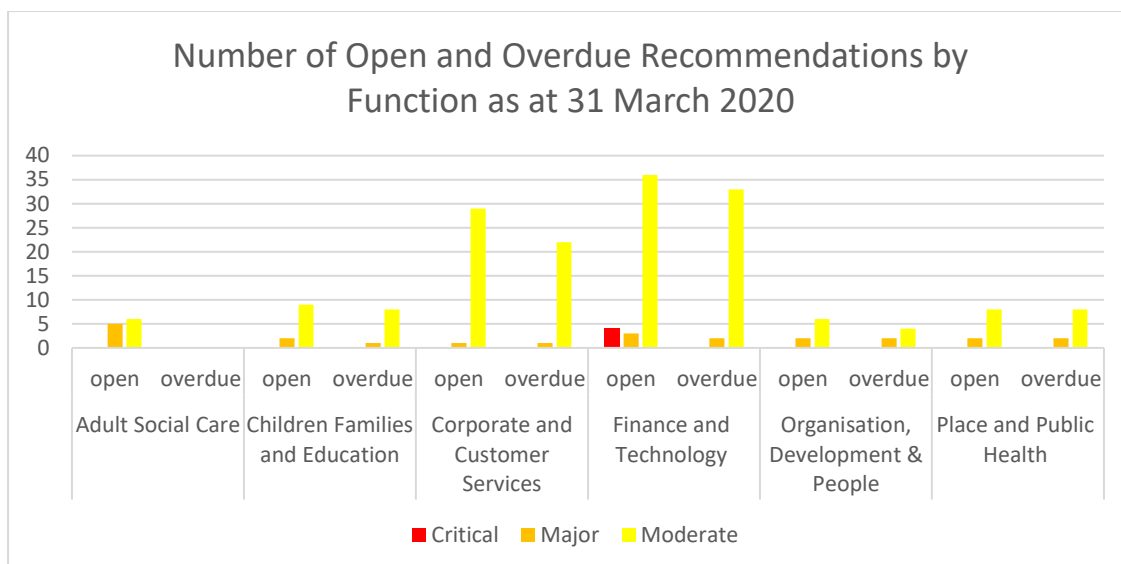
Recommendation Ratings issued in 2019/20 compared to 2018/19



Number of Open and Overdue Recommendations by Function

The Audit Governance and Standards Committee closely monitor outstanding recommendations and where unsatisfactory updates or lack of progress is noted, invite recommendation owners and their senior managers to committee meetings to explain; in the 2019-20 financial year representatives from Adult Social Care and Technology Services attended.

Summary reports on outstanding and overdue recommendations are also presented to the Corporate Leadership Team via a Quarterly Assurance report and the Corporate Governance Steering Board receive quarterly KPIs on overdue recommendations.



NB Overdue recommendations are shown based on the *latest* target implementation date which is not necessarily the same as the *original* target date.

Overview of Counter Fraud Activity

ECC has a dedicated Counter Fraud Team who work alongside the Internal Audit Team and report to the Head of Assurance. The Counter Fraud Team are responsible for detecting and investigating a range of fraud matters including those committed by residents, staff and contractors. In addition, a programme of data analytical and data matching work is completed by the Counter Fraud Team.

Referrals

Referrals come from a range of sources including ECC staff and managers, internal and cross organisation data-matching (including the National Fraud Initiative), external bodies, and the general public. Not all referrals lead to cases being set up and some referrals are forwarded to third parties, e.g. the respective district, borough or city council within Essex, for their investigation.

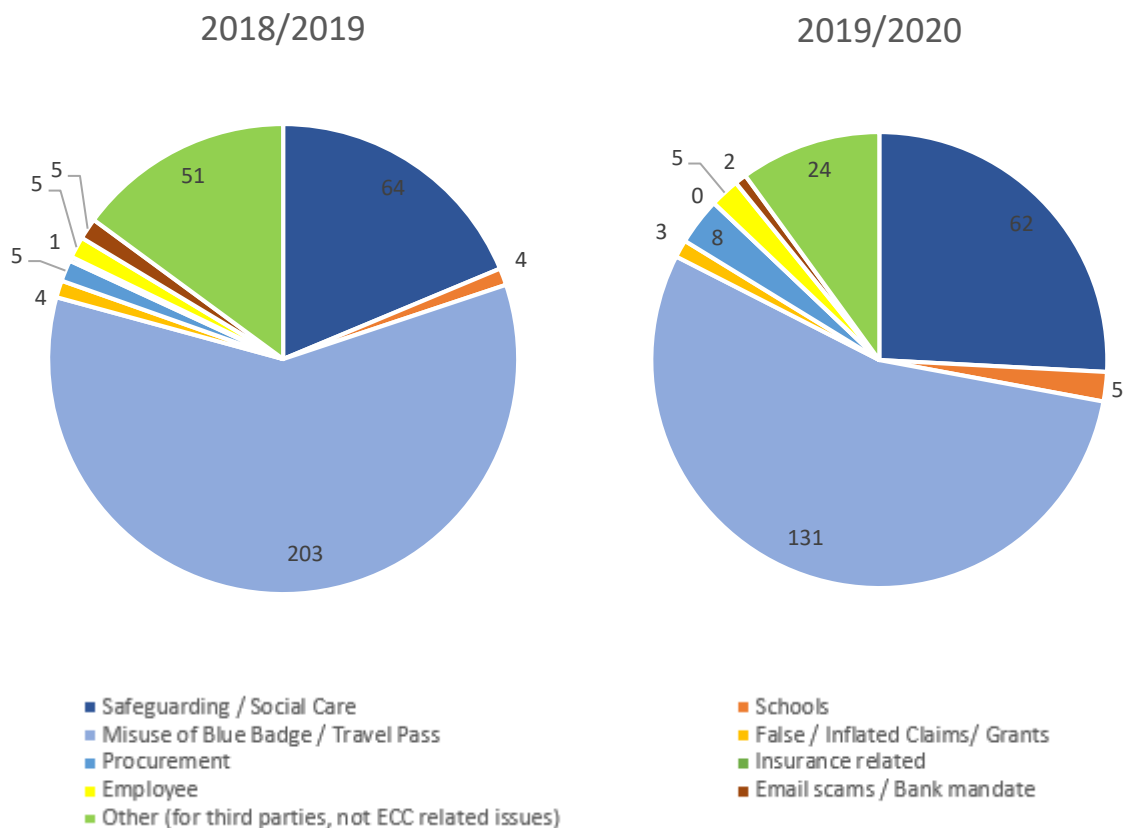
The table below demonstrates the source of referrals, compared with those received last year.

Source of Referral	2018/19	2019/20
Web referrals	54	42
Blue Badge - Parking Enforcement Officers	54	36
Blue Badge - Other authorities	23	20
Blue Badge - Members of Public	115	59
Internal - Employees	92	83
Total Referrals	338	240

The charts below show the type of referrals received and provides a comparison with the previous year. During 2019/20 we have seen a slight decrease in the number of referrals relating to blue badge misuse, consistent across all areas, which may be as a result of amendments to the legislation, extending the criteria for eligibility for a blue badge.

Referrals in other areas have remained broadly consistent with other years.

Type of referrals received 2018/19 vs 2019/20



Programme of Data Matching & Analytical Work

Cifas - During 2019/20 the Counter Fraud Team have participated in a data matching pilot run by the Credit Industry Fraud Avoidance System (Cifas). We have uploaded data sets relating to adult social care, ECC pensions and insurance claims to match against known instances of fraud and the General Register Office (GRO) deceased listing. Although very few instances of known fraud were identified, several matches between ECC data and the GRO deceased listing were identified. Following further investigation, ECC have been able to update their records and prevent further payments being made to these client groups and improve overall data quality in the payment system.

NFI Fraud Hub / NFI Mandatory biennial exercise - At the end of March 2020, ECC subscribed to the NFI Fraud Hub to enhance the national data matching currently in place. Data sets can now be submitted for matching against mortality lists on a fortnightly basis. This increased level of data submission / investigation of resultant matches will reduce the risk of erroneous payments being made and remedial action to recover instances of overpayment.

The next mandatory NFI exercise is due to commence in Autumn 2020.

Essex Council Tax Data Matching Initiative - ECC is supporting an Essex-wide data matching project that involves all councils providing data to ensure that income received from council tax is maximised. ECC provides data sets to support the data matching which is now undertaken on a monthly basis and the Counter Fraud Team provides support to districts in dealing with the output. Total cumulative savings recorded as at 4 March 2020 (from July 2017) are £1,840,811.

Internal Data Matching / Data Analysis - the Counter Fraud team now includes a Data and Intelligence Specialist. Data matching / analytical work has been completed in payroll, staff expenses and adult social care, direct payments.

Outcomes

There are a range of potential outcomes after a case has been investigated. Clearly not all matters that come to our attention will have been caused by fraudulent activity. However, when evidence shows wrongdoing or criminal activity we will apply appropriate sanction whether that is disciplinary, prosecution or recovery of monies (or a combination of these). The table below shows our sanction activity during 2019/20 and financial recovery.

Sanction Activity	2019/20
Prosecution	3
Disciplinary Action	3
Monies Recovered	£162k
In Recovery	£133k
Future Losses Prevented	£217k

Prosecutions

During 2019/2020 3 cases progressed to prosecution with successful outcomes achieved for ECC. All cases were prosecuted under S21 (4B) of the Chronically Sick & Disabled Persons Act 1970.

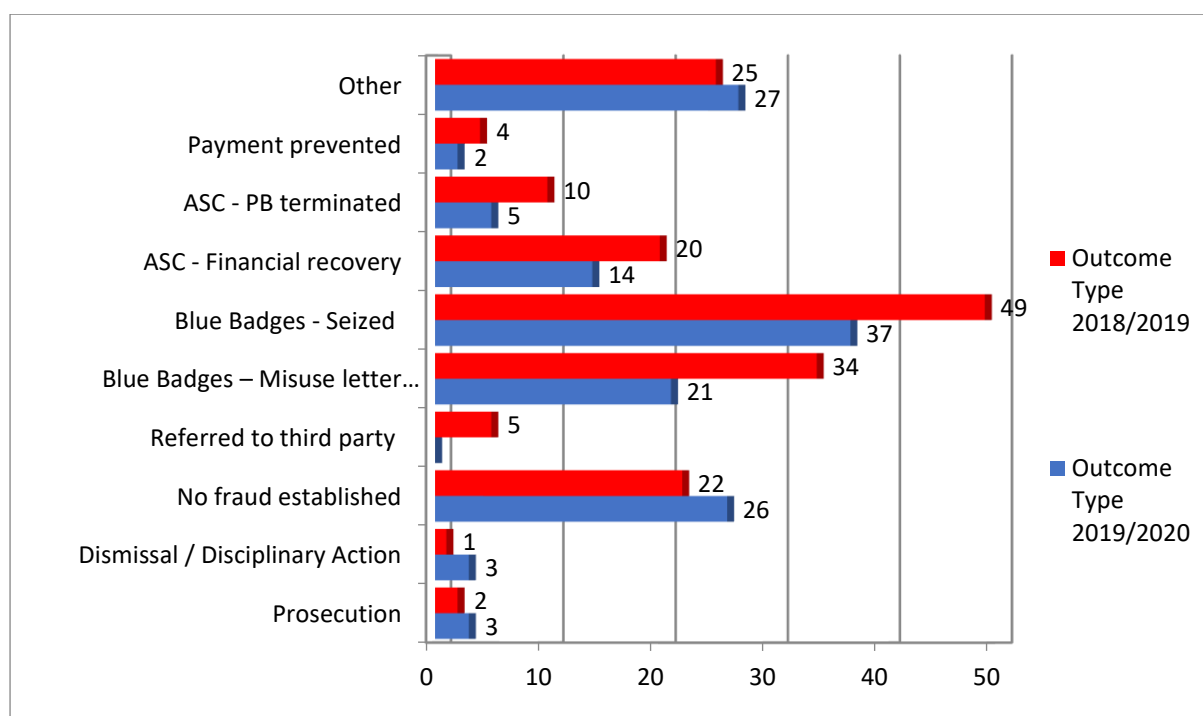
All 3 cases related to the misuse of a Blue Badge where the badge holder was deceased and the perpetrator was not eligible for a concessionary badge. In 2 cases the blue badge had been reported stolen.

In all cases the culprit pleaded guilty to the offence and received a fine and ordered to pay towards council costs.

Counter Fraud Outcomes

The chart below compares our counter fraud outcomes with the previous year. Outcomes are fairly consistent with previous years although we have seen a slight decrease in the number of blue badges seized and misuse letters issued which is consistent with the decrease in the number of referrals in this area.

Counter Fraud Outcomes 2018/19 vs 2019/20



Effectiveness of Internal Audit and Counter Fraud

Compliance with the Public Sector Internal Audit Standards

The Head of Assurance must confirm annually that the internal audit function conforms with the Public Sector Internal Audit Standards (PSIAS). In line with the PSIAS and reflected in our quality assurance and improvement programme, external assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. Our last external assessment was carried out by the Chartered Institute of Public Finance Accountancy (CIPFA) in February 2018 and concluded that “the service is highly regarded within the Council and provides useful assurance on its underlying systems and processes.”

A self-assessment was carried out in March 2020 which concluded that in all material aspects the internal audit function complies with the Standards.

Compliance with the CIPFA Code of Practice for Managing the Risk of Fraud

In March 2020 the Council’s counter fraud arrangements were assessed against the CIPFA Counter Fraud Code of Practice by using the CIPFA self-assessment tool. A

set of 68 statements of performance are graded to provide an overall summary of the Council's position. The assessment is divided into 5 main areas:

- Acknowledge Responsibility
- Identify Risks
- Develop a Strategy
- Provide Resources
- Take Action

As a result of the assessment, and having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Independence and Objectivity

I can confirm that during the 2019/20 financial year that the internal audit activity has been free from interference in determining the scope of internal auditing, performing work and communicating results.

In addition, I have achieved organisational independence by reporting functionally to the Audit Governance and Standards (AGS) Committee. Examples include the AGS Committee approving the Internal Audit Charter and the Risk Based Internal Audit Plan and the Section 151 officer approving whether services in Assurance should be subject to internal audit during a particular year.

Qualifications of the Internal Audit and Counter Fraud Team

As the Head of Assurance I have assessed the qualifications of the Internal Audit and Counter Fraud Team and I can confirm that all staff hold an appropriate professional qualification or are qualified through extensive experience.

Customer Satisfaction

Feedback is received through Customer Satisfaction Surveys issued at the end of each internal audit review. The survey canvasses the auditee's opinion on the following areas:

- Professionalism of Internal Audit staff
- Scope of the audit
- Execution of the audit
- Accuracy / timeliness of reporting
- Value of the audit

In 2019/20, we had a very low completion rate with only 5 surveys returned, however, **100%** of customers expressed satisfaction with all aspects of the service they received. Any concerns raised by auditees are followed up by the Strategic Audit Manager. We plan to change the way we seek feedback in 2020 and it is hoped that this will encourage a better number of surveys to be returned.

Internal Audit and Counter Fraud Plan 2019/20 - Reconciliation

✓ = completed i.e. final and/or draft report issued





Internal Audit Activity	Status as at 18 June 2020
Finance and Technology	
Key Financial Systems	✓
Budget Setting and Medium Term Planning	✓
Fees and Charges	✓
Programme and Project Management	On hold due to Covid-19, will be resumed at earliest opportunity.
Technology based Portfolio, Programme and Project Management	Combined with Programme and Project Management Audit
IT Major Incident Management	✓
Office 365 Implementation	✓
IT Disaster Recovery	Regular updates on progress provided to AGS Committee during the year. Full review planned for 2020-21
IT Change Management	✓
Cyber Security	In progress
Corporate and Customer	
Risk Management	✓
Supplier Resilience	✓
Procurement	Fieldwork in progress – indicative opinion - Satisfactory
Decision Making Process	✓
GDPR Compliance	✓
ECC Companies	✓
Health and Safety	Fieldwork in progress
Insurance	✓
Counter Fraud	✓
Coroners	✓
Telephony System	Combined with Programme and Project Management Audit
Complaints	✓
Essex Pension Fund – Administration	✓
Essex Pension Fund – Funding and Investments	✓
Children Families and Education	
External Fostering Framework	ECC's preference is to use internal foster carers wherever possible. Audit was cancelled as lower risk than initially anticipated.

Internal Audit Activity	Status as at 18 June 2020
Childrens Residential Framework	Carried forward to 2020-21 due to a delay in the framework being put in place.
Unaccompanied Asylum Seekers	Fieldwork in progress, delayed due to Covid-19, will be completed at earliest opportunity
No Recourse to Public Funds	Initial scoping meeting indicated very low numbers of no recourse to public funds now due to extensive work with the Home Office. Area was therefore deemed lower risk than was initially thought. Approved by Audit Committee in January 2020 to cancel.
Troubled Families	✓
Pre-Birth to 19 Health, Wellbeing and Family Support Service	✓ (Assurance framework updated – no formal opinion issued this year)
Direct Payments	✓ Ongoing support provided via workshops in relation to reshaping ECC's current arrangements. No formal report issued
Schools - Income	✓
Schools - Establishment Reviews: <ul style="list-style-type: none"> • Great Easton School • Brightlingsea School • Mersea Island School • Little Waltham School • Ford End School • Shorefields School 	✓ ✓ ✓ ✓ ✓ ✓
Special Educational Needs and Disability (SEND)	The review was cancelled due to a joint OFSTED/CQC Inspection that took place during the year which we were able to place reliance on instead.
School Year End Balances	✓
Schools Financial Value Standard (SFVS)	✓ Largely completed when DfE stated that due to Covid-19 the return was no longer required to be submitted to them.

Internal Audit Activity	Status as at 18 June 2020
Organisation Development and People	
Staff Performance Management	Agreed to defer until 2020/21 at the AGS Committee in January 2020 due to an insufficient body of evidence as a result of fundamental changes to the performance management framework
Essex Pay	Delayed until 2020/21 – currently scoping the audit
Strategic Workforce Planning	In progress - indicative opinion is Good Assurance
Absence Management	Rolled forward the Limited Assurance opinion given in 2018/19 as limited progress has been made in implementing the recommendations made, due to awaiting the introduction of a new ERP system in 2021.
Place and Public Health	
Country Parks - Income	✓
Trading Standards	✓
Essex Highways	Assurance taken from the extensive work carried out by external consultants to support the contract extension decision.
Public Health	Previous Internal Audit report was issued in May 2019 and received Good Assurance. Decision taken to roll this assurance forward for 2019/20 and not carry out an additional piece of work in this area due to Covid-19.
Building Security	✓
Waste Management	On hold due to Covid-19, work will resume at earliest opportunity.
Carbon Reduction Commitment Energy Efficiency Scheme (CRC)	✓
Adult Social Care	
Carers' Personal Budgets	Agreed at the January 2020 AGS Committee that these audits would be combined and deferred to 2020-21
Personal Budgets	
Continuing Health Funding	Fieldwork commenced but has been delayed due to Covid-19, will resume at earliest opportunity.

Internal Audit Activity	Status as at 18 June 2020
Day Opportunities Framework	Watching brief carried out in 2019/20 on how operational risk is managed and lessons learned from the existing framework. To revisit in 2020/21 to provide assurance over how the new arrangements are working
Client Contributions	✓
Better Care Fund	Audit has been delayed due to Covid-19. However, this area has received Good Assurance annually in recent years
Adult Mental Health Services	✓ This was to keep a watching brief on developments within the service. No formal report was intended to be issued.
Deferred Payments/Deprivation of Assets	✓
Management Information/KPIs	Agreed at January 2020 AGS Committee to defer to 20/21 when the new framework will be more embedded
Short Term Enablement Support	Assurance taken from external consultants multi agency and extensive diagnostic work that was commissioned during the year
Quality Assurance Framework	Audit has been delayed due to Covid-19 and will restart at earliest opportunity.

Explanation of Assurance and Risk Priority Levels

Assurance level		Assessment Rationale	
Good		There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be of Low risk rating. Any Moderate recommendations would need to be mitigated by significant strengths elsewhere.	
Satisfactory		Whilst there is basically a sound system of control, there are some areas of weakness, which may put the system/process objectives at risk.	
Limited		There are significant weaknesses in key areas of the system of control, which put the system/process objectives at risk. Improvement in the design and/or operational effectiveness of the control environment is necessary to gain assurance that risks are being managed to an acceptable level, and core objectives will be achieved.	
No		The system of internal control has serious weaknesses and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.	
Risk Priority Level		Definition	
Corporate	Critical	 Red	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, for example, reputational damage, significant financial loss (through fraud, error or poor value for money), intervention by external agencies and / or lack of compliance with statutory regulations. Remedial action is required immediately
	Major	 Amber	Audit findings indicate a serious weakness or breakdown in the control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently
	Moderate	 Yellow	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Prompt specific action should be taken
Service	Low	 Green	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. Remedial action is suggested

Report title: Prosecution and Sanction Policy (Fraud and Corruption)	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 6 July 2020	For: Decision
Enquiries to: Paula Clowes – Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 This report presents a the new Prosecution and Sanction Policy (Fraud and Corruption) and the Committee to adopt the Policy.

2. Recommendation

- 2.1 That the Prosecution and Sanction Policy (Fraud and Corruption) is adopted in the form appended to this report.

3. Background

- 3.1 The Prosecution and Sanction Policy (Fraud and Corruption) previously formed part of the Counter Fraud and Anti-Bribery Strategy. In 2019 the Committee agreed that in future a separate prosecution and sanction policy would be produced.
- 3.2 The newly separate Prosecution and Sanction Policy (Fraud and Corruption) has been reviewed to ensure it incorporates any relevant developments both internally and externally.
- 3.3 The objectives of the policy are to ensure that:
- Sanctions are applied fairly and consistently
 - Sanctions are applied in an effective and cost-effective way
 - Sanctions are proportionate
 - The sanction decision making process is robust, transparent and fair.

4. Financial Implications

- 4.1 There are no financial implications as the Internal Audit and Counter Fraud activity is met within existing resources.

5. Legal Implications

- 5.1 Counter Fraud and Internal Audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur.
- 5.2 The Council has a duty to consider the need to prevent and reduce crime in the exercise of its functions under section 17 of the Crime and Disorder Act 1998.

6. Equality and Diversity Implications

- 6.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
 - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. Equality and diversity matters have been considered in the production of the policy which is intended to guide the fair and consistent use of sanctions.

7. List of Appendices

Appendix 1: Prosecution and Sanction Policy (Fraud and Corruption).

8. List of Background Papers

None

Prosecution and Sanction Policy (Fraud and Corruption)

DRAFT: March 2020



Prosecution and Sanction Policy (Fraud and Corruption)

Introduction:

Essex County Council (ECC) is committed to delivering public services in an efficient and effective way and takes its responsibility for protecting public funds seriously. ECC has a duty to reduce fraud and corruption to a minimum, the strategy for doing so is detailed within the Counter Fraud and Anti-Bribery Strategy.

The use of sanctions is governed by this policy and principles.

Objectives:

The objectives of this policy are to ensure that:

- Sanctions are applied fairly and consistently
- Sanctions are applied in an effective and cost effective way
- Sanctions are proportionate
- The sanction decision making process is robust, transparent and fair.

The sanction decision will have regard to ECC's Counter Fraud & Anti-Bribery Strategy and the overall impact of any decision on the individual and public interest.

Legislation:

ECC will ensure that the relevant legislation is complied with:

Human Rights Act 1998 – ECC is a public authority for the purpose of the Human Rights Act 1998 and all enforcement decisions take account of the provisions within the Human Rights Act 1998, specifically Article 6, the right to a fair trial and Article 8, the right to respect for private and family life.

General Data Protection Regulation and Data Protection Act 2018 – where ECC share information with other agencies, this will adhere to the principles of the Data Protection Act 2018.

The Code for Crown Prosecutors – in the event that ECC consider prosecution, regard will be given to The Code for Crown Prosecutors issued by the Director of Public Prosecutions, specifically the two tests that need to be satisfied, referred to as the Evidential Test and the Public Interest Test as set out later in this document.

ECC has a range of sanctions at its disposal that will be considered as appropriate:

- Written advice / warnings
- Disciplinary action and/or referral to professional bodies
- Civil proceedings
- Criminal proceedings
- Parallel sanctions (i.e. combination of the above options)

Written advice / warnings

Where evidence is not strong enough or it is not felt appropriate to pursue formal or legal proceedings written advice or warnings may be considered in an attempt to educate and deter future contraventions.

Disciplinary action

In the event that an allegation is made against an ECC employee, the Counter Fraud Team will consult with ECC Human Resources, in accordance with the Disciplinary Policy and the relevant Head of Service. Any disciplinary action will be taken with the support of ECC Organisation Development and People. If the matter is criminal, consideration will be given whether to refer the issue to any other enforcement agencies, for example, Essex Police or HM Revenue and Customs.

Sanctions may include warnings or dismissal.

Civil Proceedings

Where it is decided that a criminal prosecution will not be pursued, as evidence is not sufficient to prove a case beyond reasonable doubt, ECC may consider civil proceedings to recover any asset lost.

For civil proceedings the standard of proof is on the balance of probabilities.

Where ECC has suffered a financial loss caused by fraud or corruption the lost assets may be preserved through civil proceedings without notice to the subject, by the following measures:

- Freezing/tracing injunctions – an interim measure which restrains a person from removing or dealing with assets located within the jurisdiction
- Search order – an interim order for the preservation of evidence.

Regardless of whether or not any sanction action is taken, Essex County Council, will always seek to recover any overpayments or misused monies.

The ECC Income Collection Team will be consulted and their usual procedures applied, including civil action when necessary.

Criminal proceedings

ECC is empowered, under Section 222 of the Local Government Act 1972, to prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name.

Where ECC consider that there is sufficient evidence to indicate that a criminal act has taken place, the Counter Fraud Team may decide to:

- Seek a prosecution, in conjunction with Essex Legal Services;

- Refer the matter to the local Police or Action Fraud

In making a decision regarding a potential prosecution, the Evidential Test and the Public Interest Test will be considered.

Evidential Test

The Evidential Test is the first stage in the decision to prosecute. For a case, to progress to prosecution, there must be sufficient admissible evidence to provide a realistic prospect of conviction against each defendant on each charge, i.e to prove a case 'beyond all reasonable doubt,'. The evidence must be reliable and able to be used. If the case does not pass the Evidential Test then it will not proceed.

Public Interest Test

The Public Interest Test is the second test that is considered, after concluding that the case meets the Evidential Test. Each case is considered on its own merits. In order for the Public Interest Test to be met, the following points should be considered (the list is not exhaustive):

- The seriousness of the offence committed;
- The level of culpability of the suspect
- The age of the perpetrator and any prevailing medical conditions
- The level and nature of harm to the victim
- The vulnerability of the victim and perpetrator
- The impact of the crime on the community
- Whether prosecution is a proportionate response.

If criminal activity has resulted in loss of assets to ECC via acquisitive crime, ECC will seek to recover funds via the use of the Proceeds of Crime Act 2002 (POCA), working collaboratively with Financial Investigators accredited by the National Crime Agency. See ECC [Proceeds of Crime Policy](#)

Parallel Sanctions

In some cases, more than one sanction may need to be applied e.g. prosecution and financial recovery or prosecution and disciplinary action. It is preferable for the appropriate sanctions to proceed simultaneously. However due consideration must be given to all proceedings to ensure that one does not impact improperly upon another.

The decision to run parallel sanctions will be determined on a case by case basis by the Head of Assurance, in consultation with ECC Organisational Development and People and Essex Legal Services if required. Where prosecution is a possibility this will be the highest priority.

This information is issued by

Essex County Council, Counter Fraud Team

You can contact us in the following ways:

By email:

paula.clowes@essex.gov.uk

karen.bellamy@essex.gov.uk

counterfraud.team@essex.gov.uk

Visit our website:

www.essex.gov.uk

By telephone:

Paula Clowes – Head of Assurance 0333 0321 474

Karen Bellamy – Counter Fraud Manager 0333 0138 420

By post:

Karen Bellamy – Counter Fraud Manager E2 Zone 1 County Hall Market Road Chelmsford
Essex CM1 1QH

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Report title: Revised Internal Audit Plan 2020/21	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes – Head of Assurance	
Date: 6 July 2020	For: Approval.
Enquiries to: Paula Clowes – Head of Assurance email paula.clowes@essex.gov.uk Tel: 03330321474	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 This report asks the Committee to approve the ECC Draft Revised Internal Audit Plan for 2020/21.

2. Recommendations

- 2.1 The 2020/21 Revised Internal Audit and Counter Fraud Plan be approved in the form at appendix 1 to this report.

3. Summary of issue

- 3.1 The draft Internal Audit Plan for 2020/21 was originally presented an informal remote meeting of the members of the Audit, Governance and Standards committee in March 2020 and agreed in principle, although the plan could not be formally approved since law at the time did not permit formal remote meetings and we were unable to meet in person as a result of government advice. Since this time ECC has been, and continues to, respond to the Covid-19 pandemic which has caused significant disruption to some service delivery and a major change in ways of working.
- 3.2 As a result of the impacts of Covid-19 a full review of the draft Internal Audit and Counter Fraud Plan has been carried out to take account of the situation and ensure that it is revised to focus on the Council's significant risks as they are now perceived. In addition we recognise that we need to be mindful of taking a proportionate approach to internal audit and counter fraud to allow County Council staff and Members to focus on the priorities that have arisen as a result of Covid-19, but we are also cognisant of the fact that in some areas of the Council this unprecedented situation has heightened risks and/or presented unexpected opportunities.
- 3.3 In reviewing the Plan we have also reflected on the resources available within the Internal Audit and Counter Fraud Team and our external delivery partner to ensure that the planned reviews are still likely to be deliverable. In addition

to the material changes to the plan, we are considering the impact of Covid-19 for each individual review that we undertake during the year and including appropriate testing where relevant.

- 3.4 Notwithstanding Covid-19 impacts, coverage within the plan, combined with other sources of assurance, should be sufficient to enable the Head of Assurance in her capacity as the chief audit executive to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence based opinion on the overall adequacy and effectiveness of the Council's system of internal control. The planned coverage will also inform the Council's Annual Governance Statement.
- 3.4 The revised version of the draft plan is attached at appendix 1 and a detailed breakdown of all the proposed changes since the plan was considered by members of the Committee in March 2020 is attached at appendix 2.

4. Financial Implications

- 4.1 There are no financial implications as the Internal Audit activity for 2019/2020 will be met within existing resources.

5. Legal Implications

- 5.1 Internal audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur.
- 5.2 The internal audit plan is key document for Audit Committees. It is important that the Committee considers that the planned audits cover areas of concern to the Committee so that it can receive the required assurance.

6. Staffing and Other Resource Implications

- 6.1 It is anticipated that the plan will be delivered using existing staff and contractors, as in previous years. There are no staffing or resource implications.

7. Equality and Diversity Implications

- 7.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 7.3 Equality and diversity matters have been considered in the production of the Internal Audit Plan.

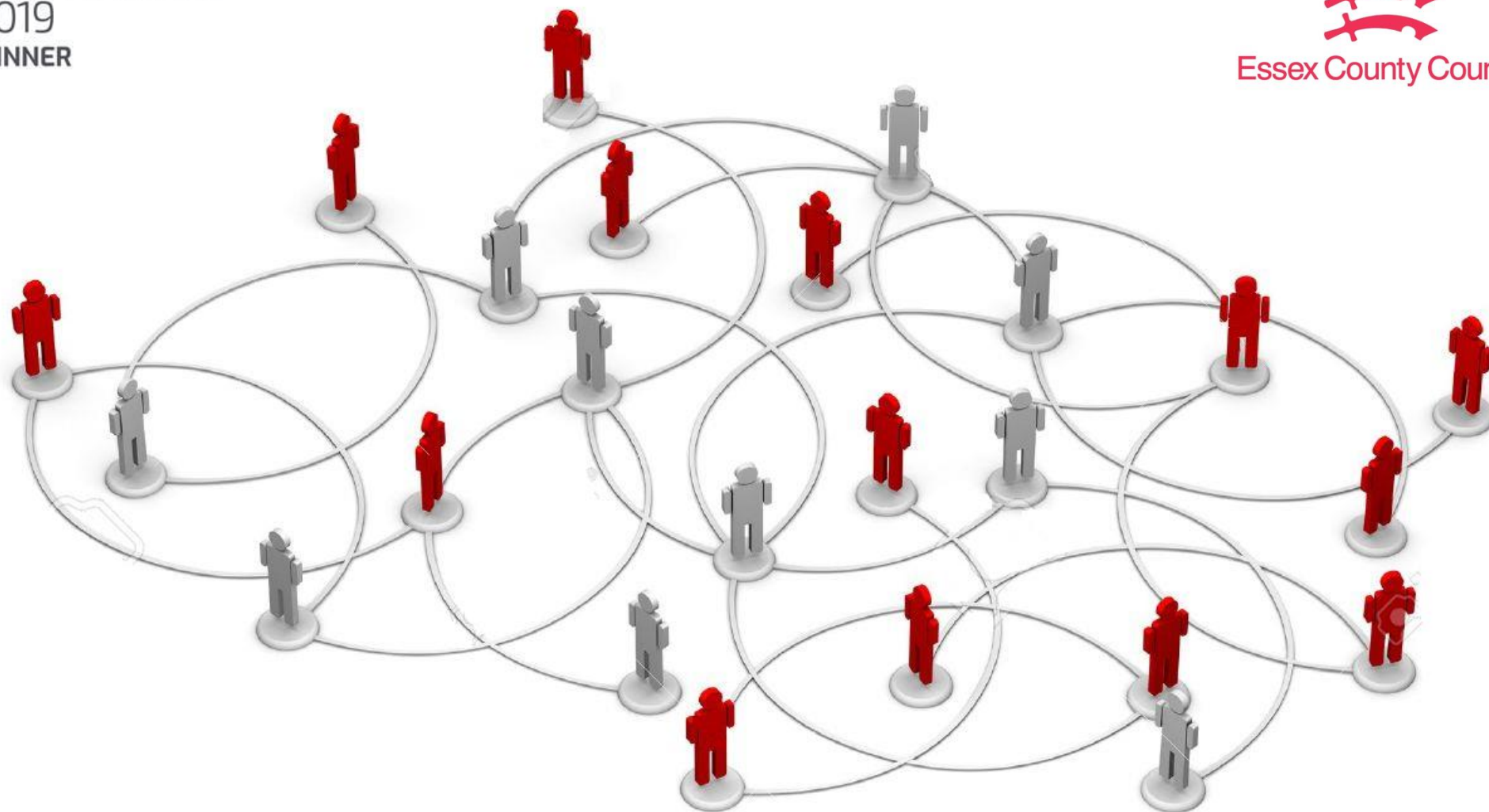
8. List of Appendices

Appendix 1- Draft Revised Essex County Council Internal Audit and Counter Fraud Plan 2020/21

Appendix 2 - Amendments to the Internal Audit and Counter Fraud Plan 2020/21

9. Background Papers

ECC Organisational Strategy
ECC Strategic Risk Register
ECC Fraud Risk Assessment
Public Sector Internal Audit Standards



INTRODUCTION

Background

The Council is responsible for establishing and maintaining appropriate **risk management** processes, **internal control** systems, accounting records and **governance** arrangements.

The Council is also required under the **Accounts and Audit Regulations 2015** to maintain an adequate and effective system of internal audit, and this responsibility has been delegated to the Executive Director for Finance and Technology (S151 Officer).

The **purpose** of the Internal Audit and Counter Fraud Service is to provide **independent, objective assurance** and consulting services to the Council (via the Audit Governance and Standards Committee, Chief Executive, S151 Officer, Corporate Leadership Team and External Audit), relating to these arrangements, which are designed to add value, improve the Council's operations and be proportionate to risk.

In addition, the Counter Fraud Service, as outlined in the Council's **Counter Fraud and Anti Bribery Strategy**, seeks to prevent, detect and deter fraud, corruption, bribery or other irregularity in order to protect the public purse.

Internal Audit work is carried out in accordance with the professional requirements as set out in the **Public Sector Internal Audit Standards** (PSIAS).

Purpose of the Internal Audit and Counter Fraud Plan

The **Organisation Strategy** sets out the Council's aims and priorities for the next four years (see page 3). It describes what the Council will do to deliver the Vision for the people of Essex. The **Organisation Plan** provides an expression of our priorities and activities over the next twelve months. The **Internal Audit and Counter Fraud Plan** considers the Council's **strategic and operational risks** in relation to delivering the Strategy and operational plans and details our priorities and activities over the next financial year.

The Plan, combined with other sources of assurance, provides sufficient coverage to enable the Head of Assurance (as **Chief Audit Executive**) to provide the Audit, Governance and Standards Committee with an independent, objective, and evidence based **annual opinion** on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned coverage will also inform the Council's **Annual Governance Statement** and provide evidence on the effectiveness of arrangements.

Essex Organisation Strategy Summary

Our Strategic Aims:



Our Strategic Priorities:

- Help people in Essex prosper by increasing their skills.
- Enable Essex to attract and grow large firms in high growth industries.
- Target economic development to areas of opportunity.

- Help keep vulnerable children safer and enable them to fulfil their potential.
- Enable more vulnerable adults to live independently of social care.
- Improve the health of the people in Essex.

- Help to secure stronger, safer and more neighbourly communities.
- Help secure sustainable development and protect the environment.
- Facilitate growing communities and new homes.

- Limit cost and drive growth in revenue.
- Develop the capability, performance and engagement of our people.
- Re-imagine how residents' needs can be met in a digital world.

Internal Audit and Counter Fraud Plan for 2020-21

In devising the risk-based Plan and to ensure it is appropriately focussed, we have considered the following:

Use of our own cumulative knowledge and expertise of services and areas of control weakness/ fraud risk, including prior years' activity.

Risk Registers

Review and consideration of the strategic and operational risk registers.

Key Corporate Documents

Key corporate documents have been considered including the organisational strategy, operational business plans, budgets and savings targets, programmes and projects and future known commercial activity.

Other Sources of Assurance

Use of other assurance sources such as third party inspections.

External / Horizon Scanning

Consideration of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Institute of Internal Auditors (IIA) direction. Liaison with other local authorities on emerging themes through professional forums (e.g. Home Counties Audit Group / Local Authority Chief Auditors Network / South East County Council Fraud Hub).

Consideration of future planned national and international legislative changes including the impact of exiting the European Union (Brexit).

Organisational Change

Consideration of the Council's organisational change programme and activity.

Stakeholder Consultation

Engagement with key stakeholders including the Chief Executive (Head of Paid Service), S151 Officer, Monitoring Officer, Executive Directors, Senior Information Risk Officer (SIRO), Chair of the Audit, Governance and Standards Committee and External Audit.

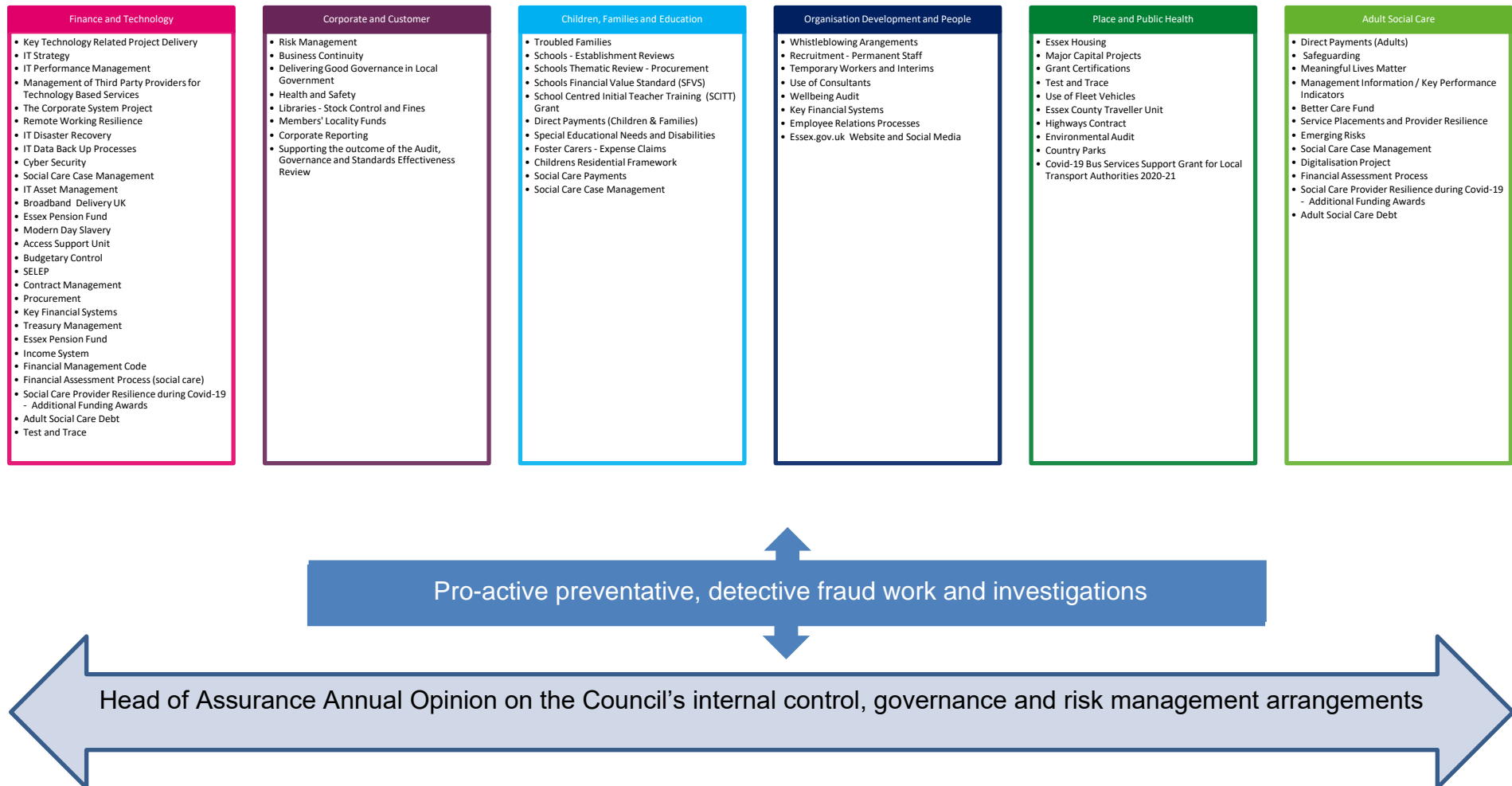
Delivery and Resourcing

Consideration has been given to the financial and staffing budgets available to deliver the Plan. This includes the in-house team and where necessary, an externally commissioned provider (e.g. for specialist IT audit)

Covid -19

This Plan was revised in June 2020 in the light of Covid-19 to ensure that it is still appropriately focused on the Council's key risks.

Summary Internal Audit and Counter Fraud Plan - by Function



Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Strategic Aim: Enable Inclusive Economic Growth				
Place and Public Health	Essex Housing	<p>Essex Housing is being set up as a Limited Liability Partnership (LLP) and will work in a commercial environment. ECC will retain control, but transactions will go through the LLP.</p> <p>As public sector owned in the commercial environment it therefore faces inherent risks around agility, speed of decision making, value for money, return on investments and negotiating skills.</p>	To assess whether the governance arrangements (including constitution of the board and executive) are appropriate and proportionate to enable to LLP to operate effectively in its commercial environment and safeguard public money.	ESH0066 HAT0032
Place and Public Health / All Functions	Major Capital Projects	ECC's draft Organisation Plan and budget for 2020/21 outlines plans for significant investment in services and infrastructure with more than £200m earmarked for capital investment, including housing schemes, major infrastructure improvements such as the A127 Fairglen interchange, and new schools for children with Special Education Needs and Disability.	<p>To assess whether there are sufficient resources and robust processes to manage costs and delivery of major capital projects to ensure that risks of cost and delivery overruns are promptly identified, communicated, and effectively mitigated.</p> <p>To establish the extent to which we ensure we achieve the right mix of financing for each programme, by maximising external funding, planning obligations (via Section 106 Agreements between ECC and developers) and capital receipts to minimise borrowing.</p>	HAT0032 PNG0003

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		Risks include political and ECC reputation, potential fraud, financial (including profile of spend, cost escalation, contingencies, change control), stakeholder management and partnership/third party risks (including due diligence over work carried out meeting the agreed requirements).	<p>(Also links in with separate audit of Governance around expansion of schools and construction of new school buildings)</p> <p>This will include reviewing the robustness of the arrangements for the options appraisal / long term solution for the Army and Navy junction:</p> <p>https://www.essexhighways.org/highway-schemes-and-developments/highway-schemes/army-and-navy-taskforce.aspx</p> <p><i>This audit will be further reviewed later in the year once we know the full impact of Covid-19 on our Capital Programme.</i></p>	
Place and Public Health / All Functions	Grant Certifications	6 monthly or annual grant certifications	<p>Interreg – PROFIT</p> <p>Interreg – SPONGE</p> <p>Innovate UK – Solar Powered Forecourt</p> <p>Interreg - LECSEA</p> <p>SELEP – Growth Hub</p> <p>Department for Transport - Integrated Capital Grant</p>	HAT0032 CGS0002
Place and Public Health	Covid-19 Bus Services Support Grant for Local Transport Authorities 2020-21	Annual certification	ECC has been awarded a grant of £692,342 to help compensate bus operators for lost revenue, as a result of the fall in passenger numbers, during the Covid -19 outbreak. The grant from the Department for Transport is paid directly to local authorities who are then required to administer its distribution. The grant terms and conditions stipulate that appropriate investigations and	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			checks must be undertaken by Internal Audit to ensure that the conditions attached to the grant have been complied with.	
Strategic Aim: Help People Get the Best Start and Age Well				
Adult Social Care	Direct Payments (Adults)	The Council has a statutory duty to assess any adult who appears to have needs for care and support and to ensure that the unmet eligible assessed needs are met. Limited Assurance in 2018/19. Approximately £60m spend and over 5,000 clients.	This audit will focus on the Council's arrangements for managing/monitoring direct payments consistently and in a way, which is proportionate to risk. The review will include direct payments managed via our managed service provider, private bank accounts and prepaid cards and will include client contributions / assessed charges. The audit will also support the control design of the new Direct Payments Team which became operational from mid 2020 with a review of their effectiveness to be undertaken in the latter part of the 2020-21 financial year. Links with the Council's Choice and Control Programme.	SRR0002 AS0041
Adult Social Care	Emerging Risks	Safeguarding risks, value for money, risks around ensuring appropriate and timely support to vulnerable adults and their carers. Statutory requirements may not be met.	Watching brief over a number of new developments within Adult Social Care to include: Liberty Protection Safeguards Deprivation of Liberty (DoLs) are due to be replaced by the Liberty Protection Safeguards in 2020, as part of the Mental Capacity (Amendment) Act which became law in May 2019. At the time of writing this Audit Plan central guidance has not been produced although it is expected imminently; and although it is thought that changes may not be introduced until 2021/22, considerable preparation will be needed to	SR00002 SR0052 AS0041

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			<p>implement the changes, which are likely to be complex.</p> <p>Day Opportunities Framework</p> <p>To keep aware of the development of the new arrangements and associated risks which are expected to be operational in or around 2021/22</p> <p><i>This will be impacted by Covid-19 and so will be reconsidered later on in the year.</i></p> <p>Transforming Mental Health</p> <p>The current Section 75 agreement is expected to be extended to align with the NHS transformation agenda. Internal Audit will keep a watching brief over the:</p> <ul style="list-style-type: none"> • analysis of current activities and workforce; • definition of the new Social Care mental health offer; • interim arrangements for existing provision. 	
Adult Social Care	Safeguarding	Safeguarding and reputational risks.	<p>Supporting the service through a consultancy piece of work evaluating control design and operating effectiveness of the quality assurance mechanisms and quadrant accountability in place in relation to safeguarding. To also examine the role and effectiveness of the Essex Safeguarding Board in ECC's role as the host authority.</p> <p>Also links in with the management information and KPIs audit.</p>	SRR0002 AS0041

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Adult Social Care	Meaningful Lives Matter Programme	The Meaningful Lives Matter (MLM) programme is an informal title for a group of initiatives which aim to improve outcomes for adults with learning disabilities and autism and to improve value for money for ECC. The programme covers a range of workstreams and is looking achieve significant savings in 2020/21 (c£17m) and beyond into the medium term (c£80m to 2024).	To assess whether there is effective oversight of the delivery of the MLM workstreams, and in particular whether required savings / outcomes /intended benefits in 2020/21 can still be achieved in light of Covid-19, and where not able to be achieved, that mitigating actions are adequate.	SRR0002 SRR0020 AS0041
Adult Social Care	Management Information / Key Performance Indicators	Without effective management oversight and appropriately defined and timely KPIs, the Function will be unable to measure whether their focus on early intervention and prevention is having the desired impact and is sustainable. Strategic objectives may not be achieved, nor poor performance identified so that it can be addressed promptly.	To provide assurance over ASC's new performance management framework to ensure appropriate oversight of the new service delivery model, four year strategy and key operational activities of the Function. To also look at whether KPIs are well defined, consistently measured and have clear ownership and accountabilities; and that they provide accurate and timely information to enable statutory returns to be submitted and benchmarking to drive improvements. Also links in with the Safeguarding consultancy review. (Postponed from the 2019-20 IA & CF Plan).	SRR0002 AS0041

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Adult Social Care	Better Care Fund	ECC may not fulfil its accountable body role and / or the Pooled Fund may not be used in accordance with the Fund Conditions, key government targets may be missed resulting in poor outcomes / reputational damage and financial risks.	It is a requirement of the current Section 75 Agreement (between ECC and the 5 Essex Clinical Commissioning Groups (CCGs) that the Host Partner (i.e. ECC) shall arrange for an annual audit of the accounts of the Pooled Fund and to certify the annual return. To also provide advice and guidance on the control environment and assurance mechanisms of any proposed new arrangements.	SRR0052
Adult Social Care Children, Families and Education, Finance and Technology	Social Care Case Management Project	Financial, reputational, legal, safeguarding and governance risks.	Internal Audit support throughout the lifecycle of the social care case management procurement project which covers both Children's and Adult's Services and has dependencies with other key Council systems.	OTW0003 CF0011 AS0040
Adult Social Care	Service Placements and Provider Resilience	Financial and reputation risks, also potential risk of legal challenge.	To review the mechanisms in place for the Directors of Local Delivery to assure themselves that the Service Placement Team are complying with agreed policy and procedures and that there is an appropriate performance framework around this with clear approvals/management oversight should there be a need to deviate from this. To also look at contract negotiation, provider resilience and the wider market impact of placements particularly in the light of Covid-19.	SRR0002 SRR0047 AS0041

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			<i>We will review whether this audit is still feasible later on in the year based on the team being able to resume usual working practices. Also links in with the additional audit added to the Plan below which may replace this one.</i>	
Adult Social Care / Finance and Technology	Social Care Provider Resilience during Covid-19 - Additional Funding Awards	Risk that monies may not have been claimed or spent in accordance with the national directive or that the process is not free from error, overpayment or fraud.	To provide assurance that the framework in place for suppliers to claim / be awarded funding, following on from the national directive, is robust and the retrospective validation of claims is in accordance with the approved Cabinet Member Action.	
Children, Families and Education	Direct Payments (Children and Families)	The direct payment process may not be free from error or fraud. Monies may not be spent appropriately to achieve the best outcomes for the child/family.	To provide ongoing support via workshops currently taking place with the support of Transformation Delivery in relation to reshaping ECC's current arrangements and in particular to improve monitoring of Direct Payments.	
Children, Families and Education	Schools – Thematic Review - Procurement	Schools could run the risk of challenge if procurement processes are not robust including anti-competitive behaviour, fraud and corruption and poor value for money. Contract terms may be unfavourable to schools leading to them being unaware of the level of risk they are exposed to.	To carry out some diagnostic enquiries initially with a selection of schools and then work jointly with Procurement and Education colleagues to provide assurance and where necessary, advice and guidance over the robustness of schools' procurement arrangements. <i>The terms of reference for this review may change if Procurement and/or Education colleagues are still working on Covid-19 related issues.</i>	

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Children, Families and Education	SCITT Grant	Annual certification of claim.	School centred initial teacher training grant.	Not applicable
Children, Families and Education	Foster Carers' Portal	If appropriate mechanisms are not in place, foster carers may not be reimbursed for expenses incurred accurately or timely. The system if not well designed and proportionality monitored could allow fraudulent claims, errors or ineligible claims to be processed.	To continue to provide support in relation to the requirements, control design and implementation of the new online portal whereby foster carers will be able to, among other things, submit expense claims online.	CF0029
Children Families and Education	Social Care Payments	Risks of fraud, error and/or reputational damage. Also risk of not anticipating future demand leading to potential service interruption and/or budget overspends.	To provide assurance over the accuracy, efficiency and completeness of social care payments across all Council systems – i.e. the social care case management system, the payments system and the general ledger.	
Children Families and Education	Special Educational Needs and Disability (SEND)	Reputational risk and risk that service user experience is not optimal.	To provide assurance that ECC is on track to deliver the action plans arising from the joint Department of Education / NHS England monitoring visit that took place in 2019. A reinspection is anticipated in 2021.	EDN0018
Children Families and Education	Troubled Families	Prevention and/or early intervention strategies helps to reduce the risk of escalation	Payment by results certification by Internal Audit throughout the year following the government's	CF0005

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		and the need for crisis intervention.	announcement that the programme will be extended for a further year.	
Children Families and Education	Children's Residential Framework	Reputational, legal, safeguarding and financial risks.	Residential placements are currently spot purchased. This review will provide a health check style assurance over the design and implementation of the new framework which is planned to go live in 2020.	CF0005
Children Families and Education	Schools Establishment Reviews	Financial, governance and reputational risks.	To review the schools' internal audit programme and risk matrix and visit a small sample of individual schools throughout the year. <i>We will reconsider whether site visits are appropriate towards the end of 2020. In the meantime, we are researching whether schools audits could be carried out remotely.</i>	
Children Families and Education	Schools Financial Value Standard (SFVS)	Statutory requirement aimed at improving governance and internal control arrangements at locally maintained schools.	Internal Audit collect these self-assessments from schools annually and provide a return of the results to the Department for Education.	Not applicable
Place and Public Health	Test and Trace	The money may not be effectively spent on helping to contain local outbreaks of the virus which could result in a second wave of the pandemic and a threat to human life.	ECC is to receive £5.7m grant. The grant is part of £300m pledged nationally last month by the Government. The Council will use the money to develop tailored outbreak control plans, working with the NHS Test and Trace service. Councils will also be expected to ensure testing capacity is deployed effectively to high-risk locations. The funding awarded is intended to	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			help each local area work hand in hand with Public Health England and contact tracers to focus on the containment of local outbreaks to control the transmission of this virus. Internal Audit are required as part of the terms and conditions, to validate the spend. This audit replaces a more general one on Public Health that was included in the original IA &CF Plan for 2020/21.	
Strategic Aim: Help Create Great Places to Grow Up, Live and Work				
Corporate and Customer / All Functions	Delivering Good Governance in Local Government	The framework of good governance underpins the vision and objectives of a local authority and provides confidence that its decisions are well made. It supports ethical working and public accountability.	Assessment of compliance against the principles of good governance.	DT0012
Corporate and Customer	Libraries – Stock Control and Fees and Charges	Reputational and financial risks.	Health check review to support the service in designing robust controls around stock control and review of library fees and charges.	
Corporate and Customer	Members' Locality Funds	Reputational and fraud risks if funds are not allocated fairly or spent appropriately.	£750,000 has been set aside for the 2020/21 financial year i.e. a grant of £10,000 per Essex County Councillor, to spend on local community initiatives. This review will provide assurance over the robustness of these arrangements.	

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Corporate and Customer	Business Continuity	Prolonged service disruption due to a business continuity incident not being appropriately responded to could lead to ECC being unable to fulfill its statutory duties.	<p>ECC is re-developing its business continuity approach and has recently implemented a new BC and mass notification system.</p> <p>To provide assurance that the Council has learned lessons from ECC's Covid-19 response and is resilient against a second wave and / or concurrent incident.</p> <p><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i></p>	CCS0016
Corporate and Customer	Risk Management	Effective risk management helps support good decision making and service delivery across all Functions and at the strategic level.	<p>To provide assurance over the Council's risk management arrangements to assist in forming the Chief Audit Executive's annual opinion.</p> <p>Scoping will take place at the time of the review, but it is suggested that a key theme/service area or specific part/s of the risk management process will be chosen for deeper analysis.</p> <p>For example, how well risk is identified, managed and communicated at the point of approving policy, strategy, or other investment decision.</p> <p><i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i></p>	

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Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Corporate and Customer	Health and Safety	ECC has duties under health and safety legislation and expects all employees and contractors to comply with health and safety policies, procedures and safe systems of work. If ECC is found liable for harm to the health and safety of others ECC could face significant financial penalties, reputational damage and service disruption.	To review a key health and safety risk area to assess whether the associated policy is robust, and the requirements are being consistently and effectively met. Risk area to be determined at the time of scoping the review. <i>We will ensure there is the required level of independence when carrying out this review as this service comes under the Head of Assurance's remit.</i>	SCDEL002 SCDEL003 PFM0003
Organisation Development and People	Recruitment – Permanent Employees	ECC may employ staff who are unsuitable for the role resulting in inefficient use of resources and interruptions in the quality and timeliness of service provision. Recruitment processes may not be conducted fairly and transparently.	ECC brought their recruitment processes and procedures back in house in 2019. This audit will assess whether the processes and procedures that are now in place and back in-house are working effectively.	No specific risk identified
Finance and Technology / Organisation Development and People	Use of Consultants	Risk of poor value for money and/or poor quality outcomes.	To provide assurance over effectiveness of workforce planning and appropriate sourcing of consultants, skills/knowledge transfer, clarity of roles and responsibilities, monitoring and delivery of outcomes, accountability and value for money.	No specific risk identified
Finance and Technology / Organisation	Temporary and Interim Workers	ECC may employ individuals that are unsuitable for the roles, also risks around poor	ECC have introduced a new platform (Matrix) for the recruitment of temporary/interim workers. This audit will provide assurance over the new	

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Development and People		value for money and non-compliance with IR35.	arrangements and will include recruitment processes and procedures, handover arrangements, accountability, value for money, management oversight, reporting and key performance indicators. To include following up the previous internal audit recommendations relating to compliance with Off Payroll Engagements (IR35 rules).	
Organisation Development and People	Whistleblowing Arrangements	If staff do not feel confident to speak up when they have a concern, or when they do speak up the concern is not investigated confidentially, and appropriately then poor or inappropriate practices may continue undetected.	To review the effectiveness of the Council's whistleblowing policies and procedures.	No specific risk identified
Corporate and Customer / Place and Public Health	Fleet Vehicles	Vehicles may be used inappropriately, not used effectively or not maintained to the required standards leading to risks of safeguarding, financial, fraud, reputational and legal risks.	To provide assurance around ECC's use of fleet vehicles, to include ensuring appropriate use of the vehicles and maintenance of logbooks for fuel, mileage and maintenance checks. Also, to review leasing arrangements and the impact of Covid-19 on fleet vehicle management.	
Organisation Development and People	Wellbeing Audit	If the Council does not create the right work conditions and culture for success there could be risks of low employee engagement, high staff turnover and / or absenteeism	To provide assurance over the Council's arrangements for ensuring the wellbeing of its staff particularly in the light of Covid-19 and more home working; and to include referrals to	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		resulting in ineffective and / or inefficient achievement of the Council's strategic and operational aims and objectives.	Occupational Health and the delivery of the Wellbeing Strategy.	
Finance and Technology	Broadband Delivery UK (BDUK) Delivery and Payment Assurance	Failure to meet government targets resulting in reputational damage but also failure to provide superfast broadband to homes and businesses could affect economic growth in Essex and social isolation. There is also the risk that a supplier could claim for broadband that has not been delivered to the required standard.	Quarterly assurance over the supplier's Milestone Achievement Reports and Milestone Payment Claims for the Government's (partially) funded scheme to expand coverage of superfast broadband networks across the UK. Schemes are also match funded from the local authorities and private investment from suppliers.	
Finance and Technology	Modern Day Slavery	Procurement / supply chain risk. Eradicating modern slavery is one of the United Nations' Sustainable Development Goals and is recognised as a serious problem by authorities in the UK.	To provide assurance that ECC can demonstrate its compliance with the minimum legal requirements as defined by the Modern Day Slavery regulations and Home Office Statutory Guidance. To review the Council's identification of its supply chains, policies and training in relation to slavery and human trafficking, due diligence processes, risk assessment and management and key performance indicators to measure effectiveness of steps being taken.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Finance and Technology	Essex Pension Fund	The pension fund is around £4billion and ECC as the Administering Authority is responsible for the effective running of the fund to meet statutory requirements, ensure required payments are made and there is sufficient funding to meet liabilities.	<p>To assess whether the Essex Pension Fund has effective governance in line with statute to ensure that investment and funding activity is lawful, effective and regularly reported.</p> <p>To assess whether the Essex Pension Fund efficiently and effectively manages on-going administrative events to ensure pension records are accurate and up to date and pensions payments are accurate and valid.</p>	Detailed operational risk register maintained.
Finance and Technology	Access Support Unit	<p>The ASU provide to the ACCESS pool professional support and leads the pool's programme of work on a day to day basis. It is responsible for key governance and control processes including programme management, stakeholder management, managing the pool's contracts and commercial relationships as well as finance and risk management.</p> <p>The pool manages funds on behalf of its members to the value of c£50bn.</p> <p>Given the materiality of sums involved and the Council's obligations to other pool</p>	<p>The Council was appointed in August 2018 as the host authority for the Access Support Unit (ASU) on behalf of the 11 other administering authorities in the Access pool.</p> <p>To assess whether the ASU is effectively fulfilling its responsibilities under the SLA with the Access pool.</p>	Local risk register maintained.

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		members, it is therefore important to be assured over the strength of the ASU's control environment.		
Finance and Technology	Treasury Management	Imprudent borrowing and investments could be undertaken which undermine the financial stability of the organisation and could affect service provision and reputation. ECC may not receive robust advice from our third-party advisors or actively ensure a good return on our assets whilst balancing risk of return.	Last reviewed in 2018/19. To provide assurance that the Prudential Code is being complied with. A new Board is being put in place to provide independent assurance over performance.	
Finance and Technology	Budgetary Control and Financial Management	Poor financial management could result in the Council being unable to achieve its objectives. The Medium-Term Resources Strategy (MTRS) to 2023/24 forecasts inflationary pressures and continuing increase in demand for social care services with considerable uncertainty around central government funding from 2021/22. Significant levels of savings are required to	To assess the effectiveness of financial management arrangements. To include the timeliness and effectiveness of recovery plans especially in the light of Covid-19. To include Commercial and Traded Services. To link in with any external audit work in this area.	SRR0020 HAT0032

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		balance the budget each year. There is a risk that some savings may not be delivered and/or income levels may not be achieved.		
Finance and Technology	Contract Management	Suppliers may not deliver services to required standards or within agreed costs leading to financial, reputational and legal challenges. Suppliers may not be resilient or become insolvent exposing ECC to degradation in service provision, project delays and increased costs.	To examine the effectiveness of our contract management arrangements with our strategic suppliers (tier 1) and provide assurance that there is clear accountability over spend and budgetary control. To also look at tier 3 contract management following the issuance of new guidance. <i>We will review later in the year to determine whether it is still feasible to carry out this review in the light of Covid-19.</i>	ESH0065 HAT0031
Finance and Technology	Procurement	Procurements may not be undertaken in line with policy and legislation which could lead to legal challenge, delays, negative impact on customer experience and financial risks.	To provide assurance over the new system Proactis. <i>We will review later in the year to determine whether it is still feasible to carry out this review in the light of Covid-19.</i>	PRO0008 PRO0007 ESH0060 PFM0009
Finance and Technology / Adult Social Care	Adult Social Care Debt	Added to the Plan when revised due to risks in this area and the volume and value of debt increasing as a result of Covid-19.	To provide assurance over the robustness of the arrangements to identify, record and collect income due from service users who are required to contribute towards their care and support.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Finance and Technology	Key Financial Systems	If the key financial systems are not well controlled, the underlying information used for the financial statements may not be reliable and or financial transactions could include fraud and or material error. If the key financial operational processes are not effective, this could lead to overspends, higher levels of debt and failure to pay staff and suppliers on time.	<p>Integrated audit approach to assess the robustness of the design and operating effectiveness of controls in place to ensure that processes and transactions executed through The Corporate System (TCS) and A4W (the finance system used to pay providers of care to adults) are accurate, complete, authorised, valid, timely and efficient. Includes:</p> <ul style="list-style-type: none"> • Accounts payable • Accounts receivable (including debt management) • Banking and cash • Budgetary control • General ledger (journals and virements) • Payroll • Scheme of delegation. <p>This is an annual audit, referred to in previous years as the "Oracle integrated Assurance" review.</p>	
Finance and Technology	South East Local Enterprise Partnership (SELEP)	<p>ECC is the accountable body for the SELEP and therefore has responsibilities to ensure that it complies with its assurance framework, which itself is in line with national standards.</p> <p>As accountable body ECC is responsible for the Selep investment programme</p>	<p>A company limited by guarantee will be incorporated into the SELEP governance arrangements by 1 April 2020.</p> <p>To assess the robustness of governance over decision making, project delivery, and financial management and whether those involved in SELEP understand whether funded projects achieve required outcomes and benefits.</p>	Local risk register maintained

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		ensuring it is appropriately allocated, used for approved purposes, and drives sustainable growth and job creation.		
Place and Public Health	Essex County Traveller Unit (ECTU)	ECTU's objectives include supporting children into school and further education, providing health services, and site and home fire safety visits. ECTU services are targeted at groups with significant disparities in key outcomes.	To assess whether the ECTU service is effectively managing traveller sites and achieving wider service outcomes.	PPH0018
Place and Public Health	Country Parks	Potential reputational damage, poor value for money and exposure to fraud/error if income and stock are not well controlled or purchases do not follow the correct procurement route.	The focus of the review will be on income and stock control at the various visitor centres, shops and cafes and on ensuring that the appropriate procurement route/method is followed when sourcing goods and services with particular reference to purchase card spend.	
Corporate and Customer	Corporate Reporting	If we do not measure how well we are delivering on our intended strategies and plans we may fail to secure the right outcomes for our residents, we are at risk of deviating from our intentions.	To review the new arrangements for corporate impact reporting due to go live in April 2020 and examine how well it aligns to the Essex Vision, strategy, business plans and individual performance objectives. To also link in with any recommendations that may arise from the Peer Challenge review in 2020. Quarter 3 or 4 review.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Corporate and Customer / Organisation Development and People	Essex.gov.uk Website and Social Media	<p>The Essex.gov.uk website was relaunched in June 2019. The website and social media platforms are key tools to communicate with and inform residents to support delivery of services in a cost effective manner, for instance, facilitating 'self-serve'.</p> <p>Social media poses significant legal and reputational risks if content is not well controlled.</p> <p>The last Internal Audit of social media gave a Limited Assurance opinion.</p>	<p>To assess whether the Council effectively engages with residents through the website and social media.</p> <p>To ascertain whether there is clear accountability around ownership and a set of standards to adhere to regarding content; and whether the website is impactful, up to date and sustainable.</p> <p>This audit will also assess whether the Essex.gov.uk website meets required standards for ensuring it is accessible to users with disabilities.</p> <p>This audit will also assess whether the recommendations from the last audit of social media have been effectively implemented.</p>	
Place and Public Health	Highways Contract	Poor value for money or service standards leading to reputational, legal and / or financial risks.	The audit will provide assurance over our arrangements for ensuring value for money, governance arrangements and the robustness and effectiveness of decision making in relation to the Ringway Jacobs Contract which has recently been extended.	PLAC0019 PLAC0017
Place and Public Health	Environmental Audit	<p>Potential risks are:</p> <p>long-term damage to the environment</p> <p>prosecution leading to a fine or imprisonment if legislative requirements are not met.</p>	The audit will examine how ECC identifies the environmental impact of its activities, products and services and supply chain; compliance with legislation; the setting of environmental strategies, objectives, principles and targets and then the environmental management programme for achieving and reporting on those objectives and targets to senior officers and Members. This will	Not currently a strategic risk but recorded as "a one to watch" as an emerging risk

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		damage to the ECC's reputation and unwillingness of customers/suppliers to engage with ECC due to their unethical performance.	include providing assurance over the Council's arrangements for a £5m Climate Action Reserve and recently formed Independent Commission, to enable action on climate change.	
Strategic Aim: Transform the Council to Achieve More with Less				
Finance and Technology	The Corporate System Project	The Corporate System Programme to source and implement the future finance and HR system or systems is of corporate strategic importance and of material value.	Ongoing Internal Audit assurance / support to the project during its initiation and procurement phases in 2020/21 to assess whether the programme has effective governance and appropriate internal controls are included in system requirements and design.	PRO0008 In addition, a Project Risk Register is maintained
Finance and Technology / Adult Social Care	Financial Assessment Process	Reputational, financial and legal risks.	To assess whether the Council complete the financial assessment process for social care clients in a timely manner and correctly in line with the Council's approved policy and statutory requirements. <i>To reconsider later on in the year in the light of Covid-19.</i>	SRR0002 AS0041
Finance and Technology	Financial Management Code (to include financial resilience)	The Council may not manage its financial affairs in the most effective and efficient manner whilst also managing its associated resilience risks.	To assess ECC's adherence/move towards compliance with the Financial Management Code published by CIPFA in October 2019. The first full year of compliance was expected to be 2021/22 although this may change as a result of Covid-19.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			To also provide assurance over the Council's financial resilience - to include the indicators of financial stress as defined by the recently published CIPFA Financial Resilience Index.	
Finance and Technology	IT Asset Management	The Council has a large and complex IT asset estate of significant value. Assets are key enablers of modern ways of working and therefore support the achievement of the Council's strategic aims.	To assess whether there are robust processes to effectively safeguard technology assets and optimise the purchase, storage, and deployment of assets. To also consider the impact of mass home working due to Covid-19.	
Finance and Technology	Management of Third Parties Delivering or Providing Technology-Based Services	The Council is reliant on a number of key third parties to deliver IT / technology-based services.	To assess whether there is robust management of third party providers of key applications, network, infrastructure, and hosting services.	SRR0051
Finance and Technology	IT Strategy	<p>The Council is currently developing and agreeing a formal strategy for IT / technology.</p> <p>Without an effective strategy there is a risk that services' technology needs are not most effectively identified, prioritised, and delivered which could reduce achievement of strategic aims and objectives.</p>	To assess whether there is a technology / IT strategy which sets out a clear medium—term direction for Technology Services' activity and the acquisition and use of technology to support achievement of business objectives and priorities.	TSE0003

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		The last audit of IT Strategy in 2016 gave a limited assurance opinion.		
Finance and Technology	IT Performance Management	Robust performance management is critical to ensuring key technology works efficiently and effectively in support of delivery of the council's objectives. The last audit of IT performance management in 2017 gave a Limited Assurance opinion.	To assess whether there is an effective performance management framework which provides regular and accurate insights into the performance of Technology Services against its defined objectives.	
Finance and Technology	IT Disaster Recovery (DR)	Effective DR capability, and assurance over its effectiveness, is vital to ensure that if there were a disaster event, the council can continue to provide critical services, including those it most vulnerable service users. The last audit of DR in 2017 gave a No Assurance opinion.	To assess whether there are robust and tested DR arrangements, and whether the previous audit recommendations have now been implemented.	SRR0051
Finance and Technology	IT Data Back-up Processes	Robust data back-up processes are needed to ensure that the data needed to deliver services and meet legal	To follow up on the previous recommendations made in the 2017/18 audit.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
		obligations are not lost or damaged. The last audit of data back-up processes in 2018 gave a Limited Assurance opinion.		
Finance and Technology	Cyber Security	A cyber-attack could prevent access to, or the required use of, technology that is critical to delivering services including those delivered to vulnerable people. Cyberattacks could also destroy or damage data. Without robust proactive protection against attacks, the Council may spend significant avoidable amounts of resource dealing with incidents and incur significant unplanned costs to remedy weaknesses.	To assess whether there are robust controls to prevent, detect, respond, and recover from cyber threats.	IT0001
Finance and Technology	Remote Working Resilience	As a result of Covid-19 there has been unplanned mass home/remote working which if not resilient and secure could negatively impact on service delivery, staff morale, customer experience and achievement of the Council's objectives.	To provide assurance that our IT systems and services are well designed, resilient, accessible and secure during a time of mass home working.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Finance and Technology / Adult Social Care	Adult Social Care Digitalisation	High risk project being delivered via a third party with material cash benefits attached to it. Reputational, financial and safeguarding risks.	The procurement phase of the project was expected to finish around March 2020 with service commencement in the Autumn 2020. This may have been impacted by Covid-19. To provide assurance over the early governance and project/contract management arrangements of the programme and determination and tracking methodology for realisation of benefits.	
Finance and Technology	Income System	The Council may not be able to collect fees and charges for services it provides or may not be able to allocate the income it receives correctly to the appropriate code, reconciliations may not be carried out accurately and/or timely resulting in fraud or error going undetected.	To provide assurance over the internal controls in place in relation to the new income system which went live in February 2020.	CCO0008 CTO0004
All functions	Key Technology-Related Project Delivery	Investment in new technology and the opportunities it presents for new dynamic and agile ways of working are crucial enablers of meeting future challenges to deliver more with less.	To review the delivery of key technology-related project and workstreams during the year. This could include assessing the planning and delivery of the following: <ul style="list-style-type: none"> • Wi-Fi upgrade • Council as a Platform • 'Work Anywhere' through End User Computing and Modernising Technology 	IT0004

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
			<p>MTEC programmes</p> <p>(The Corporate System Programme and Social Care Case Management Programme, due to their individual complexity and inherent importance to the Council, are included as separate audits elsewhere in this Plan).</p>	
Organisation Development and People	Employee Relations Processes	<p>Staff are a key asset to the Council and an effective workforce is crucial to achieving aims and priorities.</p> <p>The Council could face legal, financial, and reputational risks if employee relations cases are not well managed.</p>	<p>To assess whether the processes to manage the key types of employee relations cases through the new employment standards are working effectively and cases are resolved in a timely manner. The types of employee relations cases focused on will be determined taking into account the potential legal implications of any non-compliance with required practice.</p> <p>This will also review the operation of the new case management system for People Consultants and whether any delays or 'bottlenecks' in case handling is understood and proactively addressed.</p>	
Other				
All Functions	Emerging Risks / Contingency		<p>To include strategic impact of EU exit on the Council, development of the Council's new organisational Strategy to be implemented from 2021, to gain an understanding of the Council's use of artificial intelligence, machine learning and other related technologies; and to allow flexibility in the Plan to respond to risks not currently apparent when setting the Plan.</p>	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Corporate and Customer	Audit, Governance and Standards (AGS) Committee effectiveness review	The Committee's remit includes overseeing the work of internal and external audit as well as the Council's risk management arrangements. If ineffective this could be reputationally damaging for the Council.	ECC Internal Audit will assist the AGS Committee in implementing any recommendations arising from the review carried out by CIPFA in early 2020.	
Counter Fraud Prevention and Detection Plan				
Adult Social Care Finance and Technology	Fraud Awareness Workshops - programme of fraud awareness training sessions / Fraud Awareness Week Comms etc	Fraud awareness.	Following re-organisations - fraud awareness workshops. Initial focus on Social Care Teams, Financial Assessment Teams, Pre-Paid Compliance Teams, Blue Badge Team, Parking Enforcement Officers etc.	
	Fraud Risk Workshops / Update Fraud Risk Register	Fraud awareness.	Annual workshops with service areas to update fraud risk register.	
	Attendance at Counter Fraud Hub meetings (South East Hub & Essex Hub)	Fraud awareness, collaborative working and networking to consider emerging risk areas.	Quarterly meetings. 1 day per meeting.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
	Annual review of policy & strategy documents	Updating key policies to ensure compliance with any legislative changes.	Counter Fraud Strategy, Counter Fraud Manual, Anti-Bribery Policy, Money Laundering Policy, Sanction Policy, RIPA Policy, CIPFA Self-Assessment Tool.	
	CIPFA Tracker Survey / Benchmarking Activity	Benchmarking against similar authorities.	Annual completion of CIPFA Tracker and Benchmarking Data (with Counter Fraud Hub).	
	Review against CIPFA Self-Assessment tool	Annual re-assessment against CIPFA standards to assess ECC's position and inform the Annual Governance Statement.	Annual re-assessment against CIPFA standards to assess ECC's position and inform the Annual Governance Statement.	
	Pan Essex Data Matching	Fraud Prevention & Detection.	Submission of data sets on a monthly basis and investigation of returned matches - estimate of 1 days per month plus attendance at workshops / meetings.	
Finance and Technology, Adult Social Care, Corporate and Customer	CIAs Data Matching Pilot	Fraud Prevention & Detection.	To continue to participate in the Cifas pilot. ECC Pension and adult social care datasets uploaded and matched to Cifas records (including GRO deceased listing). Insurance claim data uploaded fortnightly. Pilot extended to September 2020.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
Adult Social Care, Children Families and Education, Place and Public Health, Finance and Technology	Internal Data Matching / Data Analysis	Fraud Prevention & Detection.	<p>Programme of internal data matching to be developed. Estimated 20 days per quarter to complete matching exercise and investigate matches. Data matching exercise to include quarterly matching for:</p> <ul style="list-style-type: none"> • ASC data • Payroll • Expenses • Procurement • Foster Carers payments • Public Health. 	
	National Fraud Initiative (NFI)	Fraud Prevention & Detection.	Data submission in October 2020 and investigation of matches in early 2021. Matches to be returned February 2021 although investigation will run to autumn 2021 due to volume of matches.	
	NFI Fraud Hub	Fraud Prevention & Detection.	Involvement in development of potential data matching. Liaise with Midlands hub / CIPFA re social care matches / developments.	
All Functions	Investigations - Referrals and Case Investigation (reactive,	Investigation.	Log, prioritise and investigate referrals.	

Internal Audit and Counter Fraud Plan 2020/21

Function/s	Audit Title	Risk Justification	Proposed Objective / Coverage	Strategic or Operational Risk Reference March 2020
	including advice & guidance)			
	Blue Badge Referrals	Investigation.	Log, prioritise and investigate referrals.	
	FOI requests		Assistance with co-ordinating Freedom of Information requests.	

Internal Audit and Counter Fraud Plan 2020/21

Operational Responsibilities of the Chief Audit Executive

The Chief Audit Executive (i.e. the Head of Assurance) is responsible for the following operational areas:

- Internal Audit and Counter Fraud
- Health and Safety
- Emergency Planning and Resilience
- Risk and Insurance.

Reviews of Counter Fraud and Insurance were carried out in the 2019/20 financial year and both received Satisfactory Assurance. These reviews were carried out by a firm of external auditors to ensure independence of the process.

Reviews of risk, business continuity and health and safety have been included in the 2020-21 Plan.

Schools Audits

Between July and September 2019, the Department for Education ran a consultation which looked at ways of improving transparency in the financial health of Local Authority maintained schools and suggested that several transparency measures currently used in the academy trust sector could be adapted for LA maintained schools. This included internally auditing each maintained school at least once every three years. ECC provided a response to the consultation. For ECC this would mean auditing approximately 80 schools per year. As the results of the consultation have not yet been published, this has not been factored into our Internal Audit and Counter Fraud Plan for 2020/21.

EU Exit

We have included EU exit arrangements under the Emerging Risks section of the Plan but will also consider whether this is a risk for each audit review that we undertake during the year.

Appendix 2

Amendments to Internal Audit and Counter Fraud Plan for 2020-21

Audits Removed from Plan / Deferred to 21/22			
Function	Audit Title	Comments / Scope	Impact on IA & CF Plan
Children Families and Education	Schools Thematic Review – Business Continuity	Prior to Covid-19 our intention was to review school business continuity plans and provide advice and guidance on the robustness of these plans. Due to Covid-19 this is felt to no longer be appropriate.	Include in 2021/22 Plan to look at lessons learned as a result of Covid-19
Place and Public Health	Public Health	The original intention was to provide assurance that there is appropriate governance around decision making on how public health monies are directed and spent and data is gathered, analysed and benchmarked to ensure outcomes are as effective as they can be in meeting public health priorities.	This audit will be replaced by the Test and Trace audit.
Place and Public Health and Children, Families and Education	Governance Around Planning and Expansion of Schools and Construction of New School Buildings	This audit was to provide assurance over the robustness of project, risk and contract management, reporting to senior officers and Members and funding sources / Section 106 agreements / adequacy of basic needs funding (from the Department for Education) / cost control in relation to expansion or new builds.	Defer to 2021/22
Organisation Development and People	Staff Performance Development	<p>This audit was intended to assess whether the new performance development approach is applied consistently and effectively across the Council.</p> <p>This audit will be removed from the 2020/21 Plan as it is recognised that many staff will have been redeployed or working in different ways in response to the pandemic.</p>	Defer to 2021/22
Place and Public Health / Children Families and Education /	Home to School Transport	This audit was to assess whether there is clear learning from the current deep dive and effective plans to implement identified areas for improvements to ensure that	Defer to 2021/22

Finance and Technology		forecasting demand is as accurate as it can be and that budgets are set robustly and adhered to. It was also intended to support control design of any changes to existing and the introduction of any new systems which will now be delayed due to Covid-19.	
Place and Public Health	Park and Ride	This audit was intended to focus on the long term strategy and financial sustainability including income collection, enforcement and pricing strategies. To also consider the effectiveness of contract management and management information/KPIs to enable ECC to assess performance effectively (including passenger numbers) and ensure accountability	Defer to 2021/22
Corporate and Customer	Customer Channelling	This audit was to examine the importance of customer channeling through digital means	Remove
Finance and Technology	Commercial and Traded Services	This audit intended to review the Council's commercial and traded services strategies and governance arrangements to effectively make the most of its assets for profitable commercial return. This audit will be removed but aspects of it will be included in the Budgetary Control and Financial Management audit instead.	Remove
All Functions	Office 365	An audit of this area was carried out in 2019/20 and received Satisfactory Assurance. The roll out of the programme was accelerated due to Covid-19.	Remove
Audits Added to Plan			
Place and Public Health	Covid-19 Bus Services Support Grant for Local Transport Authorities 2020-21	ECC has been awarded a grant of £692,342 to help compensate bus operators for lost revenue, as a result of the fall in passenger numbers, during the Covid -19 outbreak. The grant from the Department for Transport is paid directly to local authorities who are then required to administer its distribution. The grant terms and	Add

		conditions stipulate that appropriate investigations and checks must be undertaken by Internal Audit to ensure that the conditions attached to the Grant for Local Transport Authorities 2020-21 have been complied with.	
Adult Social Care/Finance and Technology	Social Care Provider Resilience during Covid-19 - Additional Funding Awards	To provide assurance that the framework in place for suppliers to claim / be awarded funding, following on from the national directive, is robust and the retrospective validation of claims is in accordance with the approved Cabinet Member Action.	Add
Adult Social Care / Finance and Technology	Adult Social Care Debt	To provide assurance over the robustness of the arrangements to identify, record and collect income due from service users who are required to contribute towards their care and support. Risks have potentially increased since Covid-19.	Add
Finance and Technology/Place and Public Health	Test and Trace	<p>ECC is to receive £5.7m grant</p> <p>The grant is part of £300m pledged nationally last month by the Government. The Council will use the money to develop tailored outbreak control plans, working with the NHS Test and Trace service.</p> <p>Councils will also be expected to ensure testing capacity is deployed effectively to high-risk locations. The funding awarded is intended to help each local area work hand in hand with Public Health England and contact tracers to focus on the containment of local outbreaks to control the transmission of this virus.</p> <p>Audit are required as part of the terms and conditions to validate the spend.</p>	Add
Finance and Technology	Remote Working Resilience	To provide assurance that our IT systems and services are well designed, resilient, accessible and	Add

		secure during a time of mass home working.	
Place and Public Health	Country Parks	The focus of the review will be on income and stock control at the various visitor centres, shops and cafes and on ensuring that the appropriate procurement route/method is followed when sourcing goods and services with particular reference to purchase card spend.	Add
Audits with Amended Scope			
Corporate and Customer	Business Continuity	To provide assurance that the Council has learned lessons from ECC's Covid-19 response and is resilient against a second wave and / or concurrent incident.	
Children Families and Education	Schools Thematic Review - Procurement	The terms of reference for this review may change if Procurement and / or Education colleagues are still working on Covid-19 related issues.	
Audits to remain in plan but will be further reviewed later in the year			
Place and Public Health / All Functions	Major Capital Projects	This audit will be further reviewed later in the year once we know the full impact of Covid-19 on ECC's Capital Programme.	Remains in plan but may be delayed or deferred
Adult Social Care – Emerging Risks	Day Opportunities Framework	The scope was to be aware of the development of the new arrangements and associated risks which were expected to be operational in or around 2021/22. This will be impacted by Covid-19 as the majority of Day Opportunities are currently closed and so we will reconsider this audit later on in the year.	Remains in plan but a decision may be taken to defer.
Adult Social Care / Finance and Technology	Service Placement and Provider Resilience	We will review whether this audit is still feasible later on in the year based on the team being able to resume usual working practices. Also links in with the additional audit added to the Plan below which may replace this one.	Remains in plan but a decision may be taken to defer.

Children Families and Education	School Establishment Visits	<p>The original intention was to review the schools' internal audit programme and risk matrix and visit a small sample of individual schools throughout the year.</p> <p>We will reconsider whether site visits are still appropriate towards the end of 2020 as we are mindful of the pressures schools are currently facing. In the meantime, we are researching whether schools audits could be carried out remotely and continuing to review our internal audit programme.</p>	Remains in plan but note added to either delay or cancel later in year.
Finance and Technology	Procurement and Contract Management	We will review these two audits later in the year to determine whether it is still feasible to carry out these reviews in the light of Covid-19.	Remains in plan but decision may be taken later in the year to remove.
Finance and Technology / Adult Social Care	Financial Assessment Process	<p>To assess whether the Council complete the financial assessment process for social care clients in a timely manner and correctly in line with the Council's approved policy and statutory requirements.</p> <p>To reconsider later on in the year as the Team will be significantly impacted by Covid-19.</p>	Remains in plan but a decision may be taken to defer.

Report title: The draft Statement of Accounts and draft Annual Governance Statement for 2019/20		AGS/72/20
Report to Audit, Governance and Standards Committee		
Report author: Nicole Wood, Executive Director, Finance and Technology and Paul Turner, Director Legal and Assurance		
Date of meeting: 6 July 2020	For: Information	
Enquiries to Nicole Wood, Executive Director, Finance and Technology email nicole.wood@essex.gov.uk Tel. No. 07946 705816 or Christine Golding, Chief Accountant email Christine.golding@essex.gov.uk Tel. No. 03330 138401 with respect to the Annual Governance Statement: Paul Turner, Director, Legal and Assurance paul.turner@essex.gov.uk		
Divisions affected: All Essex		

1. Purpose of report

- 1.1 The purpose of this report is to present a draft of the **Statement of Accounts** and the draft **Annual Governance Statement** for 2019/20 to the Committee for information (as appended), and to explain the Committee's role regarding approval and publication of these documents in September 2020.

2. Recommendations

- 2.1 The Committee notes the arrangements for approval and publication of the Council's **Statement of Accounts** for 2019/20.
- 2.2 The Committee reviews the draft **Annual Governance Statement** for 2019/20, as appended, and considers whether it wishes to make any comments on it or propose any changes.

3. Statement of Accounts

- 3.1 The process of closing the Accounts, and of producing the information required to enable the external auditor to give an unqualified opinion on the accounts, is both complex and time constrained.
- 3.2 The Council is statutorily required to compile its annual accounts in compliance with generally accepted accounting practice. This means preparing the accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Accounting Code), supported by International Financial Reporting Standards and statutory regulations.

3.3 The Council is also required by Regulation to:

- Produce draft accounts, and present them for external audit, by a specified date each year;
- Make the draft Statement of Accounts available for a period of 30 working days, during which time the public have the right to raise objections, inspect the accounts and question the Local Auditor; and
- Publish its final, audited accounts by a specified date each year.

3.4 Statutory regulations usually require these activities to be undertaken in accordance with the following timetable:

- Produce the draft Statement of Accounts and present them for external audit by **31 May**;
- Make the draft accounts available for public inspection for a period of 30 working days, to include the first **10 working days** of **June**; and
- Publish final, audited, accounts by **31 July**.

However, in recognition of the significant pressure local authorities are under in responding to the COVID-19 pandemic, the Government indicated in March 2020 that it would extend the statutory deadlines for the 2019/20 financial year.

3.5 The Government initially indicated that it would extend the statutory deadlines as follows:

- The deadline for production of draft accounts was to be deferred from **31 May** to **30 June**;
- The period for public inspection of the accounts was to include the first **10 working days** of **July** (rather than the first 10 working days in **June**); and
- The deadline for publication of final, audited accounts, was to be deferred from **31 July** to **30 September**.

3.6 The Government subsequently resolved, in early April, to further extend the timetable, by deferring the date by which the draft accounts for 2019/20 must be produced to **31 August**, and the deadline for publication of final, audited accounts to **30 November**. The Government also confirmed that authorities could choose when to commence their period for public inspection of their accounts.

3.7 Alongside the Government's review of the statutory timetable for production and publication of the Accounts for 2019/20, CIPFA sought to update the 2019/20 Accounting Code in order to further ease the burden on local authorities as they respond to the COVID-19 pandemic. CIPFA's intention was to enable local authorities to produce a radically simplified version of their annual accounts for the 2019/20 financial year.

3.8 Unfortunately, the simplification proposed by CIPFA was not acceptable to regulators and auditors. Therefore, CIPFA confirmed, in early April, that local authorities would be required to prepare a full set of Accounts for the 2019/20 financial year.

- 3.9 Whilst the government and CIPFA proposals were motivated by a desire to ease the reporting burden on local authorities for the 2019/20 financial year, they also created uncertainty during the period when closure of accounts activity would usually be well underway.
- 3.10 Consequently, we quickly decided to aim to produce a full set of draft accounts for 2019/20 by **30 June**. This decision was not made lightly but recognised the need to draw a line under the 2019/20 financial year as soon as practically possible, so that finance staff could focus on financial management and financial planning activity intended to enable the Council to plan its financial recovery.
- 3.11 In line with this aspiration, the Executive Director for Finance and Technology Certified the draft (unaudited) Statement of Accounts for 2019/20 on **30 June**; and presented the draft accounts to the external auditor and commenced the 30 day period for the exercise of public rights on **1 July**. The draft Statement of Accounts is appended for review by the Committee.
- 3.12 The external auditor plans to report the results of the audit work to the Committee on **28 September 2020**, at which stage the Committee will be asked to approve the Statement of Accounts for publication. The Committee will be required to consider the external auditor's findings before authorising the accounts for issue.

4. Annual Governance Statement

- 4.1 The Regulations that apply to the Statement of Accounts also include a requirement to publish an Annual Governance Statement.
- 4.2 The regulations require authorities to carry out a review of the effectiveness of their systems of internal control to provide assurance that the Authority has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.
- 4.3 Part of the way we achieve this is by a Code of Corporate Governance which refers to a range of documents, policies and procedures that underpin our aim of achieving good governance. In this context 'governance' means the systems, processes, culture and values by which we direct and control our business.
- 4.4 ECC has committed to a set of seven core principles, developed by the Chartered Institute of Public Finance and Accountability (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their paper Delivering Good Governance in Local Government: Framework 2016. The contents of our Code of Corporate Governance meet the requirements of those seven key principles and key documents can be found on our website.
- 4.5 The draft Annual Governance Statement, which is published with the Statement of Accounts, is appended and the Committee are asked to give any comments they may have.

- 4.6 The Statement will be updated to reflect any changes requested or required by the Committee and to reflect any significant developments.
- 4.7 The Audit, Governance and Standards Committee will be asked to approve the final statement at the same meeting as it considers the Council's Statement of Accounts on **28 September 2020**.

5. Policy context and Outcomes Framework

- 5.1 The Statement of Accounts for 2019/20 summarises the financial performance and financial position for the Council for the year ending 31st March 2020. As such, the Accounts provide a financial representation of activities during 2019/20 against the Organisation Strategy.

6. Financial Implications

- 6.1 There are no specific financial implications associated with this report.

7. Legal Implications

- 7.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as currently amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The Council is also required to produce an annual governance statement.

8. Staffing and other resource implications

- 8.1 There are no staffing implications associated with this report.

9. List of appendices

- 9.1 **Appendix A** – Draft Statement of Accounts for 2019/20 (including the Annual Governance Statement)

10. List of Background Papers

- 10.1 None

Essex County Council Statement of Accounts 2019/20



**Draft for Audit, Governance and
Standards Committee
6 July 2020**



Essex County Council

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Narrative Report 2019/20

Narrative Report

The purpose of the Narrative Report is to provide information on the Council, its main objectives and strategies and the principal risks it faces. The content of the Narrative Report is as follows:

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Narrative Report

Introduction

About Essex County Council

Essex County Council (ECC) is one of the largest of the **26** county councils in England, covering an area of around **346,000** hectares, with a population of about **1.5m** people and comprising **70** electoral divisions. The Council forms the upper tier of local government within Essex (excluding Southend and Thurrock).

Our Services

The following core services are provided by the Council:

- **Children and Families** *(including the safeguarding of children; looked after children; services to vulnerable children and young people; and their families and adoption and fostering services);*
- **Customer, Communities, Culture and Corporate** *(including libraries and community hubs; registration services; coroner services; information governance; heritage, culture and the arts, tourism, community engagement; and community resilience).*
- **Economic Development** *(including enterprise and inward investment; tourism; employability and skills; strategic spatial planning; and minerals and waste planning).*
- **Education and Skills** *(including mainstream schools and education; early years and pre-school; special schools and special educational needs provision; school improvement; raising the participation age; youth services and careers advice; and school crossing patrols).*
- **Environment and Climate Change Action** *(including waste minimisation, disposal and recycling; built and historic environment; country parks and green spaces; flood management; and rural affairs).*
- **Health and Adult Social Care** *(including the support of and assistance to people with learning or physical disabilities or sensory impairment and older people and the homeless; public health; mental health services; child health related matters; and drug and alcohol action).*
- **Infrastructure** *(including transport strategy; infrastructure commissioning and delivery; maintenance of highways, public rights of way and structures; street lighting; traffic regulation and road safety; parking; cycling; and public rights of way).*
- **Finance, Property and Housing** *(including financial administration and management, comprising preparation and management of the revenue and capital budgets; treasury management; procurement; insurance; commercial investments; traded services; and housing growth, strategy, development).*
- **Performance, Business Planning and Partnerships** *(including project and programme management; business intelligence; and strategic partnerships).*

These services are either provided directly by the Council or are commissioned from and delivered by other organisations. Most of these services are mandatory, meaning that the Council must provide them because it is under a statutory duty to do so.

Narrative Report

Our leadership and workforce

The decisions that affect the services we provide and the policies we adopt are made by our Councillors. There are **75** Councillors at Essex County Council, who are elected in local elections based on their political affiliations, to represent **70** areas known as divisions. The last local election was on **4th May 2017**; our current Councillors are serving for a four-year term, effective from this date.

Full Council is a meeting of all **75** council members, and it is at these meetings that councillors decide the overall policies of the County Council and set the Council's annual revenue budget and capital programme. The full Council is also responsible for electing a **Leader** of the Council.

The current **Leader** is Councillor David Finch. The Leader is responsible for the strategic direction, policies and priorities of the Council, including the overall corporate revenue and capital budget strategy. The Leader is also responsible for appointing nine other Councillors to form a **Cabinet**. The Councillors who make up the Cabinet provide collective and individual leadership, undertake lead responsibility for allocated portfolios and contribute towards the strategic direction of the Council. One of the nine Cabinet Members appointed by the Leader fulfils the role of **Deputy Leader**. The current **Deputy Leader** is Councillor Kevin Bentley.

Overview and scrutiny committees hold our Cabinet to account for the decisions made on behalf of the Council.

Senior officers, led by our **Chief Executive** Gavin Jones (our Head of Paid Services) and our Executive Directors, are responsible for:

- Advising Councillors on policy;
- Implementing Councillors' decisions; and
- Service performance.

Together, these officers form our **Corporate Leadership Team**.

Our workforce is aligned to our Corporate Leadership Team.

Overall, our workforce comprises **11,862** 'full time equivalent' employees. Of this total, **6,159** are employed within our locally maintained schools. Our non-schools' workforce therefore comprises **5,703** 'full time equivalent' employees as at 31 March 2020.

2018/19	Workforce numbers (full time equivalents)	2019/20
976	Adult Social Care	996
1,273	Children and Families	1,312
1,408	Corporate and Customer Services	1,311
555	Education	529
510	Finance and Technology	494
857	Place and Public Health	923
125	Organisation Development and People	138
5,704	Sub total - non schools	5,703
6,483	Schools	6,159
12,187	Total	11,862

Narrative Report

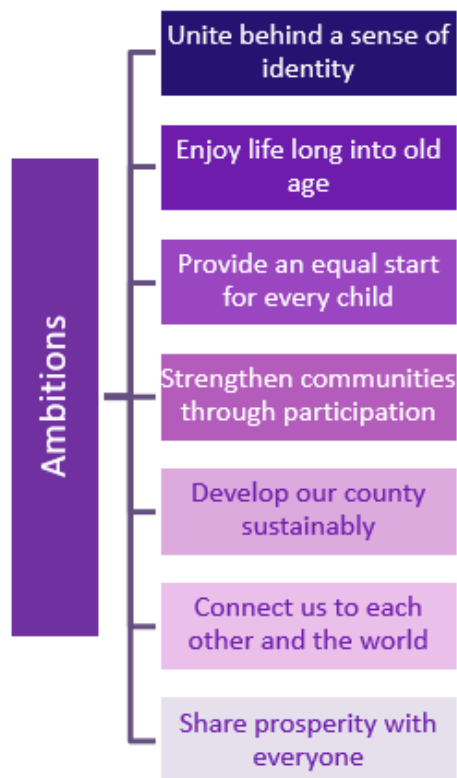
Vision for Essex

The [Future of Essex](#) is a single, shared vision for Essex that has been created by working together with our partners across Essex – residents, businesses, the voluntary sector, schools, universities and other public service partners.

It is a long-term statement of ambition and aspiration for Essex:

- A statement of values and beliefs that represent Essex's identity and spirit.
- A statement of priorities for Essex that we can aspire to achieve together.
- An expression of shared pride in and ambition for our county bringing together public services, businesses and residents.
- A declaration of ambitions and aspirations for our shared future.
- A narrative to define and promote our county externally.

The [Future of Essex](#) is not an Essex County Council document, but the agreed ambitions (as shown in the adjacent diagram) have informed the Council's organisational strategy.



Organisation Strategy

Strategic aims

The Council's [Organisation Strategy](#) sets out our areas of focus over the four year period 2017-21. It articulates how we will achieve better outcomes for Essex, and secure the ambitions set out in the [Vision for Essex](#).

Our overarching ambition is for Essex to be the best local authority in the country – because that is what the people of Essex deserve. This ambition translates into four strategic aims (as summarised in the adjacent diagram).



Information on our performance against these priorities is provided in the Essex Annual Report for 2019/20 which is available on the Council's website.

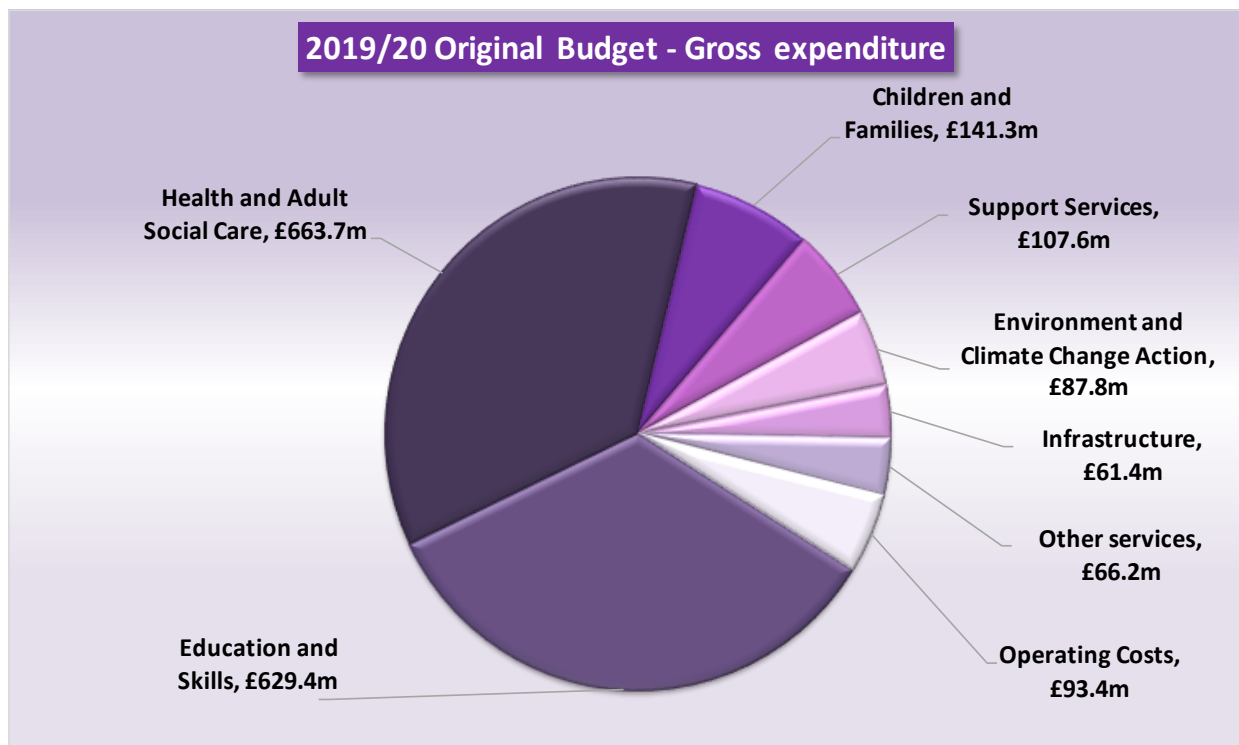
Narrative Report

Revenue spending

Revenue spending plans for 2019/20

Our budget for the provision of services in 2019/20 was set against a backdrop of considerable financial challenge, due to the Government's on-going austerity programme of national reductions in public sector spending, compounded by inflationary pressures and an increasing demand for our services.

In total, we planned to spend some **£1,850.8m** (gross) on commissioning services this year. This spending plan was aligned to the Council's Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet.



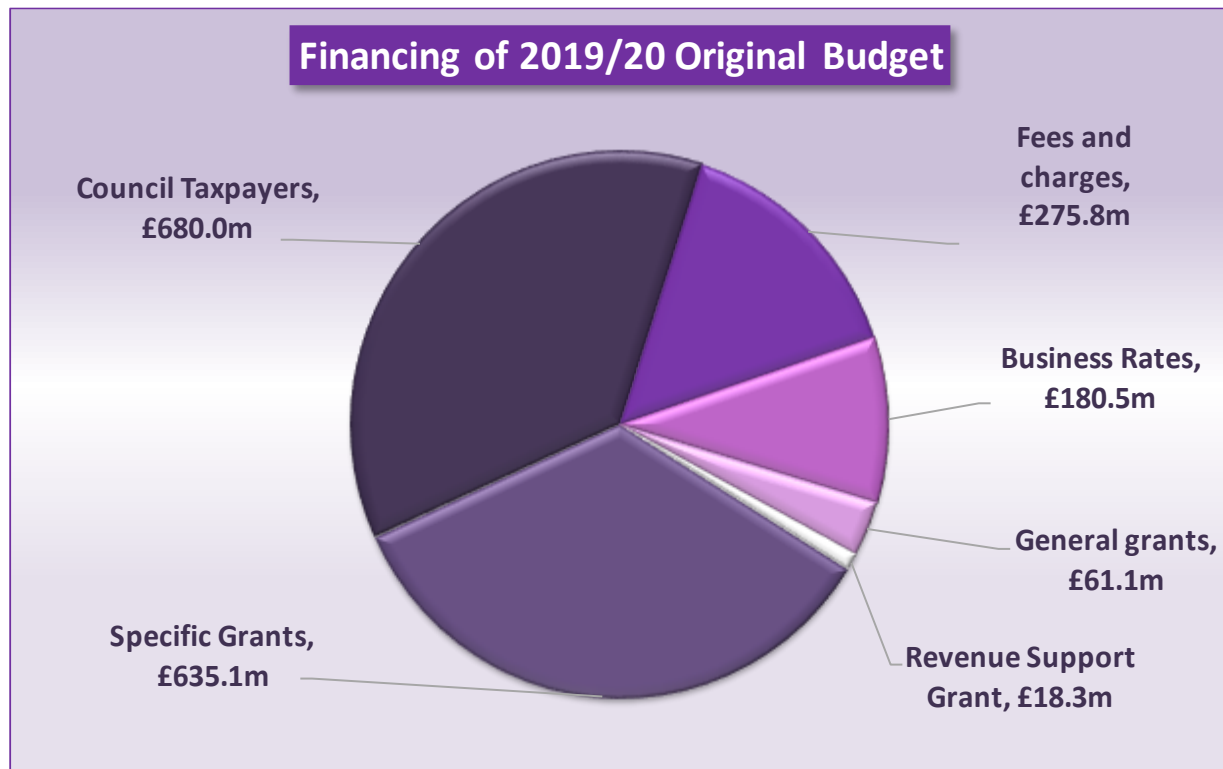
We intended to finance **£972m** of our spending from income from fees and charges (**£275.8m**) and from specific (**£635.1m**) and general (**£61.1m**) government grants.

The net budget, after allowing for specific and general government grants and income from fees and charges, originally amounted to **£878.8m**.

The net budget was financed from:

- Revenue Support Grant (**£18.3m**);
- Business rates (*including business rates 'top up' grant*) (**£180.5m**); and
- Local taxpayers (**£680.0m**).

Narrative Report



The Council Tax for a band D property was set at **£1,270.44** (compared with £1,221.75 in 2018/19), which equated to an increase of under **94p** per household per week.

The Council levied the Government's social care precept of **1%** in 2019/20, which must be spent on the provision of adult social care; this is included in the Council Tax figure of **£1,270.44**.

Year-end position

The Cabinet monitored actual spending against the approved budget throughout the year and reviewed the overall position on a quarterly basis.

Through careful financial planning and appropriate management action, the Council delivered a moderate under spend of **£6.3m (0.7%)**, of which **£1.8m** arose following an actuarial valuation of the Council's insurance liabilities. This position was delivered against a backdrop of financial pressures on residential and supported living placement costs in Children's Social Care and increasing demand for home to school transport.

Narrative Report

Actual net expenditure compared with the final approved budget for the Cabinet Members' portfolios is shown below, together with the planned and actual financing of that expenditure:

	Budget		Actual net expenditure £000	Over / (under) spend against final estimate £000
	Original £000	Final Estimate £000		
Children and Families	122,734	120,499	122,909	2,410
Customer, Communities, Culture and Corporate	18,546	16,885	16,571	(314)
Economic Development	6,641	7,025	6,146	(879)
Education and Skills				
Dedicated Schools Budget	(3,063)	(2,932)	451	3,383
Non Dedicated Schools Budget	78,276	80,303	89,140	8,837
Environment and Climate Change Action	80,642	79,553	80,946	1,393
Health and Adult Social Care	407,398	416,906	407,305	(9,601)
Infrastructure	42,818	50,247	48,058	(2,189)
Performance, Business Planning and Partnerships	1,940	2,187	1,740	(447)
Leader	6,152	6,609	5,860	(749)
Finance, Property and Housing	15,226	16,553	16,110	(443)
Recharged strategic support services	81,932	96,890	89,487	(7,403)
Net expenditure by Portfolios	859,242	890,725	884,723	(6,002)
Other operating costs				
Emergency Contingency	4,000	-	-	-
Interest, capital financing and dividends	54,001	46,799	43,337	(3,462)
Appropriations to / (from) earmarked reserves and restricted funds:				
Proposed appropriations	22,693	37,399	39,041	1,642
Underlying under spend	-	-	6,308	6,308
Total net expenditure	939,936	974,923	973,409	(1,514)
General government grants (excl. RSG)	(61,140)	(98,623)	(97,112)	1,511
General Balance - contribution / (withdrawal)	-	(171)	(171)	-
Net Total	878,796	876,129	876,126	(3)
Financed by				
Revenue Support Grant (RSG)	(18,300)	(18,300)	(18,300)	-
Business rates (incl. business rates top up grant)	(180,463)	(177,797)	(177,794)	3
Council taxpayers	(680,033)	(680,032)	(680,032)	-
Total Financing	(878,796)	(876,129)	(876,126)	3

The net under spend of **£6.3m** reflects:

- A net under spend by services of **£6.0m**. This mainly related to **Adult Social Care**, following a review of day care packages and direct payments, **Infrastructure**, following recovery measures to address a previously forecast overspend, and from a one-off saving following an actuarial assessment of the Council's **self-insurance** arrangements.
- A net under spend of **£3.4m** on interest, capital financing and dividends. This arose as a consequence of having higher cash balances throughout the year – that is, we were able to earn more income from investing these balances and were also able to defer external borrowing for capital financing purposes until the end of the financial year.

Narrative Report

- Lower than expected general government grants of **£1.5m**, due to a reduction in PFI funding payments (**£2.6m**), partly offset by additional levy account surplus and other general government grants, and lower than expected business rates income.
- Additional appropriations of **£1.6m** (net) into earmarked revenue reserves, including **£7.6m** into the Carry Forwards reserve, representing unspent budget that will be used to support service expenditure in 2020/21, and **£6.0m** from the PFI reserves, following a decision to terminate the Tendring Public Private Partnership (PPP) contract (see page 83 for further details).

The net under spend of **£6.3m** was appropriated into earmarked revenue reserves, as follows:

- **£2.9m** of the under spend was appropriated into a new COVID-19 Recovery Reserve, to support COVID-19 recovery activity;
- **£2.0m** was appropriated into the Health and Safety Reserve;
- **£900,000** was appropriated into a new Social Distancing and Hygiene reserve to support new burdens on the Council to manage social distancing requirements; and
- **£500,000** was appropriated into a new Bursary reserve to fund bursaries for trainee carers.

Although the Coronavirus outbreak happened during 2019/20, it did not materially impact upon the Council's financial performance for 2019/20, because the outbreak happened close to year end. The impact has been felt more acutely from April 2020. Further details are provided on page 13.

Revenue spending plans for 2020/21 and beyond

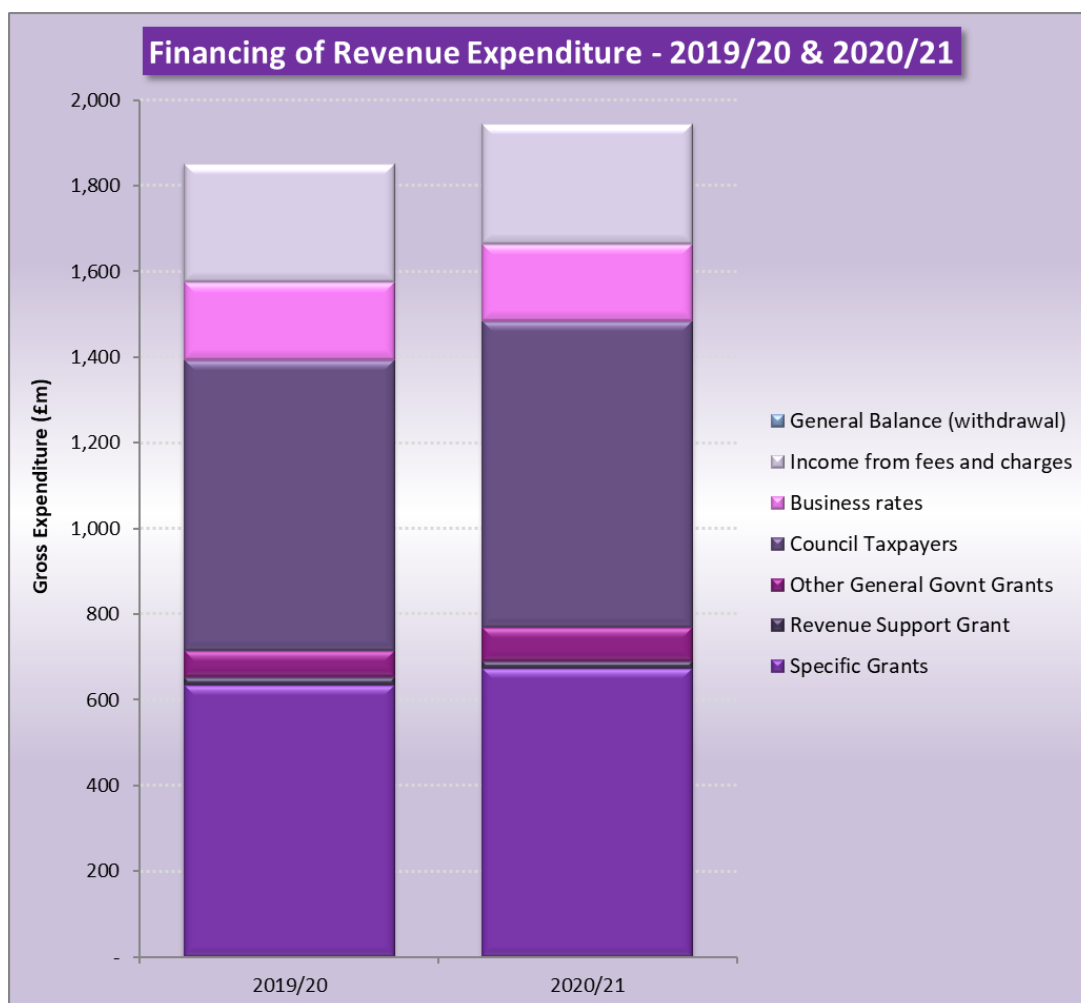
The 2020/21 budget was approved by the Council in February 2020 and was underpinned by a financial strategy to ensure the financial sustainability of the Council and to deliver essential services to residents, whilst keeping council tax as low as possible.

The gross budget amounted to **£1,943.9m**. After taking income and specific grants into account, total net expenditure amounted to **£992.7m**, which is **£52.8m** or **6%** more than in 2019/20.

The Council implemented a **1.99%** increase in core council tax in 2020/21 (in addition to a **2%** social care precept).

The Council Tax for a band D property is **£1,321.11** (compared with **£1,270.44** in 2019/20); this is an increase of **£0.97** per household per week.

Narrative Report



When we set the budget for 2020/21, we were forecasting a budget gap of **£14m** in 2021/22, rising to **£71m** in 2023/24. The most significant driver of these gaps was **inflation**, which accounted for **£78m**, followed by **demographic growth** of **£17m**, then **new burdens** and **other** cost pressures of **£10m**, partly offset by one off investments of **£34m**. Regarding funding, our medium-term strategy assumed the continuation of Revenue Support Grant at the 2020/21 level of **£19m**, and the continuation of the new social care grants. However, the funding position beyond 2020/21 was not clear.

Some progress had been made towards balancing the budget over the medium term. Savings of **£20m** in 2021/22 and a further **£14m** in both 2022/23 and 2023/24 had been identified and were included in the forecast budget gaps. We do not yet have the clarity as to the funding support available from Government and cannot yet know what the impact of employment will be for our tax revenues. Until we receive this clarity, we cannot predict with certainty what the gap will be for future years.

Work will continue during 2020/21 to identify proposals to close the funding gap beyond the next year. Whilst we were fully cognisant of the challenges faced, including the funding uncertainty, the outlook has recently become even more challenging, following the outbreak of the coronavirus. We are nevertheless determined to continue to transform how we operation to tackle this enormous task and

Narrative Report

we are committed to delivery of savings and generating the income required to reach a balanced budget position, but also to deliver better services for residents.

Further details of the Council's revenue investment plans are included in the [Essex County Council Organisation Plan 2020/21](#), which is available on the Council's website.

COVID-19 pandemic

The COVID outbreak spread to the UK in late January 2020. On 11 March, the outbreak was declared a pandemic. On 20 March, the government shut all schools, restaurants, pubs, indoor entertainment venues and leisure centres, with some exceptions. On 23 March, the government imposed a lockdown on the whole population, banning all non-essential travel and contact with people outside one's home, and shutting almost all businesses, venues, facilities, amenities and places of worship. People were told to socially distance when in public.

The Council had to respond quickly.

Throughout the pandemic, the frail and elderly have been the most vulnerable, meaning that the health and care sectors have been significantly impacted. However, other Council services have been impacted too, including facilities such as libraries, country parks and recycling centres which all had to close.

The Council undertook significant and urgent work across the County to:

- Ensure the safety and wellbeing of people in Essex and our most vulnerable residents.
- Support providers suffering financial hardship as a result of COVID-19.
- Support providers within the social care market to remain sustainable, at a time when they may be under significant pressure, in order to ensure that care staff can continue to work.
- Maintain statutory duties.

To date, the costs of the decisions taken by the Council for responding to the pandemic have been estimated at **£59m**. Most of these decisions relate to social care provision, but also include compensation for losses of income and the management of additional body storage facilities.

There are also future cost pressures (*including arising from Operation Shield, additional children's social care provision and anticipated non-delivery of savings where the capacity to deliver the savings has been redirected to focus on the pandemic*) and losses of income (*notably from closed services*). The risk of non-delivery of savings is heightened in Adult Social Care, which has ambitious savings programmes that will need to be reappraised considering the pandemic response. These pressures are estimated at **£30m**, bring the total cost of the Council's response to the pandemic to **£89m** so far.

The Council has received emergency funding from the Government of **£64m** (**£37m** of which was received in 2019/20) and it is anticipating **£12m** via the Clinical Commissioning Groups. This will take funding to **£76m**, leaving a committed shortfall of **£14m**.

Narrative Report

In addition, there remain some significant financial risks that require focus in the short and medium term to safeguard the Council's financial sustainability, notably:

- Tax revenues are at considerable risk, particularly Council Tax, as a result of COVID-19.
- The Council could face increased pressure in relation to Adults and Children's Social Care, including increased demand for mental health services and acuity of need for those who have delayed their referral to social care.
- Personal protective equipment (PPE) supplies will present additional future costs, not only for the care market, but for all Council staff employed in front line roles.
- The viability of developers and other contractors could impact on the Council's ability to deliver its capital programme.
- Future waves of the pandemic could increase demand again.

We currently estimate that our exposure to these risks could equate to further cost pressures of **£128m**. However, Government has yet to clarify its funding approach beyond their emergency funding, so it is difficult to forecast with accuracy what the real underlying position is. The position, risks and opportunities are being continually and closely monitored.

Capital investment

Background to the 2019/20 Capital Programme

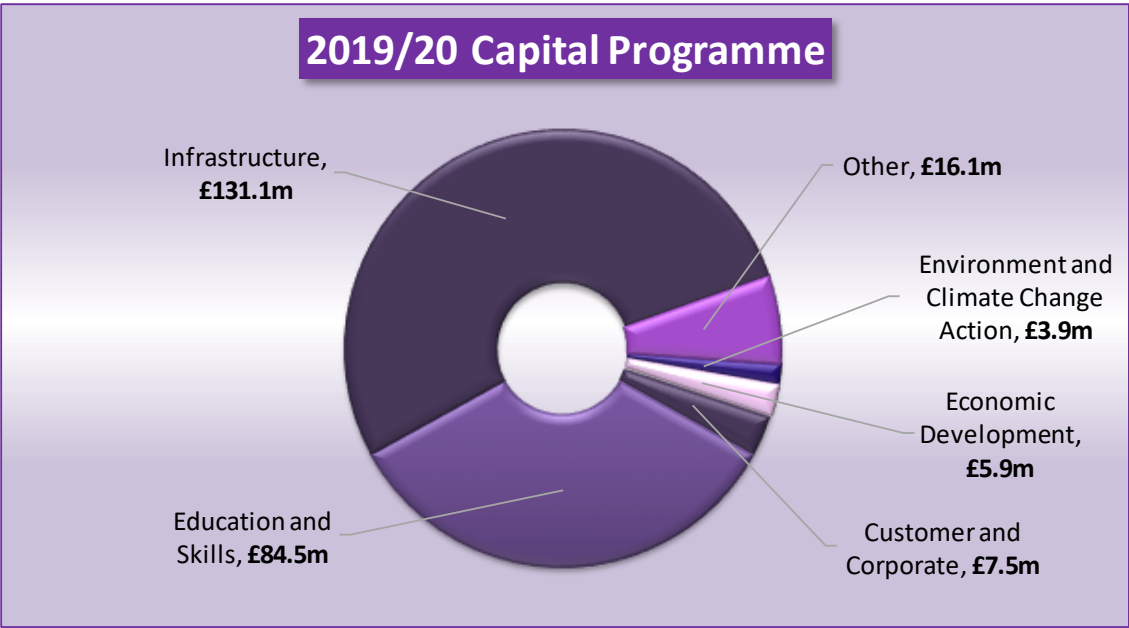
Capital investment is essential to transform our capacity to meet future needs, generate additional income and deliver revenue savings. Our approach to setting the Capital Investment Programme for 2019/20 was to maximise and make the best use of the available funding to deliver projects that represent the key priorities of the Council and enable us to respond to residents' needs.

Overall, the Capital Programme for 2019/20 was originally set at **£249m** and comprised a diverse portfolio of activity, with elements that generate income and growth, drive savings and ensure the quality of infrastructure, for the benefit of Essex residents:

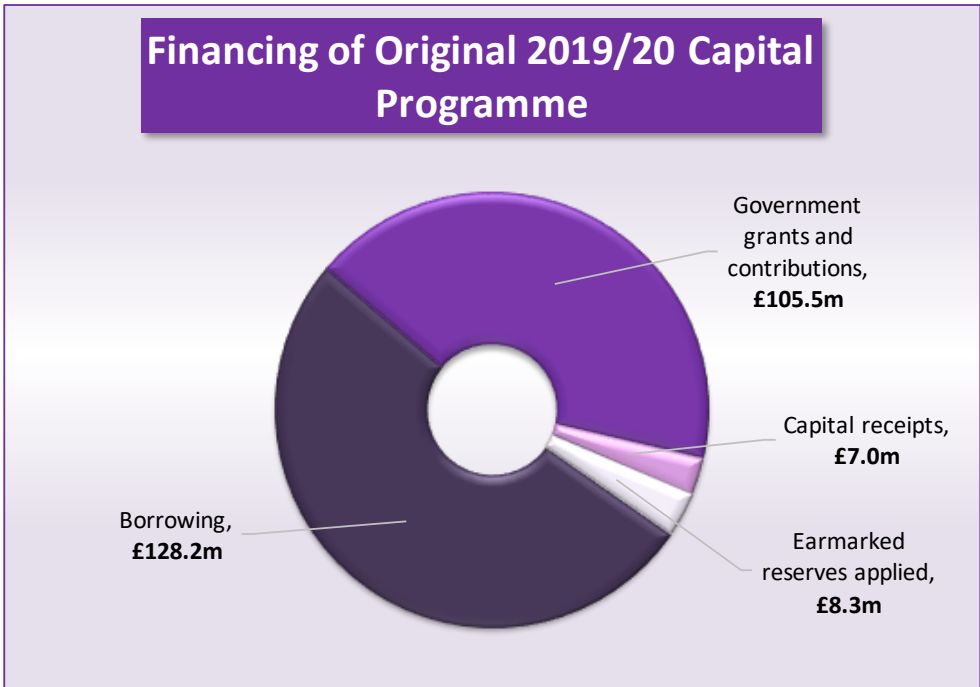
- **Invest to Grow (£144m)** – including economic growth schemes in infrastructure and highways, and the creation of new school places to meet additional demand from demographic changes and new housing developments and enhancing skills in key growth areas;
- **Invest to maintain (£83m)** – projects intended to maintain but extend the life of our assets, including highways maintenance schemes countywide; and
- **Invest to save / generate return (£22m)** – schemes that generate a return or saving, including accommodation for older people and people with disabilities, LED street lighting and the Essex Housing Programme.

The Programme was aligned to the Council's Cabinet Members, according to their specific responsibilities for discharging the functions for the Cabinet.

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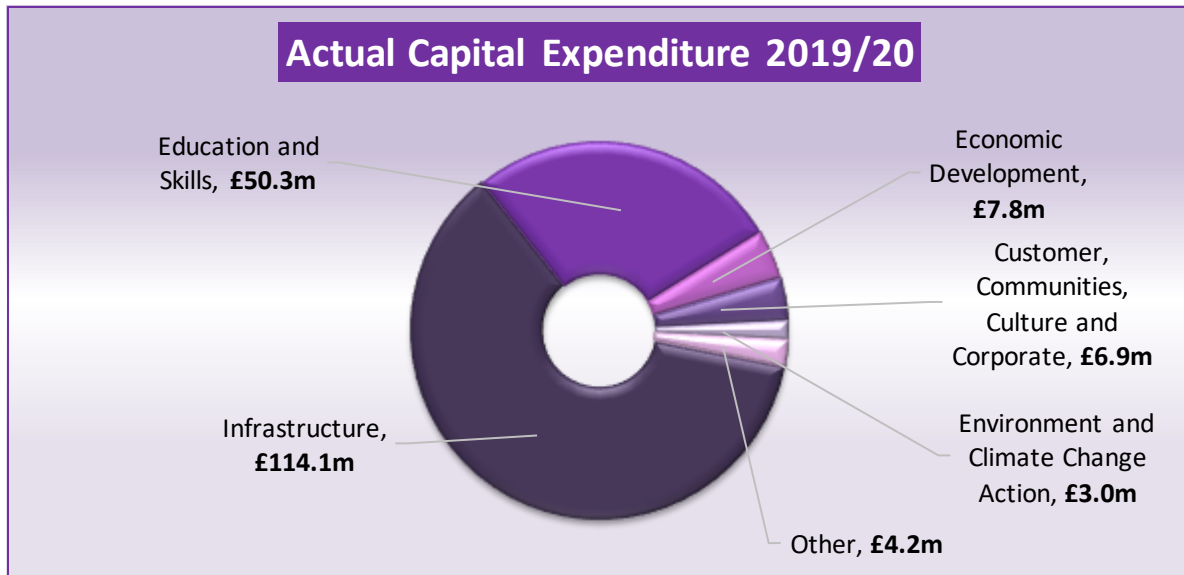
It was intended to finance the 2019/20 Capital Programme from a combination of borrowing (£128.2m) and from grants, contributions, capital receipts and reserves (£120.8m).



Narrative Report

2019/20 Outturn position

The final approved capital payments budget amounted to **£210m**. In comparison, actual expenditure amounted to **£186.3m**. This was **£23.7m (7%)** lower than budgeted.



During 2019/20, around **400** schemes were undertaken, including:

- Creating **3,500** new school places through school expansions, including two new secondary schools (Beaulieu Park School and the Paxman Academy which created **1,200** and **900** school places respectively).
- Construction of the Moulsham Lodge housing development, comprising of **26** residential units, of which **8** will enable adults with disabilities to live independently.
- A flood programme, which has contributed towards projects that have enabled **196** residential properties to benefit from reduced surface water flood risk.
- Broadband extension programmes, which have seen **138,099** premises being upgraded to superfast speeds using public funds.

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The end of year position is set out in the following table:

	Original approved expenditure	Final approved expenditure	Actual Capital Payments	Variance from approved expenditure over / (under)
	£000	£000	£000	£000
Capital payments				
Children and Families	900	571	400	(171)
Customer, Communities, Culture and Corporate	7,500	8,053	6,854	(1,199)
Economic Development	5,847	9,506	7,822	(1,684)
Education and Skills	84,538	63,805	50,334	(13,471)
Environment and Climate Change Action	3,850	4,101	3,000	(1,101)
Finance, Property and Housing	14,765	3,869	3,137	(732)
Health and Adult Social Care	421	664	654	(10)
Infrastructure	131,146	119,483	114,105	(5,378)
Total of capital payments financed	248,967	210,052	186,306	(23,746)
Financed by				
Borrowing	(128,237)	(88,278)	(56,393)	31,885
Government grants and contributions	(105,462)	(103,852)	(111,978)	(8,126)
Capital receipts	(7,000)	(13,217)	(17,935)	(4,718)
Earmarked reserves applied	(8,268)	(4,705)	-	4,705
Total financing	(248,967)	(210,052)	(186,306)	23,746

During 2019/20, we disposed of some of our land and buildings – the sale proceeds will be used to partly fund our capital investment programme. The most significant asset disposals during 2019/20 were as follows:

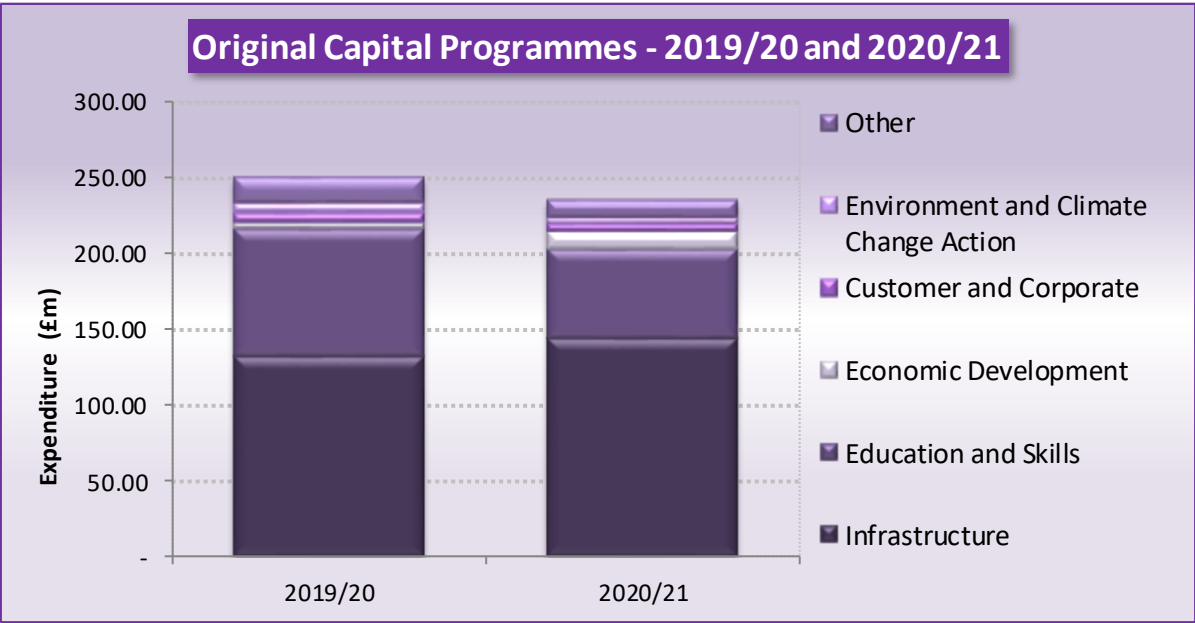
Significant disposals	Capital receipts (£m)
▪ EES for Schools	16.0
▪ Golday Gardens (Chelmsford)	3.2
▪ Rainsford Lodge Car Park (Chelmsford)	3.1
▪ New Bridge House (Chelmsford)	2.5
▪ Moulsham Lodge (Chelmsford)	1.6
▪ Broadfields Farm Cottage and Forest Visitor Centre (Upminster)	0.7
▪ Northlands Farm, Landon Hills (Basildon)	0.4
▪ Belstead Farm Lane (Chelmsford)	0.4
▪ Unit 5 Wild Close, Stephenson Road West (Tendring)	0.3

At 31 March 2020, we have **£2.4m** of properties held for sale, with sales expected to take place within the next twelve months, and a further **£52.3m** of surplus assets where disposal is anticipated but the timeframe for completion of the sales is less certain.

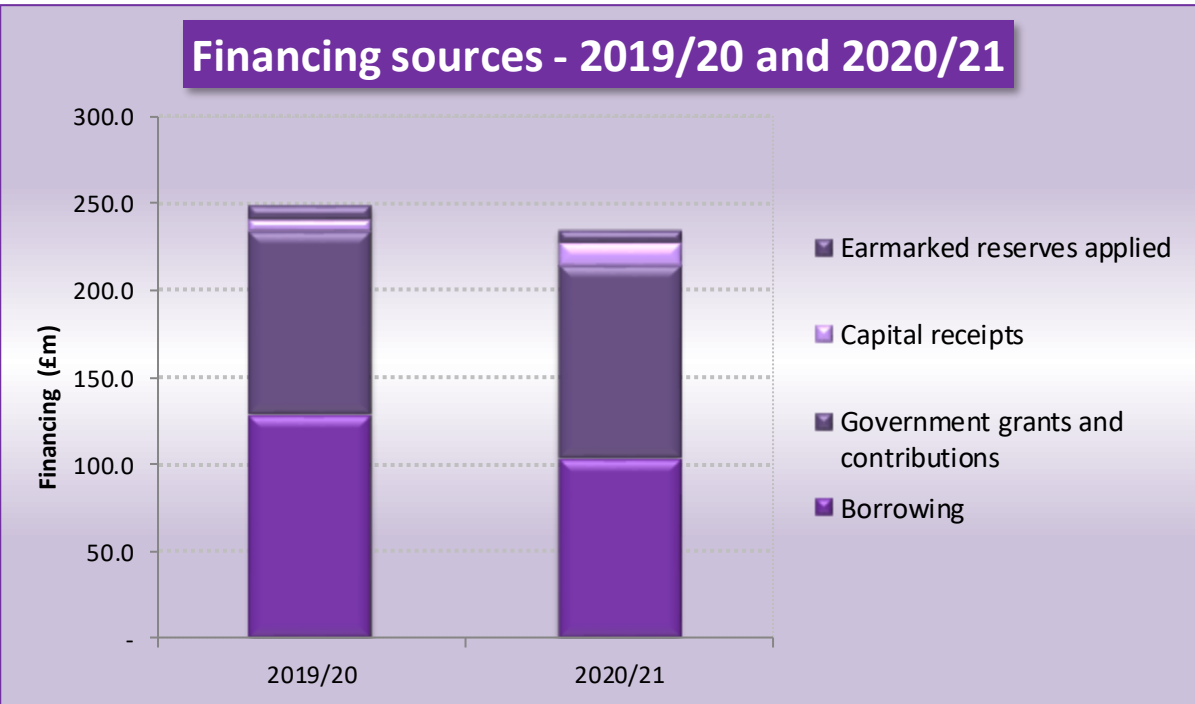
Narrative Report

Capital investment plans for 2020/21

Overall, the Capital Programme for 2020/21 has been set at **£234.8m**, which is only marginally lower than the programme originally set for 2019/20. Our longer-term capital programme aspirations remain significant too, as we recognise that investment is essential to meet future needs, generate additional income and deliver revenue savings and cost reductions.



The 2020/21 Capital Programme will be financed from a combination of borrowing (£102.6m) and from grants, contributions, capital receipts and reserves (£132.2m).



Narrative Report

We will continue to develop a future programme of investments which is affordable, within the financial envelope available and will help transform service delivery to improve the quality of life for residents. Our overall aim is to have a diverse portfolio of activity, ensuring the creation of new assets, whilst maintaining the quality of existing infrastructure, for the benefit of our residents and businesses.

Continued investment is vital to achieving the ambitions for the county which are aligned to the districts' local plans, from schemes to generate economic growth to reducing congestion. A notable achievement this year was securing Housing Infrastructure Funding to support this ambition, which will enable us to progress schemes such as Beaulieu Station and Chelmsford North East bypass.

We will also continue with a significant package of improvement works such as the M11 Junction 7A, M11 Junction 8 and A127 Junction at Fairglens Interchange and packages of transport improvements in Chelmsford.

The Council's collaboration with Essex Schools has seen an increase in special school places. This represents a step change in provision and will help to reduce the distances children with special educational needs and disabilities need to travel, keeping them closer to their families and reducing associated costs. This programme continues, with a further **£54m** being spent over the next four years. On top of this, we are spending **£168m** on mainstream education over the next four years too.

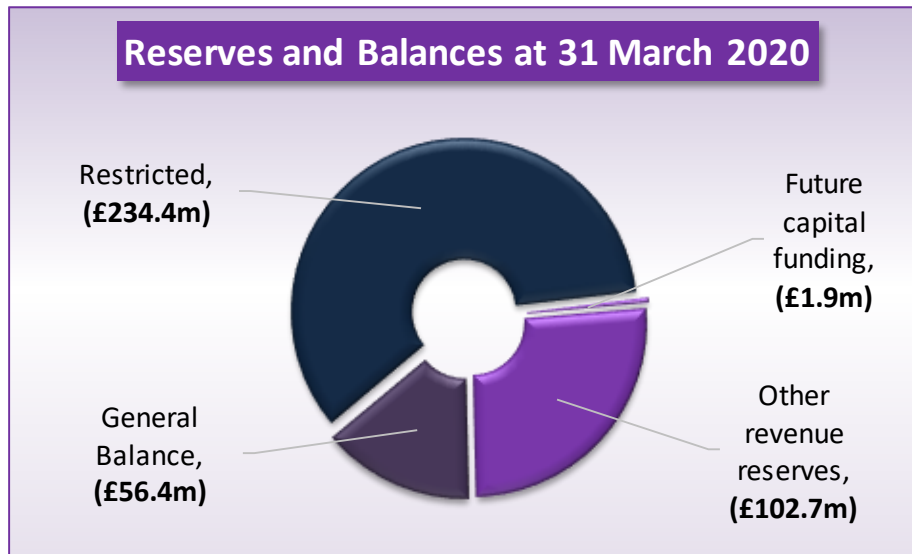
The Council will also deliver a range of schemes to enhance, maintain and deliver new assets; schemes such as superfast broadband.

Further details of the Council's capital investment plans are included in the [Essex County Council Organisation Plan 2020/21](#), which is available on the Council's website.

Narrative Report

Revenue Reserves and Balances

Our revenue reserves play an essential part in the financial strategy of the Council, by ensuring we have some resilience to cope with unpredictable financial pressures and long-term contractual commitments. The Council has built specific reserves to manage known financial liabilities and possible risks.



A substantial amount of the Council's reserves are 'restricted' in use (**£234.4m**). This means the funds are ring-fenced very specifically to long term contractual commitments such as Private Finance Initiative schemes, or they are funds held on behalf of others (including schools and partnerships) and are not available to support spending by the Council. These reserves are important in terms of risk management, as they have the potential to alleviate pressure on remaining reserves. However, they should not be considered available to support more general pressures facing the Council.

A further **£102.7m** of our reserves provide a cushion against the significant risks the Council faces and a source of funding to change the way the Council provides services and achieves future efficiencies. A further **£1.9m** has been earmarked for funding future capital investment.

The remainder (**£56.4m**) is the General Balance, which is not ring-fenced and provides a working balance to protect the Council against unexpected cost pressures. This is particularly critical during volatile economic times. With further major funding reductions expected in the year to 2020/21, coupled with economic uncertainty and increasing demand for services, this will remain under close review. The current balance is enough to fund **21** days of operational expenditure.

The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

Further details on the reserves held by the Council are provided within the Statement of Accounts (see page 67).

Narrative Report

Cash Flow management

The Council primarily undertakes external borrowing to manage the cash flow implications of incurring capital expenditure that it does not immediately fund from cash resources, and to manage fluctuations in its cash flows more generally too. Separately, the Council has cash resources, which it has set aside for longer term purposes (such as funds set aside in reserves and balances) and working capital balances, that can either be invested or temporarily utilised to defer the need for external borrowing.

Some short-term loans were secured during 2019/20, primarily in accordance with the Council's agreement to temporarily borrow the surplus cash balances of Essex Cares Ltd (which is a wholly owned subsidiary of the Council). In addition, longer term loans were secured during the year from the Public Works Loan Board (£105m) and Salix Finance Ltd (£0.6m) as part of its energy efficiency loans programme (related to upgrade to LED street lighting).

Any cash balances the Council held during 2019/20 were invested until they were required to meet outgoings. This meant that funds were mainly invested for periods of less than 1 year, but some funds were invested for longer periods. Funds were invested with other local authorities, money market funds and bodies with high credit ratings. Further details are provided in the Statement of Accounts (see page 86).

The Council also lent funds to Essex Cares Ltd, as part of its agreement to provide treasury management support to the company.

Statement of Accounts

The Council is required by statute to prepare a Statement of Accounts in accordance with proper practices in relation to accounts, defined to include the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (i.e. the 'Code of Practice'). The Statement of Accounts for 2019/20 is presented within this publication, commencing on page 24.

The key aim of the Statement of Accounts is to provide a 'true and fair' view of the Council's financial position at 31 March 2020 and of its income and expenditure for the 2019/20 financial year. The Statement of Accounts is therefore an essential feature of public accountability, reporting on the Council's use of funds raised from the public and provided by central government and confirming the availability of balances and reserves for future use.

The primary Financial Statements (shown on pages 30 to 35) summarise the financial effects of transactions and events that occurred during 2019/20. All other information included within the Statement of Accounts is intended to aid interpretation of the financial statements and/or to provide further information on the financial performance of the Council during 2019/20.

Narrative Report

The primary financial statements comprise:

- **Comprehensive Income and Expenditure Statement** – presents information on resources generated and consumed during the year, based on generally accepted accounting practice;
- **Movement in Reserves Statement** – presents the financial resources available to the Council to support future service delivery and cope with unexpected events;
- **Balance Sheet** – summarises the financial position of the Council at 31 March 2020 including the net assets it has available after settling its liabilities, and its reserves; and
- **Cash Flow Statement** – shows the changes in cash and cash equivalents during 2019/20.

Whilst the presentation of these financial statements is largely defined by the CIPFA Code of Practice and other proper practices, the service groupings in the Comprehensive Income and Expenditure Statement are those used by the Council for taking financial decisions and monitoring financial performance.

The accounting cost in the year of providing services (as presented in the Comprehensive Income and Expenditure Statement) differs from the amount to be funded from taxation. For this reason, the Expenditure and Funding Analysis (shown in Note 5 of the Statement of Accounts, on page 59) provides a reconciliation between the accounting cost of service provision and the amounts spent under the Council's rules for monitoring expenditure against the funding in the annual budget. The reasons for the differences between the two sets of figures are also explained in Note 5.

Accounting policies (see pages 38 to 53) explain how the financial effects of transactions and other events are reflected in the financial statements. The Council must make certain judgements about complex transactions or those involving uncertainty about future events when applying its accounting policies. Explanations are provided (see page 53) of the judgements made in 2019/20.

Other notes to the accounts (see pages 56 to 130) provide further information on the Council's financial performance and, where relevant, detailed analysis of the amounts provided in the primary financial statements. Information relating to transactions and events is included in these notes if it is material to the Council's financial statements. Information is considered material if omitting it or misstating it could influence decisions made based on the information presented.

Group accounts are presented in the Statement of Accounts in addition to the Council's own accounts. The Group accounts consolidate the Council's own accounts with those of Essex Cares Ltd (which is a company wholly owned by the Council). The Group Accounts therefore provide a full picture of the Council's economic activities and financial position.

Annual Governance Statement

Our Annual Governance Statement (which commences on page 204 of this publication) summarises the outcome of our review of the Governance Framework that has been in place during 2019/20. The

Narrative Report

statement demonstrates that we have in place effective arrangements for the governance of our organisation and that we are satisfied that we have a robust system of internal control, which is a critical component of our overall governance arrangements.

Conclusion

Through careful planning and management, Essex County Council has been able to close its 2019/20 accounts showing a robust position, which will support the Council in meeting the financial challenges of 2020/21 and beyond. Whilst a balanced budget has been set for 2020/21, the projections for future years currently indicate a gap between the Council's expected funding streams and the Council's expenditure. In addition, the Council faces significant cost pressures in relation to its response to the COVID-19 pandemic, and in relation to future cost pressures and losses of income. It is therefore essential that the Council continues with its Transformation and Efficiency programme to identify further savings opportunities to ensure future balanced budgets can be set.

Nicole Wood

Executive Director, Finance and Technology

30 June 2020

Statement of Accounts 2019/20

Statement of Accounts

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Statement of Accounts - Introduction

Financial Statements

The Council's financial statements for 2019/20 are set out on pages 30 to 35, and comprise:

- **Comprehensive Income and Expenditure Statement** – shows the accounting cost of providing services in the year;
- **Movement in Reserves Statement** – shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves;
- **Balance Sheet** – shows the value of assets and liabilities recognised by the Council; and
- **Cash Flow Statement** – shows changes in cash and cash equivalents during the year.

The financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local authority-maintained schools within the control of the Council.

Notes to the Accounts

Supplementary information is set out within the notes to the accounts (see pages 36 to 130) to provide further detail on the financial performance of the Council during 2019/20.

The notes to the accounts include the Council's accounting policies. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. All the accounting policies adopted, that are material in the context of the Council's 2019/20 financial statements, are described in the Statement of Accounting Policies. The Statement of Accounting Policies is set out in **Note 1** to the Accounts, which commences on page 38.

The notes to the accounts also include an **Expenditure and Funding Analysis** (see *Note 5, commencing on page 59*). The Expenditure and Funding Analysis provides a reconciliation between how annual expenditure is funded from resources and the accounting cost of providing services in the year.

Group Accounts

Group accounts are presented, in addition to the Council's single entity statements, to provide a full picture of the Council's economic activities and financial position. The Group Accounts comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

Statement of Accounts - Introduction

These statements, together with explanatory notes and accounting policies, are set out on page 131 to 145.

Pension Fund

The Essex Pension Fund provides pensions and other benefits to employees of the Council, city, district, borough and unitary councils and other scheduled and admitted bodies. An annual report and accounts are published for the Fund. However, the accounting statements of the Fund are also included within this Statement of Accounts.

The Essex Pension Fund accounts comprise:

- **Fund Account**

This statement summarises the financial transactions of the Pension Fund for the year.

- **Net Assets Statement**

This statement summarises the net assets relating to the provision of pensions and other benefits payable to former employees of the Council and other admitted bodies.

The Pension Fund accounts are set out on pages 146 to 197.

Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 198 to 203.

Statement of Accounts - Statement of Responsibilities

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 responsibility for the administration of those affairs. At Essex County Council, that officer is the **Executive Director, Finance and Technology**.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. The Council has delegated this responsibility to the **Audit, Governance and Standards Committee**.

Executive Director, Finance and Technology's responsibilities

The Executive Director, Finance and Technology is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out within the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'). In preparing this Statement of Accounts, the Executive Director, Finance and Technology has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with the Code of Practice.

The Executive Director, Finance and Technology has also:

- Kept proper, up to date, accounting records.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Executive Director, Finance and Technology's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2020 and its expenditure and income for the year then ended.

Nicole Wood

Executive Director, Finance and Technology

30 June 2020

Statement of Accounts - Statement of Responsibilities

Chairman of the Audit, Governance and Standards Committee's certificate

I confirm that this Statement of Accounts was considered and approved by the Audit, Governance and Standards Committee at its meeting on **28th September 2020**.

Cllr Anthony Hedley

Chairman of the Audit, Governance and Standards Committee

28 September 2020

Statement of Accounts - Financial Statements

Introduction

The financial statements comprise:

- **Comprehensive Income and Expenditure Statement**

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amount chargeable to council tax for the year.

The 'Net (increase) / decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council.

The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories:

- **Usable reserves** - those that 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 that the Council is not able to 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.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes, during the reporting period, in cash and cash equivalents of the Council, net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **Notes to the financial statements**

These present information about the basis of preparation of the financial statements and the specific accounting policies used. They also disclose information that is not presented within the financial statements but is relevant to an understanding of them.

The Expenditure and Funding Analysis, which is presented in Note 5 to the Accounts, provides a reconciliation between the accounting cost of providing services in accordance with generally accepted accounting practices (as presented in the Comprehensive Income and Expenditure Statement), and the amounts to be funded from taxation.

Comprehensive Income and Expenditure Statement

For year ended 31st March 2020

2018/19				Note		2019/20			
Gross expenditure	Government grants	Other income	Net Expenditure			Gross expenditure	Government grants	Other income	Net expenditure
£000	£000	£000	£000			£000	£000	£000	£000
142,942	(13,301)	(8,054)	121,587		Children and Families	154,969	(16,381)	(7,741)	130,847
31,259	(84)	(9,317)	21,858		Customer, Communities, Culture and Corporate	31,317	(182)	(9,498)	21,637
14,774	(2,208)	(876)	11,690		Economic Development	17,153	(1,940)	(1,010)	14,203
					Education and Skills				
553,013	(517,133)	(40,311)	(4,431)		Dedicated Schools Budget	547,362	(508,393)	(37,104)	1,865
216,178	(54,630)	(44,839)	116,709		Non Dedicated Schools Budget	271,473	(26,604)	(43,121)	201,748
99,740	(2,288)	(5,470)	91,982		Environment and Climate Change Action	91,700	(1,824)	(5,858)	84,018
21,308	(482)	(5,152)	15,674		Finance, Property and Housing	21,541	(425)	(4,348)	16,768
656,109	(105,732)	(143,355)	407,022		Health and Adult Social Care	668,330	(107,587)	(145,160)	415,583
98,961	(12,718)	(17,079)	69,164		Infrastructure	95,460	(4,895)	(17,420)	73,145
10,472	(1,417)	135	9,190		Leader	951	(43)	143	1,051
1,377	-	(81)	1,296		Performance, Business Planning and Partnerships	1,942	-	(128)	1,814
					Recharged Strategic Support Services				
74,406	-	-	74,406		Customer, Communities, Culture and Corporate	74,928	-	-	74,928
20,020	-	-	20,020		Finance, Property and Housing	19,270	-	-	19,270
2,222	-	-	2,222		Leader	2,384	-	-	2,384
8,516	-	-	8,516		Performance, Business Planning and Partnerships	8,836	-	-	8,836
1,951,297	(709,993)	(274,399)	966,905		Cost of services - continuing operations	2,007,616	(668,274)	(271,245)	1,068,097
218,596	-	-	218,596	9	Other Operating Expenditure	49,504	-	-	49,504
128,530	-	(60,282)	68,248	10	Financing and Investment Income and Expenditure	123,790	-	(59,042)	64,748
-	(303,737)	(685,461)	(989,198)	12	Taxation and Non-Specific Grant Income	-	(329,416)	(721,420)	(1,050,836)
2,298,423	(1,013,730)	(1,020,142)	264,551		Deficit on Provision of Services	2,180,910	(997,690)	(1,051,707)	131,513
			(91,993)	27.2	Surplus arising on revaluation of non-current assets				(83,918)
			(157,016)	27.6	Re-measurements of the net defined benefits pension liability				(160,849)
			(249,009)		Other Comprehensive Income and Expenditure				(244,767)
			15,542		Total Comprehensive Income and Expenditure				(113,254)

Note: The service groupings shown above reflect the alignment of spending to Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet during 2019/20; comparative figures for 2018/19 have been restated on a consistent basis.

Movement in Reserves Statement

For the years ended 31st March 2019 and 31st March 2020

	Notes	Usable Reserves					Total Unusable Reserves	Total Council Reserves
		Earmarked General Reserves	General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018		(284,997)	(55,212)	-	(2,557)	(342,766)	(850,499)	(1,193,265)
Restatement of opening balances								
Adjustment for credit loss allowances		-	2,812	-	-	2,812	-	2,812
Adjustment for modified loans		-	(1,238)	-	-	(1,238)	-	(1,238)
Adjusted Balance at 1 April 2018		(284,997)	(53,638)	-	(2,557)	(341,192)	(850,499)	(1,191,691)
Movement in Reserves during 2018/19								
Total Comprehensive Income and Expenditure		-	264,551	-	-	264,551	(249,009)	15,542
Adjustments between accounting basis and funding under regulations	7	-	(277,404)	-	(1,663)	(279,067)	279,067	-
Net (increase)/decrease before transfers to earmarked reserves		-	(12,853)	-	(1,663)	(14,516)	30,058	15,542
Transfers to Earmarked Reserves	8	(9,881)	9,881	-	-	-	-	-
(Increase) / decrease in 2018/19		(9,881)	(2,972)	-	(1,663)	(14,516)	30,058	15,542
Balance at 31 March 2019		(294,878)	(56,610)	-	(4,220)	(355,708)	(820,441)	(1,176,149)
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure		-	131,513	-	-	131,513	(244,767)	(113,254)
Adjustments between accounting basis and funding under regulations	7	-	(175,481)	(9,581)	2,962	(182,100)	182,100	-
Net (increase)/decrease before transfers to earmarked reserves		-	(43,968)	(9,581)	2,962	(50,587)	(62,667)	(113,254)
Transfers to Earmarked Reserves	8	(44,139)	44,139	-	-	-	-	-
(Increase) / decrease in 2019/20		(44,139)	171	(9,581)	2,962	(50,587)	(62,667)	(113,254)
Balance at 31 March 2020		(339,017)	(56,439)	(9,581)	(1,258)	(406,295)	(883,108)	(1,289,403)

Statement of Accounts - Financial Statements

Balance Sheet as at 31st March 2020

31 March 2019	Note		31 March 2020
£000			£000
		Property, Plant and Equipment	
		Operational assets	
1,407,668		Land and buildings	1,398,104
11,030		Vehicles, plant and equipment	9,644
1,141,369		Infrastructure	1,180,934
3,130		Community assets	3,275
		Non operational assets	
168,935		Assets under construction	137,519
55,124		Surplus assets held pending disposal	52,338
2,787,256	15	Total Property, Plant and Equipment	2,781,814
14,572	15	Heritage assets	14,667
38,337	15	Investment property	39,181
7,329	15	Intangible assets	8,582
13,115	19	Long term investments	12,705
17,389	21	Long term debtors	15,942
2,877,998		Long term assets	2,872,891
90,209	19	Short term investments	115,191
6,124	15	Assets held for sale	2,413
9,896	20	Inventories	9,269
146,091	21	Short term debtors	129,249
157,578	22	Cash and cash equivalents	308,636
409,898		Current Assets	564,758
(8,572)	19	Short-term borrowing	(25,548)
(310,937)	23	Creditors	(324,397)
(11,547)	25	Provisions (current)	(13,096)
(14,270)	24	Revenue grant receipts in advance (current)	(31,694)
(75,075)	24	Capital grant receipts in advance (current)	(69,181)
(7,951)	17	Finance Lease obligations (current)	(7,629)
(428,352)		Current liabilities	(471,545)
(1,113)	23	Creditors (non-current)	(1,215)
-	24	Revenue grant receipts in advance (non current)	(1,956)
-	24	Capital grant receipts in advance (non current)	(25,922)
(35,365)	25	Provisions (non-current)	(33,755)
(511,798)	19	Long term borrowing	(598,941)
		Other long term liabilities	
(130,957)	17	Finance lease obligations	(115,580)
(12,285)		Deferred credits	(11,231)
(991,877)	32	Net Pensions Liability	(888,101)
(1,683,395)		Long term liabilities	(1,676,701)
1,176,149		Net Assets	1,289,403

Statement of Accounts - Financial Statements

Balance Sheet as at 31st March 2020

31 March 2019			31 March 2020
£000			£000
		Usable reserves	
(294,878)	8	Earmarked reserves	(339,017)
(56,610)		General Fund Balance	(56,439)
-		Usable capital receipts reserve	(9,581)
(4,220)		Capital grants unapplied	(1,258)
(355,708)			(406,295)
	27	Unusable reserves	
(601,983)		Revaluation reserve	(634,629)
(1,208,599)		Capital Adjustments Account	(1,150,386)
3,003		Financial Instruments Adjustment Account	12,452
(1,030)		Pooled Investment Funds Adjustment Account	(636)
991,877		Pension reserve	888,101
(2,519)		Deferred capital receipts	(334)
(11,723)		Collection Fund Adjustment Account	(9,085)
10,533		Accumulated Absences Account	11,409
(820,441)			(883,108)
(1,176,149)		Total Reserves	(1,289,403)

I certify that these financial statements give a true and fair view of the Council's financial position and performance in advance of approval:

Nicole Wood - Executive Director, Finance and Technology - 30 June 2020

Statement of Accounts - Financial Statements

Cash Flow Statement

For year ended 31st March 2020

2018/19 £000	Notes		2019/20 £000
(63,711)	28	Operating activities	(101,867)
(61,843)	↓	Investing activities	57,324
8,541		Financing activities	(106,515)
(117,013)		Net increase in cash and cash equivalents	(151,058)
40,567		Cash and cash equivalents at 1st April	157,578
(2)		Adjustment for credit loss allowances (cash and cash equivalents)	-
40,565		Restated cash and cash equivalents at 1st April	157,578
157,578		Cash and cash equivalents at 31st March	308,636

Statement of Accounts - Notes to the Financial Statements

Introduction

This section contains notes which are intended to aid interpretation of the financial statements (as set out on pages 30 to 35) and provide further information on the financial performance of the Council during 2019/20. The notes set out within this section are as follows:

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Statement of Accounts - Notes to the Financial Statements

1. Accounting policies

1.1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year, and its position as at 31 March 2020. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

The accounting policies adopted, that are material in the context of the Council's 2019/20 Statement of Accounts, are set out within the following paragraphs.

1.2 General principles

The Council's Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

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.

1.3 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received.

Where income and expenditure has been recognised, but the cash has not been received or paid, a debtor or creditor for the relevant amount is recognised in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is reduced, and a charge is made to revenue for the income that might not be recoverable.

1.4 Provisions and contingencies

1.4.1 Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when an event has taken place that gives the Council 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.

Provisions are maintained at the best estimate of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

Statement of Accounts - Notes to the Financial Statements

1.4.2 Contingencies

A contingent liability arises where:

- An event has taken place that gives the Council a possible obligation whose existence will only be confirmed by future events not wholly within the Council's control; or
- A provision would otherwise be made but it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events.

Contingencies are not recognised in the financial statements but are disclosed as a note to the accounts.

1.5 Earmarked revenue reserves

The Council sets aside specific amounts as reserves for future contingency or policy purposes. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure is incurred that is to be financed from a reserve, it is charged to the appropriate service revenue account in that year, to count against the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. An amount is then released from the earmarked revenue reserve and transferred back into the General Fund Balance, so that there is no net charge against Council Tax for the expenditure.

1.6 Government grants and contributions

Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with any conditions that would require repayment of the grant or contribution if not met; and
- The grants and contributions will be received.

Grants and contributions received, for which conditions have yet to be satisfied, are carried in the Balance Sheet as grant receipts in advance.

When the conditions have been satisfied, the grants and contributions are credited to the Comprehensive Income and Expenditure Statement (i.e. specific revenue grants and contributions are credited to the relevant service line in the Cost of Services, and capital grants and contributions and non ring-fenced grants are credited to Taxation and Non Specific Grant Income and Expenditure).

Statement of Accounts - Notes to the Financial Statements

Where specific revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement, but the associated expenditure has not yet been incurred, the grant is set aside in an Earmarked Revenue Reserve (i.e. in accordance with note 1.5) so that it can be matched with the expenditure in a subsequent year.

Capital grants and contributions are reversed out of the General Fund Balance in the Movement in Reserves Statement and are transferred to the Capital Adjustment Account (if the grant eligible expenditure has been incurred); or to the Capital Grants Unapplied Account.

1.7 Council Tax and Non-Domestic Rates

The council tax and non-domestic (business) rates (NDR) income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, this differs from the amounts required by Regulation to be credited to the General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by Regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Council's Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR related to arrears, allowances for doubtful debts, overpayments and prepayments and appeals.

1.8 Employee benefits

1.8.1 *Benefits payable during employment*

Short-term employee benefits are recognised as an expense in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year end that employees can carry forward into the next financial year. This accrual is raised against services in the Surplus or Deficit on the Provision of Services and then reversed out through the Movement in Reserves Statement to the Accumulated Absences Adjustment Account.

1.8.2 *Termination benefits*

Termination benefits are charged, on an accrual's basis, to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Statement of Accounts - Notes to the Financial Statements

1.8.3 *Post-employment (retirement) benefits*

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The NHS Pension Scheme administered by NHS Pensions; and
- The Local Government Pension Scheme (LGPS), administered by the Council.

The Teachers' and NHS Pension schemes provide defined benefits to members. However, the Schemes' arrangements mean that liabilities for these benefits cannot be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the Balance Sheet, and the employer's contributions payable to these schemes are charged to the relevant service lines within the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme. Hence:

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high-quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.
- Changes in the net pension's liability are analysed into the following components:
 - **Service Costs**, comprising:
 - **Current service cost** – charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked);
 - **Past service cost** - charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement; and
 - **Net interest on the net defined benefit liability** – charged or credited to the 'Financing and Investment Income and Expenditure' line within the Comprehensive Income and Expenditure Statement.
 - **Re-measurements of the net pension liability** (comprising **Return on plan assets** and **Actuarial gains and losses**) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - **Contributions paid to the LGPS** – not accounted for as an expense within the Comprehensive Income and Expenditure Statement.

Statement of Accounts - Notes to the Financial Statements

- The amount chargeable to the General Fund for providing pensions for employees is the amount payable for the year to the LGPS, as determined in accordance with the statutory requirements governing the Scheme. Where this amount does not match the net amount charged to the Surplus or Deficit on the Provision of Services, the difference is appropriated, in the Movement in Reserves Statement, to the Pensions Reserve.

1.8.4 Discretionary benefits

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

1.9 Overheads and support services

Support Services are shown as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services, reflecting the Council's arrangements for accountability and performance. Other overhead costs are recharged to those who benefit from the supply or service, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP).

1.10 Value added tax

VAT payable is included as expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.11 Inventories

When acquired, inventories are recognised on the Balance Sheet at cost (comprising all costs of purchase and conversion, together with any costs incurred in bringing the inventories to their intended location and condition). Inventories are subsequently carried on the Balance Sheet at the lower of cost and net realisable value.

Inventories are recognised as an expense in the Comprehensive Income and Expenditure Statement when they are sold or consumed in the provision of services, or when they no longer provide economic benefits or service potential.

Statement of Accounts - Notes to the Financial Statements

1.12 Property, Plant and Equipment

1.12.1 Recognition of Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a period extending beyond one year, 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. Expenditure on furniture and fittings is not capitalised.

1.12.2 Measurement

Items of Property, Plant and Equipment 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.

Borrowing costs incurred whilst items of Property, Plant and Equipment are under construction are not capitalised.

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

Asset category	Measurement basis
Land and buildings	Current value (<i>existing use value or depreciated replacement cost</i>).
Vehicles and equipment	Depreciated historical cost (<i>as a proxy for current value</i>).
Infrastructure	Depreciated historical cost.
Community assets	Depreciated historical cost.
Assets under construction	Historical cost.
Surplus assets	Fair value, estimated at highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but, as a minimum, at least once every five years.

Assets are also assessed at each year end to determine whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, an impairment loss is recognised.

Statement of Accounts - Notes to the Financial Statements

Where increases in valuations are identified, the gain is accounted for by crediting:

- The Revaluation Reserve to recognise the unrealised gain; or
- The Surplus or Deficit on the Provision of Services where it arises from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the loss is accounted for by writing the carrying amount of the asset down against:

- Any accumulated gains for the asset in the Revaluation Reserve (i.e. up to the amount of the accumulated gains); or
- The Surplus or Deficit on the Provision of Services, where there is no or insufficient balance in the Revaluation Reserve for the asset.

The Revaluation Reserve only contains revaluation gains recognised since 1 April 2007. Gains arising prior to that were consolidated into the Capital Adjustment Account.

1.12.3 Depreciation

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use.

Asset category	Depreciation basis	
Land	Land is not depreciated.	
Buildings	Buildings are depreciated, on a straight line basis, over the useful economic life (UEL) of each asset (as assessed by the Council's Valuer). Each part of the Council's buildings with a cost that is significant in relation to the total cost of the item is depreciated separately over its UEL. This means that the following components are depreciated separately:	
	▪ Structure	80 years
	▪ Roof	25 to 80 years
	▪ Plant and machinery	30 to 40 years
	▪ External works	30 years
Community assets	Depreciated over 60 years, on a straight-line basis.	
Vehicles and equipment	Depreciated on a straight-line basis, over an expected lifetime ranging between 2 and 30 years.	
Roads and other infrastructure	Depreciation is provided on a straight-line basis over the following periods:	
	▪ Road signage	30 years
	▪ Roads and highway lighting	40 years
	▪ Structures (eg: Bridges)	120 years

Statement of Accounts - Notes to the Financial Statements

Asset category	Depreciation basis	
	▪ Off-highways drainage	100 years
	▪ Other infrastructure	15 to 20 years
	▪ Additions prior to 2008/09	30 to 35 years
Assets under construction	Assets are re-categorised upon completion, from which point depreciation will be charged in accordance with the policies set out above.	

Depreciation charges commence in the first full year after assets become operational, except for vehicles, plant and equipment, where depreciation charges commence in the year of acquisition.

Revaluation gains are also depreciated, with the 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.

1.12.4 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, the asset is re-valued and is classified as an asset 'Held for Sale'.

Once an asset is disposed of, the carrying amount of the asset and any receipts from its disposal are written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals are categorised as capital receipts. These receipts are therefore appropriated, via the Movement in Reserves Statement, to the Capital Receipts Reserve. They can then only be applied to pay for new capital investment or to reduce the Council's underlying need to borrow.

The written off value of asset disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the General Fund Balance to the Capital Adjustment Account and are recorded as such in the Movement in Reserves Statement.

Statement of Accounts - Notes to the Financial Statements

1.13 Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because of past events, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised when the feasibility of the project is proven, and it is intended to complete it, and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised only where it can be attributed to the asset and is incurred during the development phase.

Intangible assets are initially measured at cost and are subsequently carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Impairment losses are also posted to the relevant service line 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.

The amortisation, impairment losses and disposal gains and losses charged to the Comprehensive Income and Expenditure Statement Account are reversed out of the General Fund Balance in the Movement in Reserves Statement and are posted to the Capital Adjustment Account or, for sale proceeds, to the Capital Receipts Reserve.

1.14 Heritage Assets

The categories of heritage asset held, and the measurement and depreciation bases applied, are as follows:

Asset category	Measurement and depreciation basis
Buildings held for historical interest	<ul style="list-style-type: none">• Held at depreciated historical cost.• Depreciated over 60 years on a straight-line basis.
Archives	<ul style="list-style-type: none">• The value of these items is derived from the estimated costs of conservation and repair.• These assets are not subject to depreciation.
Fine Art	<ul style="list-style-type: none">• Where art work has been subject to formal valuation, it is reported in the Balance Sheet at market value. These pieces of art work are not subject to depreciation.

Where there is evidence of impairment, this is recognised and measured in accordance with the Council's general policy on impairment (see note 1.12.2 which commences on page 43).

Statement of Accounts - Notes to the Financial Statements

Where heritage assets are disposed of, the sale proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of non-current assets and in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 1.12.4).

1.15 Investment property

Investment property is measured initially at cost and subsequently at fair value (i.e. at a price reflecting its best and highest use). Properties are not depreciated but are revalued annually, reflecting the market conditions at the year end.

Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are then reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account or, for any sale proceeds, to the Capital Receipts Reserve.

Rentals received in relation to investment property are credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.16 Charges to revenue for non-current assets

All services are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets held and/or occupied;
- Revaluation and impairment losses on the assets held or occupied (i.e. where there are no accumulated gains in the Revaluation Reserve against which the losses can be applied), and revaluation gains that reverse a revaluation loss previously recognised in the Comprehensive Income and Expenditure Statement; and
- Amortisation of intangible assets held.

The Council is not required to raise council tax to cover these charges. Instead, it is required to make a prudent annual provision to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

1.17 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Statement of Accounts - Notes to the Financial Statements

Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer is made in the Movement in Reserves Statement to the Capital Adjustment Account to mitigate the impact on the General Fund Balance.

1.18 Private Finance Initiative and similar contracts

Where the Council is deemed to control the services that are provided under Private Finance Initiative (PFI) and similar contracts, and where ownership of the assets used under the contracts passes to the Council at the end of the contracts for no additional charge, the Council carries the assets on its own Balance Sheet as part of Property, Plant and Equipment.

Where the assets are constructed under a PFI contract, the asset under construction is only recognised in the Council's Balance Sheet when it becomes probable that future economic benefits attributable to the asset will flow to the Council.

Once recognised on the Council's Balance Sheet, assets are accounted for in accordance with Note 1.12. A PFI liability is also recognised on the Council's Balance Sheet for the amounts due to the scheme operator for the capital investment.

The amounts payable to PFI operators each year are analysed into the following elements:

Element of charge	Accounting treatment
Services received <i>Services that the operator must provide with the Property, Plant and Equipment.</i>	Charged to the relevant service in the Comprehensive Income and Expenditure Statement.
Deferred income <i>Benefits that the Council is deemed to receive through its control of the services to be provided using the Property, Plant and Equipment.</i>	Credited to the relevant service in the Comprehensive Income and Expenditure Statement.
Finance cost <i>Interest charge on the outstanding Balance Sheet liability.</i>	Debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
Contingent rent <i>Increases in the amount to be paid for the property arising during the contract.</i>	Debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
Payment towards liability <i>Obligation to pay the operator for the Property, Plant and Equipment.</i>	Applied to write down the Balance Sheet liability towards the PFI operator.
Lifecycle replacement <i>The replacement of components of an asset as they wear out.</i>	Posted to the Balance Sheet as a pre-payment and then recognised as an addition to Property, Plant and Equipment when the relevant works are eventually carried out.

Statement of Accounts - Notes to the Financial Statements

1.19 Leases

1.19.1 *Classification of leases*

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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.

1.19.2 *Council as lessee*

Property, plant and equipment held by the Council under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- Financing charges and contingent rents (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Rentals paid by the Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.19.3 *Council as lessor*

Where the Council grants a finance lease over a property, or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the difference between the carrying amount of the asset and the Council's net investment in the lease being credited (or debited) to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid.

Lease rentals receivable are apportioned between:

- A credit for the disposal of the interest in the property (applied to write down the lease asset); and

Statement of Accounts - Notes to the Financial Statements

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited as operating income to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of receipts.

1.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on demand without penalty on the same working day, or with notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

The Council's bank overdraft is integral to the way in which the Council manages its cash and cash equivalents during the year and, as a result, forms part of 'Cash and Cash Equivalents' on the Balance Sheet. The Council nets its bank overdraft balance down against other cash and cash equivalent balances held at the year end.

1.21 Financial instruments

1.21.1 Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially measured at fair value and are carried at their amortised cost.

Interest is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the liabilities, multiplied by the effective rate of interest for the instruments. This means that:

- The amount included in the Balance Sheet is the outstanding principal repayable, plus accrued interest; and
- Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund to be spread over future years. The gains / losses are spread over the term that was remaining on the loan against with the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge

Statement of Accounts - Notes to the Financial Statements

required again the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.21.2 *Financial Assets*

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. They are classified into two types:

- **Amortised cost**

Financial assets are initially measured at fair value, and subsequently at their amortised cost.

Interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the assets, multiplied by the effective rate of interest for the instruments. This means that:

- The amount included in the Balance Sheet is the outstanding principal receivable, plus accrued interest; and
- Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- **Fair value through profit or loss (FVPL)**

Financial assets are initially measured and carried at fair value. Changes in fair value are recognised as they arise in the Surplus or Deficit on the Provision of Services.

For pooled investment funds, changes in fair value are subsequently reversed out of the General Fund Balance, in the Movement in Reserves Statement, to a Pooled Investment Funds Adjustment Account.

For investments covered by the definition of capital expenditure, changes in fair value are subsequently reversed out of the General Fund Balance, in the Movement in Reserves Statement, to the Capital Adjustment Account.

Income (e.g. dividends) received is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Allowances for impairment losses are calculated for financial assets carried at amortised cost, applying the expected credit losses model, either on a 12 month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place, because the borrower could default on their obligations. Changes in loss allowances, including balances outstanding at the date of derecognition of an asset, are debited / credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Statement of Accounts - Notes to the Financial Statements

1.22 Fair value measurement

The Council measures some of its non-financial assets (i.e. surplus and investment properties) and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received from the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised as follows:

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

1.23 Joint operations

The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

1.24 Events after the Balance Sheet date

Events after the reporting period 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. There are two types of event:

- 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.

Statement of Accounts - Notes to the Financial Statements

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

2. Critical judgements in applying accounting policies

The Council must make judgements about complex transactions, or those involving uncertainty about future events, when applying the accounting policies set out in Note 1.

The critical judgements made in applying the accounting policies for 2019/20 are as follows:

▪ Future funding for local government

The Council faces significant cost pressures due to inflation and increasing demand for its services; in particular, demand is rising for adult social care, with people living longer and having more care needs, and for children's services, with more cases, some of which are complex too. These cost pressures have been exacerbated by the COVID-19 pandemic.

The Council has a control environment that will help to manage and minimise risks inherent in its budgets for future years, including a robust approach to financial planning, regular reporting to members and senior officers, using performance reporting as an early warning system and an internal audit function assessing controls and processes.

The Council also continues to focus on commercialisation, effective contract management and working with partners to secure value for money in delivering its strategic aims and priorities. The Council is also investing in its digital capability to make optimum use of digital solutions to drive transformation and improve efficiency.

The Council has a strong track record in terms of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence. Therefore, whilst the financial challenge facing the Council is significant, there is no evidence to indicate that the assets of the Council might be impaired due to the need to reduce service provision.

▪ Property, Plant and Equipment

Property, Plant and Equipment assets included in the Balance Sheet at current value are re-valued at least once every five years. At each year end, a review is undertaken by the Council's valuer to determine whether the carrying amount of these assets is consistent with their current value.

In limited circumstances, property assets are valued at 'fair value' (a price reflecting their best and highest use). Property assets valued on this basis comprise investment properties, non-current assets held for sale and surplus properties. The criteria for assessing property assets into one of these three categories are subject to a degree of interpretation and judgement.

Statement of Accounts - Notes to the Financial Statements

- **Schools**

Whilst all locally maintained schools (*i.e. community, foundation, voluntary aided, voluntary controlled, community special and foundation special schools*) are deemed to be entities controlled by the Council, only the income, expenditure, assets, liabilities, reserves and cash flows that would be recognised by a 'school as an entity' are consolidated into the Council's financial statements.

Land and buildings provided by religious bodies for use by voluntary controlled, voluntary aided and certain foundation schools without the right to continuing use, such that they can be taken back by the owners at any point, are not recognised in the Council's financial statements, even though these assets may continue to be used by these schools for many years into the future. At 31 March 2020, land and buildings for **43** voluntary-controlled (2018/19: 47), **48** voluntary-aided (2018/19: 51) and **4** foundation schools (2018/19: 4) were provided by religious bodies without the right to continuing use.

- **Private Finance Initiative (PFI) schemes**

Where ownership of the Property, Plant and Equipment used to provide services under operational PFI arrangements passes to the Council at the end of the contracts for no additional charge, the Council considers that it controls the services that are provided, and the residual values of these assets and their facilities at the end of these agreements. Accordingly, it recognises the Property, Plant and Equipment assets in its own Balance Sheet.

With regard to the Waste Treatment Plant, the Council cannot yet demonstrate that the economic benefits and service potential of the Plant will flow to it, as the Plant remains subject to testing (*see page 84 for further details*). The Council has therefore determined that the asset and the associated PFI liability should not be recognised within its financial statements for 2019/20.

- **Leases**

The Council has examined its leases, and arrangements that have the substance of a lease, and classified them as either operating or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

- **Provisions**

The Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties, legal, insurance and other claims that could eventually result in the payment of compensation or other settlement. The Council has also made a judgement that it has a contingent asset in regard to the High Court ruling in relation to the Waste Treatment Plant in Basildon (*see page 98 for further details*).

The judgements are based on the degree of certainty around the results of pending cases.

Statement of Accounts - Notes to the Financial Statements

▪ Collaborative arrangements

· Group entities

Whilst the Council is involved in several collaborative arrangements, it has concluded that it is only necessary to consolidate one into its Group Accounts – this being Essex Cares Ltd, which is a wholly owned subsidiary of the Council. Although the majority of Essex Cares' turnover arises in respect of contracts with the Council, consolidation of their financial results into the Council's Group Accounts is considered appropriate on qualitative grounds, to provide a full picture of the Council's economic activities and financial position.

· South East Local Enterprise Partnership

The South East Local Enterprise Partnership (SELEP) has a range of members who collectively decide what the priorities should be for investing in roads, buildings and facilities in Essex, East Sussex, Kent, Medway, Southend and Thurrock, as part of an integrated approach to growth and infrastructure delivery.

The SELEP is an informal partnership. It does not have legal status to enter into contracts, and so is required to act through one of its local authority partners; Essex County Council currently fulfils this role for the partnership. This means that all funding allocated to the SELEP by the Government is transferred to the Council, and that the Council is responsible for the disbursement of this funding in accordance with the funding decisions made by the SELEP's Accountability Board.

As the accountable body for the SELEP, Essex County Council retains overall legal accountability for the SELEP. However, whilst the Council is responsible for the proper use and administration of the SELEP's funding, the Council is not able to direct the use of the SELEP's funding for its own, or any other, purposes.

The Council is not required to comply with any decision made by the SELEP's Accountability Board that does not comply with its own financial procedure rules, the terms attached to the grant funding awarded to the SELEP or any relevant regulations. If the Council and the SELEP are unable to agree on any matter, the Government acts as arbiter. This ensures that the Council is not subject to significant risks associated with disbursement of the SELEP's funds.

The Council has therefore concluded that it acts as an agent for the SELEP, which means that the SELEP's transactions are not reflected within the Council's financial statements. However, the Council recognises a creditor in its Balance Sheet for the cash it holds on behalf of the partnership. At 31 March 2020, this creditor amounted to **£96.622m** (2018/19: £70.479m).

Statement of Accounts - Notes to the Financial Statements

· Pooled budgets

Pooled budgets occur where several partners agree to set aside funds for a specific purpose that they will pursue jointly, usually because it enables them to address common objectives or realise benefits from working together.

The Council currently participates in, and hosts, three pooled budgets:

- **Better Care Fund**
- **Equipment Pool**
- **Transforming Care Partnership Pool**

Further details of these pooled budgets are provided in Note 35, which commences on page 117.

The nature of these pooled budget arrangements implies an element of joint decision making over how the pooled funds are used. However, the precise accounting is determined by the terms of the agreements between the members of these partnership arrangements.

Whilst partners collectively agree the services to be provided, the agreed services are commissioned by the respective partners via their own contracts with end providers, with the commissioning entity holding end providers to account for the services they provide.

On this basis, the Council has determined that the transactions of these pools are not reflected in the Council's financial statements, except for expenditure incurred on agreed services commissioned by the Council via its own contracts with end providers, and the income it receives from the Pools to pay for these services.

3. **Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Statement of Accounts - Notes to the Financial Statements

The items in the Balance Sheet at **31 March 2020** for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

	Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Property, plant & equipment	<p>Land and buildings are valued by a RICS registered valuer sufficiently frequently to ensure that their carrying amount is not materially different from their current / fair value at the year-end.</p> <p>Because of the COVID-19 pandemic, the Council's valuer has been able to attach less weight to previous market evidence to inform opinions of value as at 31 March 2020. The Council's valuer is therefore reporting '<i>material valuation uncertainty</i>' as per VSP 3 and VPGA of the RICS Red Book Global in relation to 31 March 2020 values.</p> <p>Consequently, less certainty, and a higher degree of caution, is attached to such valuations than would normally be the case.</p>	<p>A reduction in the value of operational land and buildings would result in a reduction to the Revaluation Reserve and / or a loss being recorded in the Comprehensive Income and Expenditure Statement.</p> <p>Conversely, an increase in values would increase the Revaluation Reserve and / or reverse any downward revaluations previously charged to the Comprehensive Income and Expenditure Statement.</p> <p>A 10% movement in the current value of the Council's operational land and buildings would equate to £144.6m.</p>	<p>Given the unknown future impact that COVID-19 might have on the UK real estate market, the valuation figures on the Council's property portfolio as at 31 March 2020 will be kept under frequent review.</p>
Fair value valuations	<p>When the fair values of financial and non-financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques based on observable data.</p>	<p>Significant changes in any of the valuation inputs would result in a significantly lower or higher fair value measurement for the financial assets and liabilities.</p>	<p>The Council employs experts to identify the most appropriate valuation techniques to determine fair value.</p> <p>Information about the techniques used to determine the fair value is disclosed in notes 15.3, 19.3 and 19.5.</p>
Pensions liability	<p>Estimation of the net pension liability to pay pensions depends on several complex judgements. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The net pension liability in the accounts amounts to £888.101m at 31st March 2020.</p> <p>The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 32.4 which commences on page 113.</p>	<p>The pensions liability reduced by £103.776m in 2019/20 because of changes in demographic, financial and other assumptions. Adjustments are likely to arise in future years, due to the complex nature of the judgements made to estimate the liability.</p>

Statement of Accounts - Notes to the Financial Statements

	Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Credit loss allowance	<p>An allowance is made for non-recovery of debts, based on historical debt collection rates, adjusted for factors that could impact future collection rates.</p> <p>The COVID-19 pandemic is unprecedented, and the full effects will not be known for many months yet. This has made it difficult to make a reliable assessment of the allowance required for non-recovery of debts.</p>	<p>Contractual debtors amounted to £89.437m at 31 March 2020, and the allowance made for credit losses amounted to £16.402m.</p> <p>Whilst the Council has taken a more pessimistic view of debt recovery rates this year, because of the pandemic, it is possible that the credit loss allowance has been under or over-stated.</p> <p>An adjustment to the credit loss allowance would impact on the Council's General Fund Balance.</p>	<p>The Council has a strong and proactive focus on debt recovery and keeps the adequacy of its credit loss allowance under continual review.</p>
Collection Fund	<p>The Council's Balance Sheet includes its share of the end of year balances in respect of council tax and non-domestic rates arrears and allowances for doubtful debts.</p> <p>It will not be possible to assess the full effect of the COVID-19 pandemic on collection rates for council tax and non-domestic rates for many months, making it difficult to make a reliable assessment of credit losses as at 31 March 2020.</p>	<p>Because of the statutory rules related to council tax and non-domestic rates, a deterioration in collection rates would not immediately impact on the Council – the impact would crystallise in cash terms in the distribution of the Collection Fund surpluses and deficits in 2021/22.</p>	<p>The Council's share of council tax and non-domestic rate debtors amounted to £49.194m at 31 March 2020, and its share of the allowances for credit losses amounted to £22.978m.</p>

Statement of Accounts - Notes to the Financial Statements

4. Accounting Standards issued but not yet adopted

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

Several accounting changes are being adopted by the Code in 2020/21, but none will have a material impact on the Council's financial statements.

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would be adopted in 2020/21, but implementation has now been deferred to the 2021/22 financial year.

5. Expenditure and Funding Analysis

5.1 Introduction

The Expenditure and Funding Analysis (see note 5.2) shows, for each of the Council's portfolios and recharged strategic support services:

- **Net expenditure chargeable to the General Fund** (i.e. the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund); and
- **Net expenditure in the Comprehensive Income and Expenditure Statement** (the resources consumed in the year, as measured by proper accounting practices).

The reasons for the differences between the two amounts for each portfolio / recharged strategic support service are explained in Note 5.3 (see page 61).

The service groupings in the Comprehensive Income and Expenditure Statement, and hence in the Expenditure and Funding Analysis reflect the Council's political leadership (Cabinet) structure. This reporting format is the one most commonly used by the Council for allocating resources and for assessing financial performance.

5.2 Expenditure and Funding Analysis

2018/19				2019/20		
Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
116,199	5,388	121,587	Children and Families	122,909	7,938	130,847
17,467	4,391	21,858	Customer, Communities, Culture and Corporate	16,571	5,066	21,637
6,887	4,803	11,690	Economic Development	6,146	8,057	14,203
			Education and Skills			
820	(5,251)	(4,431)	Dedicated Schools Budget	451	1,414	1,865
78,351	38,358	116,709	Non Dedicated Schools Budget	89,141	112,607	201,748
87,007	4,975	91,982	Environment and Climate Change Action	80,947	3,071	84,018
14,011	1,663	15,674	Finance, Property and Housing	16,110	658	16,768
399,309	7,713	407,022	Health and Adult Social Care	407,305	8,278	415,583
54,294	14,870	69,164	Infrastructure	48,058	25,087	73,145
5,508	3,682	9,190	Leader	5,860	(4,809)	1,051
1,285	11	1,296	Performance, Business Planning and Partnerships	1,740	74	1,814
			Recharged Strategic Support Services			
56,377	18,029	74,406	Customer, Communities, Culture and Corporate	61,674	13,254	74,928
18,480	1,540	20,020	Finance, Property and Housing	17,624	1,646	19,270
2,123	99	2,222	Leader	2,227	157	2,384
7,884	632	8,516	Performance, Business Planning and Partnerships	7,959	877	8,836
866,002	100,903	966,905	Cost of services - continuing operations	884,722	183,375	1,068,097
(878,855)	176,501	(702,354)	Other income and expenditure not charged to services	(928,690)	(7,894)	(936,584)
(12,853)	277,404	264,551	Surplus on Provision of Services	(43,968)	175,481	131,513
			General Fund Balance			
(55,212)			Balance as at 1 April	(56,610)		
1,574			Restatement of opening balances	-		
(53,638)			Restated balance at 1 April	(56,610)		
(12,853)			Surplus on Provision of Services	(43,968)		
9,881			Transfers from Earmarked Revenue Reserves	44,139		
(56,610)			Balance as at 31 March	(56,439)		

Notes:

- The service groupings shown above reflect the alignment of spending to Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet during 2019/20; comparative figures for 2018/19 have been restated on a consistent basis.

5.3 Notes to Expenditure and Funding Analysis

5.3.1 Adjustments between funding and accounting basis

The following analysis provides an explanation of the 'adjustments between the funding and accounting basis' column in the Expenditure and Funding Analysis.

2018/19	Adjustments for capital purposes Note 5.3.2 £000	Net change for Pension Adjustments Note 5.3.3 £000	Other adjustments between funding and accounting Note 5.3.4 £000	Other differences Note 5.3.5 £000	Adjustments between the Funding and Accounting basis £000
Children and Families	529	4,859	-	-	5,388
Customer, Communities, Culture and Corporate	3,241	1,150	-	-	4,391
Economic Development	4,289	514	-	-	4,803
Education and Skills					
Dedicated Schools Budget	-	-	(2,351)	(2,900)	(5,251)
Non Dedicated Schools Budget	35,033	12,620	-	(9,295)	38,358
Environment and Climate Change Action	4,684	301	-	(10)	4,975
Finance, Property and Housing	1,831	182	-	(350)	1,663
Health and Adult Social Care	3,757	3,956	-	-	7,713
Infrastructure	24,790	880	-	(10,800)	14,870
Leader	6,812	6,080	-	(9,210)	3,682
Performance, Business Planning and Partnerships	-	11	-	-	11
Recharged Strategic Support Services					
Customer, Communities, Culture and Corporate	15,711	2,318	-	-	18,029
Finance, Property and Housing	-	1,602	-	(62)	1,540
Leader	-	99	-	-	99
Performance, Business Planning and Partnerships	-	632	-	-	632
Cost of services - continuing operations	100,677	35,204	(2,351)	(32,627)	100,903
Other income and expenditure not charged to services	112,116	28,012	3,746	32,627	176,501
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	212,793	63,216	1,395	-	277,404

2019/20	Adjustments for capital purposes Note 5.3.2 £000	Net change for Pension Adjustments Note 5.3.3 £000	Other adjustments between funding and accounting Note 5.3.4 £000	Other differences Note 5.3.5 £000	Adjustments between the Funding and Accounting basis £000
Children and Families	1,680	5,659	599	-	7,938
Customer, Communities, Culture and Corporate	3,343	1,635	88	-	5,066
Economic Development	7,500	507	50	-	8,057
Education and Skills					
Dedicated Schools Budget	-	-	(1,045)	2,459	1,414
Non Dedicated Schools Budget	107,720	13,690	240	(9,043)	112,607
Environment and Climate Change Action	2,608	429	45	(11)	3,071
Finance, Property and Housing	821	267	21	(451)	658
Health and Adult Social Care	3,174	4,576	528	-	8,278
Infrastructure	34,352	953	73	(10,291)	25,087
Leader	(4,261)	(713)	9	156	(4,809)
Performance, Business Planning and Partnerships	-	62	12	-	74
Recharged Strategic Support Services					
Customer, Communities, Culture and Corporate	10,020	3,022	212	-	13,254
Finance, Property and Housing	-	1,843	13	(210)	1,646
Leader	-	141	16	-	157
Performance, Business Planning and Partnerships	-	841	36	-	877
Cost of services - continuing operations	166,957	32,912	897	(17,391)	183,375
Other income and expenditure not charged to services	(61,906)	24,161	12,460	17,391	(7,894)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	105,051	57,073	13,357	-	175,481

Statement of Accounts - Notes to the Financial Statements

5.3.2 Adjustments for capital purposes

This column adds the following amounts into service lines:

- Depreciation and impairments of non-current assets;
- Amortisation of intangible assets;
- Revenue expenditure funded from capital under statute; and
- Capital grants receivable in the year without conditions or for which conditions were satisfied in the year and applied to finance revenue expenditure funded from capital under statute.

For other income and expenditure not charged to services, this column adjusts for:

- The value of Property, Plant and Equipment disposed of in the year, together with the sale proceeds from these disposals;
- The statutory charges for capital financing (i.e. minimum revenue provision and other revenue contributions); and
- Capital grants receivable in the year.

5.3.3 Net change for Pensions Adjustments

The net change for Pension adjustments comprises:

- For services, the removal of the employer pension contributions by the Council as allowed by statute, and the replacement with current service costs and past service costs; and
- For other income and expenditure not chargeable to services, the addition of the net interest on the defined benefit liability.

5.3.4 Other adjustments between funding and accounting

The other adjustments between the amounts debited / credited to the Comprehensive Income and Expenditure Statement and the amounts payable / receivable to be recognised under statute comprise:

- The amount by which officers' remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory regulations;
- The difference between what is chargeable under statutory regulations for council tax and non-domestic rates and what was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code; and
- The amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from costs chargeable in accordance with statutory requirements.

5.3.5 Other differences

The other differences column shows the reclassification of amounts included in the 'cost of services' for 'Cabinet' reporting that are required to be classified as 'other income and expenditure not charged to services' in the Comprehensive Income and Expenditure Statement.

Statement of Accounts - Notes to the Financial Statements

6. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

2018/19 £000		2019/20 £000
	Expenditure	
531,199	Employee expenses	530,470
1,316,822	Other service expenditure	1,345,308
103,276	Depreciation, amortisation and impairment	131,838
38,987	Interest payable and similar charges	47,147
3,267	Precepts and levies	3,313
215,329	(Gain) / loss on disposal of fixed assets	46,191
89,543	Corporate amounts	76,643
2,298,423	Total expenditure	2,180,910
	Income	
(274,542)	Fees, charges and other service income	(276,749)
(2,585)	Interest and investment income	(2,051)
(57,554)	Corporate amounts	(51,487)
(685,461)	Income from council tax and non domestic rates	(721,420)
(1,013,730)	Government grants and contributions	(997,690)
(2,033,872)	Total income	(2,049,397)
264,551	Deficit on the Provision of Services	131,513

7. Adjustments between Accounting Basis and Funding under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Statement of Accounts - Notes to the Financial Statements

2018/19	Notes	Usable Reserves				
		Earmarked General Reserves	General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
		£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (CAA)	27.3					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Depreciation and impairment of non current assets		-	(100,906)	-	-	(100,906)
Amortisation of intangible assets		-	(2,370)	-	-	(2,370)
Movement in market value of investment properties		-	(8,095)	-	-	(8,095)
Capital grants and contributions applied		-	142,600	-	-	142,600
Revenue expenditure funded from capital under statute		-	(69,862)	-	-	(69,862)
Value of assets disposed of during the year		-	(224,485)	-	-	(224,485)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment		-	33,116	-	-	33,116
Capital expenditure charged against the General Fund		-	5,038	-	-	5,038
Adjustments involving the Capital Adjustment Account		-	(224,964)	-	-	(224,964)
Adjustments involving the Capital Grants Unapplied Account						
Grants applied to financing (transferred to the CAA)		-	-	-	1,290	1,290
Grants and contributions unapplied		-	2,953	-	(2,953)	-
Adjustments involving the Capital Grants Unapplied A/C		-	2,953	-	(1,663)	1,290
Adjustments involving the Capital Receipts Reserve						
Sale proceeds (part of gain/loss on disposal)		-	9,218	(9,218)	-	-
Loan repayments - loans awarded for capital purposes		-	-	(1,049)	-	(1,049)
Transfer from Deferred Capital Receipts Reserve		-	-	(16)	-	(16)
Use of reserve to finance new capital expenditure		-	-	4,535	-	4,535
Use of capital receipts to repay debt		-	-	5,748	-	5,748
Adjustments involving the Capital Receipts Reserve		-	9,218	-	-	9,218
Adjustments involving the Financial Instruments Adjustment Account (FIAA)	27.4					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from costs chargeable in accordance with statutory requirements		-	58	-	-	58
Adjustments involving the FIAA		-	58	-	-	58
Adjustments involving the Pooled Investment Funds Adjustment Account	27.5					
Gain or loss on the valuation of pooled investment funds		-	169	-	-	169
Adjustments involving the Pooled Invest Funds Adj Account		-	169	-	-	169
Adjustments involving the Pensions Reserve	27.6					
Reversal of items debited/credited to the CIES		-	(119,660)	-	-	(119,660)
Employers' pension contributions payable in the year		-	56,444	-	-	56,444
Adjustments involving the Pensions Reserve		-	(63,216)	-	-	(63,216)
Adjustments involving the Collection Fund Adjustment Account	27.8					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from council tax income calculated in accordance with statutory requirements		-	(3,973)	-	-	(3,973)
Adjustments involving the Collection Fund Adj Account		-	(3,973)	-	-	(3,973)
Adjustments involving the Accumulated Absences Account	27.9					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory requirements		-	2,351	-	-	2,351
Adjustments involving the Accumulated Absences Account		-	2,351	-	-	2,351
Total adjustments		-	(277,404)	-	(1,663)	(279,067)

Statement of Accounts - Notes to the Financial Statements

2019/20	Notes	Usable Reserves				
		Earmarked General Reserves	General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
		£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (CAA)	27.3					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Depreciation and impairment of non current assets		-	(128,854)	-	-	(128,854)
Amortisation of intangible assets		-	(2,984)	-	-	(2,984)
Impairment of assets held for sale		-	(6)	-	-	(6)
Movement in market value of investment properties		-	1,269	-	-	1,269
Capital grants and contributions applied		-	109,016	-	-	109,016
Revenue expenditure funded from capital under statute		-	(74,640)	-	-	(74,640)
Value of assets disposed of during the year		-	(72,931)	-	-	(72,931)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment		-	37,122	-	-	37,122
Adjustments involving the Capital Adjustment Account		-	(132,008)	-	-	(132,008)
Adjustments involving the Capital Grants Unapplied Account						
Grants applied to financing (transferred to the CAA)		-	-	-	2,962	2,962
Adjustments involving the Capital Grants Unapplied A/C		-	-	-	2,962	2,962
Adjustments involving the Capital Receipts Reserve						
Sale proceeds (part of gain/loss on disposal)		-	26,957	(29,142)	-	(2,185)
Loan repayments - loans awarded for capital purposes		-	-	(19)	-	(19)
Use of reserve to finance new capital expenditure		-	-	17,935	-	17,935
Use of capital receipts to repay debt		-	-	1,645	-	1,645
Adjustments involving the Capital Receipts Reserve		-	26,957	(9,581)	-	17,376
Adjustments involving the Financial Instruments Adjustment Account (FIAA)	27.4					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from costs chargeable in accordance with statutory requirements		-	(9,449)	-	-	(9,449)
Adjustments involving the FIAA		-	(9,449)	-	-	(9,449)
Adjustments involving the Pooled Investment Funds Adjustment Account	27.5					
Gain or loss on the valuation of pooled investment funds		-	(394)	-	-	(394)
Adjustments involving the Pooled Invest Funds Adj Account		-	(394)	-	-	(394)
Adjustments involving the Pensions Reserve	27.6					
Reversal of items debited/credited to the CIES		-	(113,810)	-	-	(113,810)
Employers' pension contributions payable in the year		-	56,737	-	-	56,737
Adjustments involving the Pensions Reserve		-	(57,073)	-	-	(57,073)
Adjustments involving the Collection Fund Adjustment Account	27.8					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from council tax income calculated in accordance with statutory requirements		-	(2,638)	-	-	(2,638)
Adjustments involving the Collection Fund Adj Account		-	(2,638)	-	-	(2,638)
Adjustments involving the Accumulated Absences Account	27.9					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory requirements		-	(876)	-	-	(876)
Adjustments involving the Accumulated Absences Account		-	(876)	-	-	(876)
Total adjustments		-	(175,481)	(9,581)	2,962	(182,100)

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8. Earmarked revenue reserves

The Council maintains earmarked revenue reserves to manage known financial liabilities and possible risks. These reserves are categorised as follows:

- **Restricted use** – reserves for known contractual liabilities and potential risks beyond the control of the Council and balances held on behalf of others (including schools).
- **Future capital funding** – comprise revenue contributions to be used to supplement the resources available to finance future capital expenditure.
- **Other** – reserves for general purposes and used to fund revenue investment, investment in new ways of working and reserves to respond to short term budget pressures.

Details of the restricted use and the most significant of the other reserves are as follows:

Reserves	Purpose and usage
RESTRICTED USE	
Grant equalisation reserve	Equalise the timing differences between the recognition of grant income in the Comprehensive Income and Expenditure Statement (in accordance with Note 1.5) and incurring the grant eligible expenditure.
PFI equalisation reserves	Used to equalise the impact of expenditure and government grant over the life of the PFI contracts.
Waste reserve	To smooth the effects of future increases in the costs of waste disposal.
Partnerships	To retain unspent contributions from partners and to apply them in subsequent years.
Schools	Schools are permitted to retain unspent resources which are held in the Schools Reserves. The statutory authority to commit these reserves rests with school governing bodies.
DSG Deficit	<p>This reserve discloses the accumulated deficit on the dedicated schools' budget; the Council cannot fund the deficit from its General Fund without the approval of the Secretary of State for Education.</p> <p>The deficit must be recovered through future dedicated schools grant funding and the recovery plans agreed with the Department for Education.</p>
Trading activities	Surpluses generated by the Council's internal trading activities, to be applied by these activities in subsequent years.
OTHER RESERVES	
Adults Digital Programme	Established to enable investment in innovative and digital solutions for Adult Social Care.
Bursaries	To provide bursaries for trainee carers.
Capital receipts pump priming	Used to meet costs associated with bringing properties into readiness for disposal.
Carbon reduction	Used to finance measures aimed at reducing the Council's carbon footprint.

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Reserves	Purpose and usage
Carry Forwards	Used to carry under spends in the year of account forward to support expenditure plans in the forthcoming financial year.
Collection Fund investment risk	Established to mitigate the risks of falling collection rates for council tax and non-domestic rates.
Commercial Investment in Essex Places	Established to fund commercial investment in Essex places that aligns to the Council's housing growth and town centre agendas.
Community Initiatives Fund	Established to fund revenue and capital community initiatives.
COVID-19 recovery	To support COVID-19 recovery activity.
Digital infrastructure	Established to fund the Council's digital transformation.
EES Pension Risk	To be used to meet future pension liabilities arising in relation to the staff who transferred to new owner of EES for Schools.
Emergency	Established as funding to address emerging budget pressures.
Health and safety	Used to meet the costs of undertaking asbestos, legionella and disability discrimination act surveys.
Insurance	Provides for future potential and contingent liabilities for insurance claims.
Property Investment	The net proceeds from the Council's investment properties are set aside to mitigate against future income loss.
Quadrennial elections	Established to meet costs associated with the Council's local elections.
Service Improvement	To support investment that will deliver service improvements.
Social distancing and hygiene	To fund the social distancing and hygiene measures required during the COVID-19 pandemic.
Technology solutions	Established to meet the future cost of replacing key Council technology systems.
Transformation	Used to meet costs associated with project and change management aspects of the Council's ambitious programme of transformation.

Unless otherwise state, there are no time constraints placed upon usage of the Council's earmarked revenue reserves.

A summary of the balances on the Earmarked Reserves is set out in the following table.

	Balance 1 April 2018 £000	2018/19 movements		Balance 31 March 2019 £000	2019/20 movements		Balance 31 March 2020 £000
		Contributions £000	Withdrawals £000		Contributions £000	Withdrawals £000	
Restricted use							
Grant equalisation reserve	(10,786)	(4,610)	2,760	(12,636)	(39,861)	2,644	(49,853)
PFI equalisation reserves	(53,767)	(1,181)	4,394	(50,554)	(600)	10,481	(40,673)
Waste reserve	(99,733)	(8,776)	4,878	(103,631)	(9,245)	600	(112,276)
Partnership reserves	(1,771)	(66)	216	(1,621)	(74)	237	(1,458)
Schools	(41,648)	(5,924)	9,547	(38,025)	(4,022)	7,405	(34,642)
Dedicated Schools Grant deficit	-	-	-	-	-	5,359	5,359
Trading activities	(1,415)	(359)	1,123	(651)	(230)	53	(828)
Total restricted reserves	(209,120)	(20,916)	22,918	(207,118)	(54,032)	26,779	(234,371)
Reserves earmarked for future use							
Future capital funding	(10,061)	(7,038)	5,038	(12,061)	10,156	-	(1,905)
Other reserves							
Adults Digital Programme	(6,900)	(3,156)	4,800	(5,256)	(1,030)	3,417	(2,869)
Bursary for Trainee Carers	-	-	-	-	(500)	-	(500)
Capital receipts pump priming	(2,325)	(1,000)	121	(3,204)	-	-	(3,204)
Carbon reduction	(2,606)	-	303	(2,303)	(313)	1,994	(622)
Carry forwards	(16,395)	(23,250)	16,395	(23,250)	(14,804)	23,250	(14,804)
Collection Fund investment risk	(1,412)	-	-	(1,412)	-	-	(1,412)
Commercial investment in Essex Places	-	-	-	-	(12,583)	-	(12,583)
Community Initiatives Fund	(796)	(2,370)	2,013	(1,153)	-	666	(487)
COVID-19 Recovery	-	-	-	-	(2,900)	-	(2,900)
Digital Infrastructure	-	(5,000)	1,947	(3,053)	-	3,053	-
EES pension risk reserve	-	-	-	-	(4,000)	-	(4,000)
Emergency	-	-	-	-	(4,000)	4,000	-
Health and safety	(631)	(250)	-	(881)	(2,219)	-	(3,100)
Insurance	(9,061)	-	1,000	(8,061)	-	650	(7,411)
Property Fund	-	(326)	-	(326)	(325)	-	(651)
Quadrennial elections	(118)	(500)	-	(618)	(502)	27	(1,093)
Service Improvement	-	-	-	-	(6,941)	2,970	(3,971)
Social distancing and hygiene	-	-	-	-	(900)	-	(900)
Technology Solutions	-	-	-	-	(3,785)	-	(3,785)
Transformation	(22,015)	(29,969)	26,791	(25,193)	(19,783)	7,575	(37,401)
Other reserves	(3,557)	(300)	2,868	(989)	(252)	193	(1,048)
Total other reserves	(65,816)	(66,121)	56,238	(75,699)	(74,837)	47,795	(102,741)
Total earmarked revenue reserves	(284,997)	(94,075)	84,194	(294,878)	(118,713)	74,574	(339,017)

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9. Other operating expenditure

Other operating expenditure comprises of the following:

2018/19 £000		2019/20 £000
	(Gains)/losses on the disposal of non current assets	
(9,218)	Disposal proceeds	(26,957)
224,485	Carrying value of assets disposed of during the year	72,931
-	Impairment of Assets Held for Sale	6
62	Disposal costs	211
215,329	Total (gains)/losses on the disposal of non current assets	46,191
	Precepts and levies	
1,257	Lee Valley Regional Park	1,255
1,626	Environment Agency	1,674
384	Kent & Essex Inshore Fisheries & Conservation Authority	384
3,267	Precepts and levies	3,313
218,596	Total Other Operating Expenditure	49,504

The carrying value of assets disposed of during the year includes the effect of removing locally maintained schools from the Council's Balance Sheet that have obtained academy status during the financial year.

10. Financing and investment income and expenditure

Financing and investment income and expenditure comprises of the following:

2018/19 £000		2019/20 £000
	Net interest on the net defined benefit liability	
81,414	Interest cost	77,713
(53,812)	Interest on assets	(53,885)
27,602		23,828
38,987	Interest payable and similar charges	47,147
(2,585)	Interest receivable and similar income	(2,051)
6,194	Income and expenditure related to investment properties and changes in their value	(3,167)
(1,950)	Net surplus on trading activities	(675)
-	Other investment income (Dividends receivable)	(334)
68,248	Financing and Investment income and expenditure	64,748

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11. Trading operations

The Council has several trading activities that are required to operate in a commercial manner and balance their budget by generating income from other parts of the Council and other organisations. They are as follows:

Trading activity	Purpose
<ul style="list-style-type: none">EES for Schools	<p>Delivered advisory and inspection, governor, library services and financial management support to schools until December 2019.</p> <p>These services were transferred to a private sector provider in December, in return for a financial consideration, and the trading account has now been closed.</p>
<ul style="list-style-type: none">School staffing insurance scheme	<p>The School staffing insurance scheme trading activity was closed at the end of the 2018/19 financial year.</p> <p>It operated a self-insurance scheme for schools, supporting sickness and relocation expenses.</p>
<ul style="list-style-type: none">Music Services	<p>Delivers music services to schools.</p>
<ul style="list-style-type: none">Information Services infrastructure	<p>Monitored the decommissioning and refresh of IT equipment within the Council.</p> <p>This trading account was closed at the end of the 2019/20 financial year.</p>
<ul style="list-style-type: none">Place Services	<p>Provides environmental planning support and arboriculture services.</p>

The net surplus on these trading activities is brought into account when determining the net operating expenditure of the Council.

The following table provides a summary of the financial results of these trading activities.

	Balance at 1 April £000	Movements				Balance at 31 March £000
		Income £000	Expend- iture £000	Net (Surplus) / deficit £000	Approp- riations £000	
2018/19						
EES for Schools	(321)	(10,499)	8,076	(2,423)	2,744	-
School staffing insurance scheme	(263)	(4,075)	5,172	1,097	(834)	-
Music Services	-	(4,529)	4,233	(296)	128	(168)
Information Services infrastructure	(538)	(3,687)	3,543	(144)	682	-
Place Services	(293)	(2,856)	2,672	(184)	(6)	(483)
	(1,415)	(25,646)	23,696	(1,950)	2,714	(651)
2019/20						
EES for Schools	-	(6,776)	6,603	(173)	173	-
Music Services	(168)	(4,428)	4,416	(12)	65	(115)
Information Services infrastructure	-	(1,406)	1,185	(221)	221	-
Place Services	(483)	(3,099)	2,830	(269)	39	(713)
	(651)	(15,709)	15,034	(675)	498	(828)

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12. Taxation and non-specific grant income

Taxation and non-specific grant income is analysed as follows:

2018/19 £000		2019/20 £000
	Taxation	
(641,542)	Council tax	(678,882)
(43,919)	Non domestic rates	(42,538)
(303,737)	Non specific grant income	(329,416)
(989,198)	Taxation and non specific grant income	(1,050,836)

13. Grant income

13.1 Amounts credited to Taxation and Non-Specific Grant income

The following non-specific grants have been credited to Taxation and Non-Specific Grant income:

2018/19 £000		2019/20 £000
	Non ring-fenced grants	
130,940	Non Domestic Rates (<i>Top up grant and Safety net / levy</i>)	133,768
-	Covid-19 Emergency Funding	37,395
27,123	Private Finance Initiative Grants	27,123
45,738	Revenue Support Grant	18,300
4,551	New Homes Bonus / New Homes Bonus Adjustment Grant	4,721
3,700	Adult Social Care Support Grant	10,112
5,249	Independent Living Fund Grant	5,089
11,586	Business Rates (Section 31 Grants)	11,423
1,230	Other non ring-fenced grants	1,249
230,117		249,180
	Capital grants and contributions	
	Department for Education	
18,077	Basic need	1,861
4,782	Other	6,243
	Department for Transport grants	
19,626	Direct funding	23,932
7,640	Integrated transport grant	6,924
6,055	Other	15,197
10,162	South East Local Enterprise Partnership - Local Growth Fund	13,298
7,278	Other grants and contributions	12,781
73,620		80,236
303,737	Total non-specific grant income	329,416

Note: The **COVID-19 Emergency Funding** awarded to the Council in March 2020 was transferred into the **Grant Equalisation** earmarked revenue reserve (see Note 8 which commences on page 67), and will be used to meet costs arising in relation to the pandemic in 2020/21.

13.2 Amounts credited to Services

An analysis of the specific revenue and capital grants that have been credited to the Net Cost of Services within the Comprehensive Income and Expenditure Statement is as follows:

2018/19				2019/20		
Capital grants	Specific revenue grants	Total		Capital grants	Specific revenue grants	Total
£000	£000	£000		£000	£000	£000
42,080	3,498	45,578	Department for Education (incl. Education and Skills Funding Agency)	12,808	3,989	16,797
-	476,965	476,965	Department for Education grants	-	464,793	464,793
-	18,161	18,161	Education and Skills Funding Agency grants	-	17,362	17,362
-	11,447	11,447	Dedicated Schools grant	-	9,783	9,783
-	7,927	7,927	Pupil Premium grant	-	7,945	7,945
-	10,811	10,811	Universal Infants Free School Meals	-	17,176	17,176
-			Adult Community Learning	-		
-			Other Education and Skills Funding Agency grants	-		
42,080	528,809	570,889		12,808	521,048	533,856
-	62,479	62,479	Department of Health and Social Care	-	60,829	60,829
-	5,919	5,919	Public Health grant	-	-	-
-	2,340	2,340	Winter Pressures grant	-	2,359	2,359
-	70,738	70,738	Other Department of Health grants	-	63,188	63,188
-	34,006	34,006	Ministry of Housing, Communities and Local Government (MHCLG)	-	39,983	39,983
-	3,830	3,830	Additional Better Care Fund grant	-	3,782	3,782
-	37,836	37,836	Other MHCLG grants	-	43,765	43,765
891	-	891	Grants awarded by other bodies	972	-	972
7,822	1,470	9,292	Department for Digital, Culture, Media and Sports	-	2,680	2,680
	5,364	5,364	Department for Transport		7,133	7,133
8,455	6,528	14,983	Home Office	6,054	10,626	16,680
17,168	13,362	30,530	Other grants	7,026	20,439	27,465
59,248	650,745	709,993		19,834	648,440	668,274

Note: Comparative figures for the prior year have been grouped on a basis consistent with 2019/20.

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14. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by a grant awarded by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). An element of the DSG is recouped by the Education and Skills Funding Agency 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.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are provided in the following table.

2018/19 £000		2019/20 Total £000	Deployment in 2019/20	
			Central Expenditure £000	Individual Schools Budget £000
(1,068,459)	Final DSG for the year (before Academy recoupment)	(1,090,849)		
586,477	Academy figure recouped	623,430		
(481,982)	Total DSG after Academy recoupment	(467,419)		
5,096	Brought forward from previous year	3,019		
-	Carry forward to next year agreed in advance	-		
(476,886)	Agreed initial budgeted distribution	(464,400)	(76,547)	(387,853)
1,755	In year adjustments	(1,627)		(1,627)
(475,131)	Final budgeted distribution	(466,027)	(76,547)	(389,480)
478,150	Actual central expenditure / ISB deployed	471,386	81,906	389,480
-	Council's contribution for year	-	-	-
3,019	Deficit carried forward to next year	5,359	5,359	-

The School and Early Years Finance (England) Regulations 2020 stipulate that the Council cannot fund the deficit on the Dedicated Schools budget from its General Fund without the Secretary of State for Education's approval. In accordance with these Regulations, the Council is carrying forward the full deficit at the end of the 2019/20 financial year into next year's funding period. The accumulated deficit is disclosed as an earmarked revenue reserve (see note 8, which commences on page 67).

15. Property, plant and equipment, other non-current assets and assets held for sale

15.1 Movement in balances – 2018/19

	Property, plant and equipment						Intangible Assets	Investment Property	Heritage Assets	Assets held for sale
	Land and buildings	Vehicles and equipment	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2018	1,608,241	55,324	1,446,754	3,375	135,115	46,097	16,187	39,920	14,536	3,795
Additions	2,033	296	79	-	170,489	-	-	6,673	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	64,183	-	-	136	-	5,383	-	-	-	-
Surplus/Deficit on the provision of services	(23,940)	-	-	-	-	(2,674)	-	(8,095)	-	-
Disposals	(223,412)	(1,976)	-	-	-	-	-	(52)	-	(676)
Reclassifications to / (from) other categories	(9,532)	-	-	(406)	-	7,056	-	(123)	-	3,005
Transfers from assets under construction	28,783	1,308	105,781	255	(136,669)	151	303	14	74	-
As at 31 March 2019	1,446,356	54,952	1,552,614	3,360	168,935	56,013	16,490	38,337	14,610	6,124
Depreciation / Amortisation										
As at 1 April 2018	(37,023)	(39,127)	(370,801)	(258)	-	(1,094)	(6,791)	-	(35)	-
Revaluations and restatements	21,957	-	-	90	-	244	-	-	-	-
Depreciation / amortisation on impairments	2,286	-	-	-	-	284	-	-	-	-
Depreciation / amortisation for the year	(29,606)	(6,425)	(40,444)	(64)	-	(319)	(2,370)	-	(3)	-
Depreciation / amortisation on assets sold	3,696	1,630	-	-	-	-	-	-	-	-
Other movements in depreciation / impairment	2	-	-	2	-	(4)	-	-	-	-
As at 31 March 2019	(38,688)	(43,922)	(411,245)	(230)	-	(889)	(9,161)	-	(38)	-
Net book value at 31 March 2018	1,571,218	16,197	1,075,953	3,117	135,115	45,003	9,396	39,920	14,501	3,795
Net book value at 31 March 2019	1,407,668	11,030	1,141,369	3,130	168,935	55,124	7,329	38,337	14,572	6,124

15.2 Movement in balances – 2019/20

	Property, plant and equipment						Intangible Assets	Investment Property	Heritage Assets	Assets held for sale
	Land and buildings	Vehicles and equipment	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2019	1,446,356	54,952	1,552,614	3,360	168,935	56,013	16,490	38,337	14,610	6,124
Additions	(375)	2,606	-	-	107,477	-	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	39,008	-	-	-	-	11,185	-	-	-	-
Surplus/Deficit on the provision of services	(61,684)	-	-	-	-	3,390	-	1,269	-	(6)
Disposals	(59,043)	(2,947)	-	(2)	-	(5,818)	(972)	(432)	-	(5,828)
Reclassifications to / (from) other categories	9,971	-	-	-	-	(12,094)	-	-	-	2,123
Transfers from assets under construction	51,333	204	82,481	216	(138,893)	317	4,237	7	98	-
As at 31 March 2020	1,425,566	54,815	1,635,095	3,574	137,519	52,993	19,755	39,181	14,708	2,413
Depreciation / Amortisation										
As at 1 April 2019	(38,688)	(43,922)	(411,245)	(230)	-	(889)	(9,161)	-	(38)	-
Revaluations and restatements	33,650	-	-	-	-	75	-	-	-	-
Depreciation / amortisation on impairments	4,598	-	-	-	-	28	-	-	-	-
Depreciation / amortisation for the year	(28,525)	(3,364)	(42,916)	(69)	-	(310)	(2,984)	-	(3)	-
Depreciation / amortisation on assets sold	1,514	2,115	-	-	-	430	972	-	-	-
Other movements in depreciation / impairment	(11)	-	-	-	-	11	-	-	-	-
As at 31 March 2020	(27,462)	(45,171)	(454,161)	(299)	-	(655)	(11,173)	-	(41)	-
Net book value at 31 March 2019	1,407,668	11,030	1,141,369	3,130	168,935	55,124	7,329	38,337	14,572	6,124
Net book value at 31 March 2020	1,398,104	9,644	1,180,934	3,275	137,519	52,338	8,582	39,181	14,667	2,413

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15.3 Fair value measurement

In accordance with Note 1.22 (page 52), the Council measures its surplus assets and investment property at fair value. The inputs into the valuation techniques are categorised as follows:

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

Information about the fair values of these assets as at 31 March 2020 is as follows:

31st March 2019				31st March 2020		
Level 1	Level 2	Fair value		Level 1	Level 2	Fair value
<i>Quoted price in active market for identical assets</i>	<i>Other significant observable inputs</i>			<i>Quoted price in active market for identical assets</i>	<i>Other significant observable inputs</i>	
£000	£000	£000		£000	£000	£000
			Surplus properties			
5,025	27,568	32,593	Former school sites	5,025	24,462	29,487
2,414	8,880	11,294	Land	2,521	8,390	10,911
4,216	7,910	12,126	Other	2,907	9,688	12,595
11,655	44,358	56,013		10,453	42,540	52,993
			Investment properties			
-	14,079	14,079	Retail Park	-	12,250	12,250
-	10,749	10,749	Office Block	-	10,200	10,200
-	6,300	6,300	Industrial Unit	-	6,600	6,600
1,144	5,110	6,254	Agricultural tenancies	-	9,145	9,145
523	432	955	Other	-	986	986
1,667	36,670	38,337		-	39,181	39,181

The Council has interpreted **Level 1** inputs as meaning that the valuation figures are based on a strong pool of prima facie market evidence considered to be highly or directly comparable (i.e. very similar in terms of property type and/or location to the subject asset).

In the absence of prima facie market transactional evidence, fair value has been derived by determining a general tone of values for an asset class and/or geographical location and by considering transactional evidence for the sale of comparable assets (interpreted as being a **Level 2** input).

No fair values have been derived using **Level 3** inputs.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. For surplus properties, the highest and best use is assessed by considering if there is an alternative use to that applied by the Council when the properties were used for operational purposes that would maximise their value.

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15.4 Capital commitments

At 31 March 2020, the Council had entered into contracts for the construction or enhancement of Property, Plant and Equipment. The commitments are summarised as follows:

31 March 2019 £000		31 March 2020 £000
13,836	Highways and Transportation	43,878
15,894	Education (schools)	12,461
12,188	Information Services	14,542
7,526	Other	7,440
49,444		78,321

15.5 Revaluations

The Council ensures that all Property, Plant and Equipment required to be measured at current value is re-valued, under a rolling five-year programme, by the Council's property advisor Lambert Smith Hampton. All valuations are undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The timing and amounts of the valuations are summarised in the following table:

	Held at historical value £000	Valued as at					Total cost or valuation £000
		31 March 2016 £000	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000	31 March 2020 £000	
Operational Assets							
Land and buildings	-	99,165	169,793	355,407	277,728	523,473	1,425,566
Vehicles, plant & equipment	54,815	-	-	-	-	-	54,815
Infrastructure	1,635,095	-	-	-	-	-	1,635,095
Community Assets	3,574	-	-	-	-	-	3,574
Non-Operational Assets							
Surplus Assets	-	12,418	6,107	9,131	18,249	7,088	52,993
Assets under construction	137,519	-	-	-	-	-	137,519
Gross book value	1,831,003	111,583	175,900	364,538	295,977	530,561	3,309,562

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16. Capital expenditure and capital 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 lease and PFI contracts), together with the resources that have been used to finance it.

The Capital Financing Requirement provides a measure of the capital expenditure incurred by the Council that has yet to be financed. The movement in the Capital Financing Requirement is analysed in the second part of this note.

2018/19 £000		2019/20 £000
992,451	Opening Capital Financing Requirement	1,056,856
	Capital investment	
172,897	Property, plant and equipment	109,170
6,673	Investment property	7
-	Intangible assets	122
6,423	Inventories	2,688
69,862	Revenue expenditure funded from capital under statute	74,640
627	Loans awarded for capital purposes	1,350
250	Equity investments	-
256,732	Total capital investment	187,977
	Sources of finance	
(10,283)	Capital receipts	(19,580)
(143,890)	Government grants and contributions	(111,978)
(5,038)	Earmarked revenue reserves applied	-
(33,116)	Revenue provision for the repayment of debt	(37,122)
(192,327)	Total sources of finance	(168,680)
64,405	Increase in the Capital Financing Requirement	19,297
1,056,856	Closing Capital Financing Requirement	1,076,153
	Explanation of movements in year	
64,302	Increase in underlying need to borrow	17,226
103	Increase for assets acquired under finance lease	2,071
64,405	Increase in the Capital Financing Requirement	19,297

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17. Leases

17.1 Council as Lessee – Finance leases

The following table summarises the Council's finance lease obligations:

31 March 2019			31 March 2020	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
8	797	Property	14	393
1,307	3,229	Vehicles, plant and equipment	1,038	3,900
6,636	126,931	Private Finance Initiatives	6,577	111,287
7,951	130,957		7,629	115,580

Further detail on the liabilities related to Private Finance Initiative schemes is provided in Note 18, which commences on page 82.

17.2 Council as Lessee – Operating leases

The Council has acquired the use of Property, Plant and Equipment by entering operating leases. The future minimum lease payments due as at the year-end under non-cancellable leases in future years are:

31 March 2019				31 March 2020		
Property £000	Other £000	Total £000		Property £000	Other £000	Total £000
3,128	1,933	5,061	One year	3,001	814	3,815
10,733	1,314	12,047	Two to five years	9,611	1,191	10,802
51,123	21	51,144	Over five years	47,234	120	47,354
64,984	3,268	68,252	Total lease rentals	59,846	2,125	61,971

17.3 Council as Lessor – Finance leases

The Council has leased out several properties under the terms of a finance lease. The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term of the leases. The minimum lease payments comprise the settlement of the long-term debtor for the interest in the properties and finance income that will be earned by the Council in future years whilst the debtors remain outstanding.

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The gross investment is made up of the following amounts:

31 March 2019 £000		31 March 2020 £000
	Finance lease debtor	
25	Current	-
2,494	Non-current	334
2,519		334

17.4 Council as lessor – Operating leases

The Council leases out properties within its Investment Property portfolio, as detailed in Note 15.3, on page 78. It also leases out properties for the provision of community and voluntary services. The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

31 March 2019 £000		31 March 2020 £000
3,374	Not later than one year	3,246
11,105	Later than one year and not later than five years	5,560
12,049	Later than five years	2,305
26,528	Total	11,111

The future minimum lease payments receivable as at 31 March 2020 reflect the amounts receivable up to the earliest date that the lessees can exit from the arrangements without penalty. The comparative figures for the previous financial year assumed that these leases would continue to the end of their contractual term.

18. Private Finance Initiative and similar contracts

18.1 Nature and significant terms of PFI arrangements

The Council has entered into several Private Finance Initiative (PFI) and Public Private Partnership (PPP) schemes. The nature and significant terms of these arrangements are as follows:

Scheme	Nature and significant terms
A130 Bypass	<p>This contract was entered into in October 1999 for the design, construction and maintenance of the A130 Bypass and associated off-site facilities.</p> <p>Construction was completed in two phases; the Northern section was completed in 2002 and the Southern section in 2003. No payments were made until construction of the road was complete. Construction and land costs were estimated at £80m.</p> <p>Payments are made to the Contractor for the provision of the road surface and are based upon the availability and usage of the road. Deductions can be made if the road is closed</p>

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Scheme	Nature and significant terms
	<p>or if traffic flow is affected by road works.</p> <p>The road will be passed to the Council in a repaired/neutral state at the end of the arrangements in 2030.</p>
Debden Park School	<p>Under this arrangement, the Operator was firstly responsible for construction of the school and subsequently for the running of it. Initial construction costs were in the region of £15m.</p> <p>The contractor is operating and maintaining the school facilities for a contract term of 25 years (i.e. until 2026).</p> <p>The amounts paid to the Contractor vary according to inflation, the proportion of time that the facilities are made available to the school and according to the achievement of performance goals.</p>
Clacton Secondary Schools	<p>This PFI contract was entered into in 2003/04 for the construction of a new secondary school and the expansion and refurbishment of a further two secondary schools, all within the Clacton area. Total construction costs were in the region of £34m.</p> <p>The contract also provides for a full facilities management service for all sites for the contract term of 30 years (i.e. from 2005 until 2035).</p> <p>In return for these services, the Operator is paid an annual unitary charge, which varies according to inflation, the proportion of the time that the facilities are made available to the schools, and the extent to which the Operator meets agreed performance goals.</p>
Tendring Primary Schools	<p>The Council entered into a contract in October 2001 for the provision and refurbishment of 12 primary schools within the Tendring area. Total construction costs were in the region of £15m. The Operator was operating and maintaining the schools' facilities for a contract term of 32 years.</p> <p>The Council gave notice of its intention to voluntarily terminate the contract on 28 September 2018; the effective date of termination was 28 December 2019. The Council elected to terminate the contract early on value for money grounds.</p> <p>An early termination premium of £9.767m was payable to the contractor to extinguish the Council's liability on the effective date of termination. This premium was carried into the Financial Instruments Adjustment Account (see note 27.4 on page 101) and will be charged to the General Fund over the unexpired term that was outstanding on the contract when it was terminated.</p>
Castlevew, Cornelius Vermuyden and Columbus Schools	<p>This contract was entered into in April 2010 for the provision of three schools under one project agreement, with one unitary payment. The contract includes buildings and grounds maintenance, security, caretaking and cleaning. The operational term for the PFI contract, which commenced in January 2012, is 25 years.</p> <p>At financial close of this contract, two of the schools were foundation schools and one was a community school. All three of the schools have subsequently converted to academy status.</p> <p>These schools' governing bodies consent to the Council acting on their behalf and they accept the arrangements included within the PFI project agreement. Payment arrangements between the Council and these schools reflect those agreed in the project agreement.</p> <p>The Council carries the PFI liabilities on its own Balance Sheet for one of these schools (the Columbus School), as this school was a community school at financial close of the contract. The construction costs of this school amounted to £22.3m.</p>

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Scheme	Nature and significant terms
Woodlands School	<p>The contract includes buildings and grounds maintenance, security, caretaking and cleaning. The operational term for the PFI contract is 23 years (excluding the construction period). Upon expiry of the contract, it is intended that any property interest will revert back to the Council for nil consideration.</p> <p>Construction costs for this school amounted to £27m. The school became operational in January 2014. It converted to academy status on 1 April 2015.</p> <p>Unitary payments, which include payment for services provided, financing charges and repayment of this liability, will be in the region of £4m per annum.</p>
Waste Treatment Plant - Basildon	<p>This contract was entered into on 31 May 2012 with UBB (Essex Waste) Ltd and provides for the design, construction, finance and operation of a waste treatment plant in Basildon. Work on the physical construction commenced in March 2013; the Facility required capital expenditure in the region of £107m (borne by the private sector) and achieved the Readiness Date in November 2014.</p> <p>The Facility is accepting waste and achieving diversion from landfill but is still in its commissioning phase and the contractual longstop date has passed. The parties are utilising the contractual and dispute mechanisms to seek resolution to the commissioning issues that have arisen (<i>see page 98 for further details</i>).</p> <p>The Facility, and associated PFI liability, will not be recognised in the Council's Balance Sheet until the Acceptance Test Certificate is issued for the Facility or a likely future obligation exists.</p> <p>Under the contract, the property interest reverts to the Council for nil consideration upon the expiry of the 25 year PFI contract.</p>

18.2 Details of payments to be made under PFI contracts

The Council makes agreed payments under the schemes detailed in note 18.1 each year, which are increased by inflation, and can be reduced if the contractor fails to meet availability and performance standards, but which are otherwise fixed.

Payments remaining to be made by the Council under the operational phase of its PFI contracts (*excluding any estimation of inflation and availability / performance deductions*) are as follows:

	Estimated timing of payments to PFI/PPP operators					
	Within one year	2 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years	Total
	£000	£000	£000	£000	£000	£000
Service charges	6,669	28,574	37,403	31,998	6,842	111,486
Interest and similar charges	17,129	71,745	36,317	16,525	2,915	144,631
Repayment of liability	6,577	48,260	26,830	25,719	10,478	117,864
Lifecycle replacement	3,289	8,981	16,253	6,226	1,244	35,993
Total	33,664	157,560	116,803	80,468	21,479	409,974

Under existing legislation, the Council expects to continue to receive additional government grant that will broadly cover the capital elements of the payments to contractors.

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18.3 Property, plant and equipment used to provide services

The assets recognised on the Council's Balance Sheet that are used to provide services in respect of the above schemes are as follows:

31st March 2019 £000		31st March 2020 £000
	Gross Book Value	
145,339	As at 1 April	146,706
-	Additions	
	Revaluation increases / (decreases) recognised in:	
1,359	Revaluation Reserve	(1,555)
-	Surplus/Deficit on the provision of services	(1,165)
8	Transfers to / (from) assets under construction	-
-	Assets no longer subject to PFI arrangement	(41,226)
146,706	As at 31 March	102,760
	Depreciation / Amortisation	
(33,330)	As at 1 April	(35,589)
703	Revaluations and restatements	498
-	Depreciation / amortisation on impairments	16
(2,962)	Depreciation / amortisation for the year	(2,283)
-	Depreciation on assets no longer subject to PFI arrangements	269
(35,589)	As at 31 March	(37,089)
112,009	<i>Net book value at 1 April</i>	111,117
111,117	<i>Net book value at 31 March</i>	65,671

As noted on page 83, the Council elected to terminate its Tendring Primary Schools Public Private Partnership (PPP) contract early. In accordance with accounting policy note 1.18 (which commences on page 48), the Council already carried on its Balance Sheet the assets provided under this contract that it deemed it controlled, and which would pass to the Council at the end of the contract for no additional charge. Hence, these assets have been removed from the above analysis, but they remain on the Council's Balance Sheet.

18.4 Value of PFI liabilities for capital expenditure

The following liability is outstanding to pay the PFI contractors for capital expenditure:

2018/19 £000		2019/20 £000
(140,120)	Balance as at 1 April	(133,568)
6,552	Liabilities repaid	15,704
(133,568)	Balance as at 31 March	(117,864)

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19. Financial instruments

19.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2019				31 March 2020		
Long term £000	Short term £000	Total £000		Long term £000	Short term £000	Total £000
			Financial assets			
			Investments			
11,645	-	11,645	Fair value through Profit or Loss	11,254	-	11,254
1,470	90,209	91,679	Amortised cost	1,451	115,191	116,642
13,115	90,209	103,324		12,705	115,191	127,896
5,591	93,896	99,487	Debtors (contractual)	4,810	84,627	89,437
-	157,578	157,578	Cash and cash equivalents	-	308,636	308,636
18,706	341,683	360,389	Total	17,515	508,454	525,969
			Financial liabilities (amortised cost)			
(511,798)	(8,572)	(520,370)	Borrowing	(598,941)	(25,548)	(624,489)
(130,957)	(7,951)	(138,908)	PFI / Finance lease liabilities	(115,580)	(7,629)	(123,209)
(1,113)	(283,666)	(284,779)	Creditors (contractual)	(1,215)	(296,467)	(297,682)
(643,868)	(300,189)	(944,057)	Total	(715,736)	(329,644)	(1,045,380)

Cash and cash equivalents are financial instruments which are subject to setting off arrangements - the Council's bank overdraft balance has been set-off against the cash and cash equivalent balances held. Further details of this arrangement are disclosed in Note 22 on page 95.

Debtors and creditors are carried at amortised cost. The above totals for debtors and creditors differ from the Balance Sheet as debtors and creditors related to statutory debts such as council tax and non-domestic rates are excluded, as they are not classified as financial instruments.

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19.2 Income, expense, gains and losses

The following table provides an analysis of the items included within the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement in relation to income, expense and gains and losses on financial instruments:

2018/19 £000		2019/20 £000
	Net gains / losses	
	Financial assets classified as:	
(169)	Fair value through profit or loss	394
(169)	Net gains / losses	394
	Interest revenue	
	Financial assets classified as:	
(692)	Fair value through profit or loss	(644)
(1,724)	Amortised cost	(1,801)
(2,416)	Interest revenue	(2,445)
38,987	Interest expense	47,147
36,402	Net (gain) / loss for the year	45,096

19.3 Fair values of financial assets carried at fair value

The financial assets classified as 'Fair Value through Profit and Loss' in note 19.1 comprise an investment in a pooled Property Fund and an equity investment in Medtech Accelerator Ltd, a company supporting the development of new medical technologies to create new employment opportunities in the region.

The pooled Property Fund is measured at fair value on a recurring basis, using input **Level 1** in the fair value hierarchy. This means that fair value is based on the quoted price in an active market for identical shares.

The equity investment in Medtech Accelerator Ltd is held at amortised cost, as a proxy for fair value, as fair value cannot be reliably estimated.

19.4 Fair values for financial assets and liabilities not measured at fair value

Other than the financial assets described in note 19.3, all financial assets and all financial liabilities are carried in the Balance Sheet at amortised cost.

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The following table compares, for all financial assets and liabilities held at amortised cost, the carrying and fair values:

31 March 2019			31 March 2020	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Financial liabilities		
		Borrowing		
(433,418)	(551,998)	Public Works Loans Board	(537,144)	(633,784)
(77,928)	(124,888)	Money Market loans	(77,937)	(128,395)
(9,024)	(9,024)	Other	(9,408)	(8,826)
(520,370)	(685,910)	Total borrowing	(624,489)	(771,005)
(138,908)	(138,908)	PFI / finance lease liabilities	(123,209)	(123,209)
(284,779)	(284,779)	Creditors (contractual)	(297,682)	(297,682)
(944,057)	(1,109,597)	Total Financial Liabilities	(1,045,380)	(1,191,896)
		Financial Assets		
		Investments		
91,679	91,470	Investments at amortised cost	116,642	116,451
91,679	91,470	Total investments	116,642	116,451
157,578	157,578	Cash and cash equivalents	308,636	308,636
99,487	99,487	Debtors (contractual)	89,437	89,437
348,744	348,535	Total Financial Assets	514,715	514,524

Financial liabilities

- The fair value of Public Works Loan Board (PWLB) loans measures the economic effect of terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed to be the PWLB 'new loan' rate. The difference between the fair value of the PWLB loans (£633.784m) and the carrying amount (£537.144m) therefore measures the additional interest the Council will pay over the remaining term of the loans, against what would be paid if the loans were at prevailing 'new loan' rates. However, the Council would not simply be able to swap its existing loans for equivalent loans at the 'new loan' rate because the PWLB would raise a penalty charge for early redemption of £308.997m for the additional interest that would now not be paid. The exit price for the PWLB loans, including this penalty charge, would therefore be £846.141m.
- Whilst the 'fair value' measurements provide an indication of the cost of prematurely repaying existing PWLB and Money Market loans at 31 March 2020, the Council has a Capital Financing Requirement (see note 16 on page 80) well in excess of these loans, and so does not foresee the need to prematurely repay these loans.

Investments and cash

- Where an instrument will mature within the next 12 months, the carrying amount is assumed to approximate to fair value.

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Other

- The fair value of trade creditors, debtors and PFI liabilities is taken to be the invoiced or billed amount.

19.5 Fair value hierarchy for financial assets and liabilities not measured at fair value

The fair values for borrowing and investments that are not carried in the Balance Sheet at fair value have all been derived at **level 2** of the fair value hierarchy (i.e. using inputs other than quoted prices that are observable for the financial asset / liability). The fair value of the remainder of financial liabilities and assets that are not carried in the Balance Sheet at fair value have been derived at **level 3** of the fair value hierarchy.

The fair value for financial liabilities and financial assets that are not measured at fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- **Financial Assets**
 - No early repayments or impairment is recognised.
 - Estimated ranges of interest rates at 31 March 2020 of **0.05%** to **1.05%** for loans receivable, based on new lending rates for the remaining period of the deposits at that date.
 - The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- **Financial liabilities**
 - No early repayment is recognised.
 - Estimated ranges of interest rates at 31 March 2020 of **1.62%** to **2.64%** for loans payable based on new lending rates for equivalent loans at that date.
 - The fair value of trade and other payables is taken to be the invoiced or billed amount.

19.6 Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- **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.
- **Market risk** – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates.

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The Council's overall treasury risk management framework focuses on the unpredictability of financial markets and arrangements for minimising these risks. An annual **Treasury Management Strategy** is produced in compliance with statutory regulations and the CIPFA Treasury Management Code of Practice (i.e. the CIPFA Treasury Management in the Public Services Code of Practice and Cross Sectoral guidance notes).

Overall, these procedures require the Council to manage risks in the following ways:

- By approving annual limits on the overall level of borrowing, exposure to fixed and variable interest rates, maturity structure of debt and amount that can be invested beyond one year.
- By approving an annual investment strategy that establishes criteria for both investing and selecting counterparties in compliance with government guidance.

Risk management is carried out by the Council's central treasury team, under policies approved by the Council in the annual **Treasury Management Strategy**. In addition, the Council has written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as from credit exposure associated with the Council's customers.

The Council sought to minimise the credit risks associated with depositing funds with banks and financial institutions by only placing funds with those counterparties that had credit ratings equivalent to, or better than, the credit rating criteria set out within the Council's investment strategy, which seeks to provide a sound approach to investing in normal market circumstances.

UK banks and building societies, and non-UK banks domiciled in a country with a minimum sovereign rating of '**AA**', were considered for inclusion on the Council's lending list during 2019/20 if they had acceptable credit ratings in both of the following categories:

- **Short term rating** – provides an indication of the capacity of the financial institution to meet its financial commitments in the short term.
- **Long term rating** – provides an indication of the capacity of the financial institution to meet its financial commitments over the longer term.

Banks and building societies that satisfied the Council's minimum criteria across each of these categories were eligible to be included on the Council's lending list. The short and long-term ratings were further applied to determine the maximum amount that could be invested with individual counterparties and the maximum period of those investments. This approach sought to ensure that the Council applied a consistent approach to the amount, and period, of investments with institutions exposed to similar risks.

Nationalised / part-nationalised financial institutions were also included on the Council's lending list, together with Money Market Funds that were denominated in 'sterling' and regulated within the EU and had an '**AAA**' credit rating.

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Application of the credit rating criteria set out within the Annual Investment Strategy meant that the maximum amount invested in 2019/20 by the Council with any financial institution, at any point in time, ranged between **£20m** and **£70m** (*i.e. the limit varied within this range, depending on the relative strength of financial institutions' credit ratings within the acceptable range*).

Surplus cash balances were predominantly invested on a short-term basis (*i.e. for periods of up to 364 days*) until the funds were next required. Funds invested on this basis were either placed 'on-call' or in short term 'fixed term' deposits. Because of the short-term nature of these investments, the Council was able to respond quickly to changes in credit risk.

The Council's Investments Strategy also allowed for underlying cash balances to be invested on a longer-term basis (*i.e. for periods beyond 364 days*). Because it is not possible to respond to changes in credit risk as quickly, a limit was set within the annual treasury management strategy, upon the total amount that could be invested for periods beyond 364 days. For 2019/20, this limit was **£50m** (2018/19: £50m).

No credit limits were exceeded during 2019/20 and the Council did not experience any losses from non-performance by any of its counterparties in relation to the deposits it placed with them.

Liquidity risk

There are no significant risks that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council seeks to mitigate against this risk by ensuring a relatively even debt maturity profile, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of existing financial liabilities is as follows:

31 March 2019				Repayment period	31 March 2020			
PWLB	Money Market	Other	Total		PWLB	Money Market	Other	Total
£000	£000	£000	£000		£000	£000	£000	£000
5,551	928	2,093	8,572	Less than one year	20,824	937	3,787	25,548
5,551	928	2,093	8,572	Short term borrowing	20,824	937	3,787	25,548
16,539	-	1,685	18,224	Between 1 and 2 years	9,102	-	3,535	12,637
28,005	-	5,246	33,251	Between 2 - 5 years	34,709	-	2,086	36,795
48,019	-	-	48,019	Between 5 - 10 years	94,213	-	-	94,213
155,000	-	-	155,000	Between 10 - 25 years	198,000	-	-	198,000
180,304	-	-	180,304	Between 25 - 40 years	180,296	-	-	180,296
-	-	-	-	Between 40 - 50 years	-	-	-	-
-	77,000	-	77,000	Over 50 years	-	77,000	-	77,000
427,867	77,000	6,931	511,798	Long term borrowing	516,320	77,000	5,621	598,941
433,418	77,928	9,024	520,370	Total borrowing	537,144	77,937	9,408	624,489

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Market Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

The Council only carries a small proportion of its investments at fair value, and none of its borrowing is carried at fair value. Consequently, nominal gains and losses on fixed rate borrowing and investments would not impact on the surplus/deficit on the Provision of Services. However, changes in interest payable and receivable on variable rate borrowings and investments will impact on the amount charged / credited to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The Council has several strategies for managing interest rate risk. The overall policy is to aim to keep a maximum of **30%** of borrowings in variable rate loans (2018/19: 30%).

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is at fixed or variable rates of interest.

If interest rates had been **1%** higher throughout 2019/20 (with all other variables held constant) the Council's net interest burden would have been lower than that shown in Note 19.2, as follows:

2018/19 £000		2019/20 £000
	Impact on the Comprehensive Income and Expenditure Statement	
339	Interest payable on variable rate borrowing	366
(1,077)	Interest receivable on variable rate investments	(1,347)
(738)	Net (gain) / loss	(981)

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19.7 Credit risk management practices

The following arrangements were in place for managing credit risk in relation to financial assets, and for estimating the impairment loss allowances that would reflect the Council's exposure to this risk:

Asset type	Credit risk management practices	Estimation of impairment loss allowances
Loans to other local authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks and building societies	Deposits are restricted by the Council's Treasury Management Strategy (as noted above).	Expected credit losses are calculated by applying historical experience of default factors supplied by the Council's Treasury Management Advisor.
Other debtors	Debtors are not subject to internal credit rating; they are instead grouped by their credit risk characteristics for the purposes of calculating expected credit losses.	Expected credit losses are calculated using provision matrices based on historical data for defaults, overlaid by consideration of factors impacting upon debtors' ability to settle their obligations.

The following table summarises the Council's potential credit risk exposure:

	Credit risk rating			Gross carrying amount £000
	Low £000	Medium £000	High £000	
Deposits with banks and other financial institutions	413,436	-	-	413,436
Loans to businesses	1,451	-	-	1,451
	414,887	-	-	414,887
Other debtors (contractual) - not subject to credit rating				89,437
Total amount exposed to credit risk				504,324

The following movements in the impairment loss allowances for financial assets took place in 2019/20:

2018/19					2019/20			
Cash and cash equivalents £000	Investments at amortised cost £000	Other debtors (contractual) £000	Total £000		Cash and cash equivalents £000	Investments at amortised cost £000	Other debtors (contractual) £000	Total £000
2	114	13,989	14,105	Allowance at 1 April	24	33	14,063	14,120
(2)	(114)	-	(116)	Assets derecognised	-	(21)	-	(21)
24	33	74	131	Assets recognised	34	-	2,339	2,373
24	33	14,063	14,120	Allowance at 31 March	58	12	16,402	16,472

The total credit loss allowance for contractual debtors, at **£16.402m**, equates to **18%** of the debt outstanding at 31 March 2020 (31 March 2019: £14.063m, equating to 14% of the debt outstanding).

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20. Inventories

The following table provides an analysis of the inventories held at 31 March:

2018/19				2019/20		
Consumable Stores	Property acquired or constructed for sale	Total		Consumable Stores	Property acquired or constructed for sale	Total
£000	£000	£000		£000	£000	£000
42	7,123	7,165	Balance as at 1 April	44	9,852	9,896
11	6,424	6,435	Purchases	17	2,688	2,705
(9)	(3,695)	(3,704)	Recognised as an expense in the year	(4)	(3,328)	(3,332)
44	9,852	9,896	Balance as at 31 March	57	9,212	9,269

21. Debtors

The following table analyses short and long-term debtors:

31 March 2019				31 March 2020		
Short term	Long term	Total		Short term	Long term	Total
£000	£000	£000		£000	£000	£000
82,843	283	83,126	Trade debtors	74,925	679	75,604
10,442	-	10,442	Recoverable Value Added Tax	9,462	-	9,462
			Council Tax and Non Domestic Rates			
11,536	-	11,536	Billing authorities	10,752	-	10,752
43,064	-	43,064	Taxpayers	49,194	-	49,194
23,190	400	23,590	Prepayments	19,619	425	20,044
7,006	-	7,006	Grants and accrued income	4,436	-	4,436
612	16,706	17,318	Other debtors	241	14,838	15,079
178,693	17,389	196,082		168,629	15,942	184,571
			Allowance for doubtful debts			
(14,063)	-	(14,063)	Sundry debtors	(16,402)	-	(16,402)
(18,539)	-	(18,539)	Council Tax and Non Domestic Rates	(22,978)	-	(22,978)
146,091	17,389	163,480	Total	129,249	15,942	145,191

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22. Cash and cash equivalents

The following table shows the balance of cash and cash equivalents at 31 March.

31 March 2019 £000		31 March 2020 £000
	Amounts that form an integral part of the Council's cash management	
43,997	Cash repayable on demand	104,078
125,162	Cash equivalents	183,901
(52,327)	Bank overdraft	(17,803)
85	Petty cash balances	85
116,917		270,261
40,661	Cash held by schools	38,375
157,578	Total of cash and cash equivalents	308,636

The Council holds several bank accounts which can fluctuate significantly depending on cash receipts and payments and may become overdrawn. However, the Council's banking arrangements mean that agreed overdraft charges are only incurred by the Council where the aggregate balance on all accounts is in an overdraft position.

23. Creditors

The following table analyses short and long term creditors:

31 March 2019				31 March 2020		
Short term £000	Long term £000	Total £000		Short term £000	Long term £000	Total £000
162,685	987	163,672	Trade creditors	156,504	1,096	157,600
84,822	-	84,822	Cash held on behalf of partnerships	104,988	-	104,988
			Council Tax and Non Domestic Rates			
6,429	-	6,429	Billing authorities	7,742	-	7,742
13,188	-	13,188	Taxpayers	14,249	-	14,249
22,410	-	22,410	Employee related creditors	22,276	-	22,276
13,749	-	13,749	Other creditors	12,699	-	12,699
7,654	126	7,780	Receipts in advance	5,939	119	6,058
310,937	1,113	312,050	Total	324,397	1,215	325,612

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24. Grant receipts in advance

Where grants or contributions have been received, but the conditions attached to the funding are not yet satisfied, the amount is carried in the Balance Sheet as a receipt in advance. An analysis of the amounts carried in the Balance Sheet as a receipt in advance is as follows:

31st March 2019					31st March 2020			
Revenue		Capital			Revenue		Capital	
Short term £000	Long term £000	Short term £000	Long term £000		Short term £000	Long term £000	Short term £000	Long term £000
752	-	542	-	Department for Education and related	653	-	5,781	-
754	-	-	-	Department for Education grants	406	-	-	-
1,506	-	542	-	Education and Skills Funding Agency	1,059	-	5,781	-
-	-			Ministry of Housing, Communities & L. Govnt	12,133	-	-	-
3,216	-	-	-	Business Rates Relief grant	8,654	-	-	-
3,216	-	-	-	Other	20,787	-	-	-
80	-	17,388	-	Other grants	388	-	23,195	-
486	-	-	-	Department for Transport	710	-	-	-
393	-	3,398	-	Department of Health and Social Care	553	-	4,062	-
959	-	20,786	-	Other	1,651	-	27,257	-
5,681	-	21,328	-	Total of grant receipts in advance	23,497	-	33,038	-
8,589	-	53,747	-	Developer contributions (S106)	8,197	1,956	36,143	25,922
14,270	-	75,075	-	Total	31,694	1,956	69,181	25,922

Notes:

- Whilst prior year comparative figures are consistent overall with the figures presented in the 2018/19 Statement of Accounts, comparative figures have been analysed on a basis consistent with 2019/20.
- A review of the developer contributions held as receipts in advance in 2019/20 has identified that a significant proportion should be categorised as long term, as the Council does not expect to satisfy the conditions attached to the funding during the forthcoming financial year.

25. Provisions and contingencies

25.1 Provisions

The Council has set funds aside as provisions to meet obligations related to events that have taken place which probably require settlement by the transfer of economic benefits.

Provisions are split on the Council's Balance Sheet between current (amounts expected to be settled within 12 months) and non-current (those expected to be settled beyond the next 12 months).

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An analysis of the current and non-current provisions is provided in the following table.

	Insurance Provision £000	Landfill aftercare £000	Non-domestic rating appeals £000	Other provisions £000	Total £000
Current provisions					
Balance at 31st March 2019	(5,000)	(421)	(4,722)	(1,404)	(11,547)
Amounts arising	-	-	(2,200)	(1,199)	(3,399)
Provisions reversed	-	-	-	261	261
Provisions utilised	4,154	437	1,030	563	6,184
Unwinding of discount	-	(11)	-	-	(11)
Amounts reclassified as current	(4,154)	(430)	-	-	(4,584)
Balance at 31st March 2020	(5,000)	(425)	(5,892)	(1,779)	(13,096)
Non-current provisions					
Balance at 31st March 2019	(20,567)	(14,798)	-	-	(35,365)
Amounts arising	(3,354)	-	-	(19)	(3,373)
Provisions reversed	-	399	-	-	399
Provisions utilised	-	-	-	-	-
Amounts reclassified as current	4,154	430	-	-	4,584
Balance at 31st March 2020	(19,767)	(13,969)	-	(19)	(33,755)
Total current and non-current provisions					
31st March 2019	(25,567)	(15,219)	(4,722)	(1,404)	(46,912)
31st March 2020	(24,767)	(14,394)	(5,892)	(1,798)	(46,851)

An explanation of each provision is as follows:

Provision	Purpose
Insurance	<p>The Insurance Provision represents the estimated outstanding liabilities of the Council that are likely to be paid over a number of years. They arise due to:</p> <ul style="list-style-type: none"> The self-insured elements of the Council's Insurance programme; and Other claims related to the period when Municipal Mutual Insurance (MMI) and Independent Insurance were the Council's insurers. <p>MMI insured the Council's liability risks from 1983, until they ceased trading in 1992. Since ceasing trading, MMI dealt with all outstanding claims, operating under a contingent Scheme of Arrangements. This Scheme allows MMI to claw back monies paid (in the form of a levy) from the scheme participants if it has insufficient funds to pay remaining claims itself. This Scheme was put in place to avoid winding up the company if a solvent run-off was not achievable.</p> <p>MMI has been a party to a series of test cases, known collectively as the Employer Liability (EL) Trigger Litigation, designed to create certainty as to which insurers should respond to long tail occupational disease claims. Because of a Supreme Court judgement in 2011 MMI concluded that a solvent run-off without triggering the Scheme was unlikely.</p> <p>The Scheme of Arrangements was triggered, and therefore came into effect, on 13th November 2012. As a result, the Council was required to make an initial levy payment of £1.149m to the Scheme Administrator in 2014/15, equivalent to 15% of all claims it had received settlement for since 1993. Thereafter, the Council had to meet 15% of the cost of</p>

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Provision	Purpose
	<p>any subsequent claims.</p> <p>With effect from 1 April 2016, the levy increased to 25%. Therefore, a second levy payment of £767,000 was made in 2017/18, equivalent to a further 10% of all claims for which it has received settlement since 1993 to date. Since making this second levy payment, the Council has been required to meet 25% of any subsequent claims. The Insurance Provision includes an allowance for this liability.</p> <p>The 25% levy may be enough to enable MMI to continue its run-off for several years. However, because of the latent nature of many claims, it is not possible to guarantee that the current levy percentage of 25% will remain adequate.</p> <p>The claims position has stabilised in recent years, and MMI are not anticipating a further levy in the short term. However, it is possible that the levy will ultimately be closer to 40%. Allowance has been made for this in the Insurance Reserve (see Note 8, which commences on page 67).</p>
Landfill aftercare	<p>The Council has responsibility for the aftercare of twelve former landfill sites. Restoration work was undertaken at all sites during the 1990's, when the sites were closed. However, the Council continues to monitor each site, and to operate and maintain pollution control infrastructure, to ensure that these sites do not bring harm to human health, property and the environment; the Council will have this obligation until the sites become inert.</p> <p>As the Council expects to discharge its environmental monitoring liabilities over a prolonged period, the provision has been discounted to the present value of the expenditures expected to be required to settle the obligation.</p>
Non-domestic rating appeals	<p>Under the legislative framework for the Collection Fund, billing and precepting authorities share proportionately the risks that the amount of non-domestic rates collectable could be affected by the requirement to make backdated refunds to non-domestic ratepayers who lodge appeals against the Valuation Rating Lists. For this reason, the Council's Balance Sheet includes an attributable share of the provisions raised by the billing authorities for non-domestic rating appeals.</p>
Other	<p>Various provisions have been established in respect of legal claims and constructive obligations.</p>

25.2 Contingencies

As detailed in Note 18, on page 84, the Council entered into a Private Finance Initiative contract for the design, construction and operation of a waste treatment plant in Basildon in May 2012. The relevant acceptance tests are still to be achieved and therefore the plant remains in the commissioning phase.

The Council has been involved in ongoing discussions with the operator UBB (Essex Waste) Ltd regarding the delay in achieving services commencement. Matters where no agreement had been reached were referred to the Court for consideration and to determine an outcome. On **18 June 2020** The High Court ruled in favour of the Council, awarding damages of **£9,038m** to February 2019 and **£99,563** per month

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thereafter, totalling **£10.592m** to the date of the ruling plus interest (rate to be determined). UBB (Essex Waste Ltd) were awarded a compensation event of **£745,000**.

The Council now awaits a Consequential Hearing in the High Court to understand the terms of the payment. Until such time, the Council is of the view that the award (**£10.592m**) and the payment (**£745,000**) remain contingent.

It is not possible to provide an indication of any additional costs that may be incurred as a result of any future court proceedings.

26. Usable reserves

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement, on page 32, with further analysis provided in Note 7, which commences on page 64.

27. Unusable reserves

27.1 Introduction

The Council maintains several unusable reserves which are held for statutory reasons or to comply with proper accounting practice. The Council is not able to use these reserves to provide services. Notes 27.2 to 27.9 explain the purpose of each unusable reserve and the movements in these reserves during the year.

27.2 Revaluation Reserve

This reserve records the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was established. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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The following table provides an analysis of the movements on the Revaluation Reserve:

2018/19 £000		2019/20 £000
(616,624)	Balance as at 1 April	(601,983)
(105,271)	Revaluation of non current assets (increases)	(135,013)
13,278	Revaluation of non current assets (subsequent decreases)	51,095
(91,993)	Surplus on revaluations	(83,918)
13,909	Depreciation on revaluation gains	14,555
92,725	Accumulated gains on assets sold or scrapped	36,717
106,634	Amounts written off to the Capital Adjustment Account	51,272
(601,983)	Balance as at 31 March	(634,629)

27.3 Capital Adjustment Account

The Capital Adjustment 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 or enhancement of those assets under statutory provisions. The following table provides an analysis of the movements on the Capital Adjustment Account.

2018/19 £000		2019/20 £000
(1,316,405)	Balance as at 1 April	(1,208,599)
	Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
79,231	Depreciation	78,170
24,045	Impairment of non-current assets	53,668
-	Impairment of assets held for sale	6
69,862	Revenue expenditure financed from capital under statute	74,640
224,485	Cost / value of assets disposed of during the year	72,931
397,623		279,415
	Adjusting amounts written out of the Revaluation Reserve	
(13,909)	Difference between fair value and historical cost depreciation	(14,555)
(92,725)	Revaluation gains outstanding for assets upon disposal	(36,717)
(106,634)		(51,272)
290,989	Net written out amount of the cost of non current assets consumed in the year	228,143
	Capital financing applied in the year	
(5,038)	Revenue reserves applied	-
(33,116)	Statutory provision for the financing of capital investment	(37,122)
(10,283)	Capital receipts applied	(19,580)
	Capital grants and contributions applied to finance:	
(71,536)	Capital Expenditure	(80,235)
(71,064)	Revenue expenditure funded from capital	(28,781)
(1,290)	Application of grants from the Capital Grants Unapplied Account	(2,962)
(192,327)		(168,680)
1,049	Repayment of loans awarded for capital purposes	19
8,095	Movement in market value of investment properties	(1,269)
(1,208,599)	Balance as at 31 March	(1,150,386)

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27.4 Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage:

- Premiums paid on the early redemption of loans, such that the expense is recognised in the General Fund over the unexpired term that was outstanding on the loans when they were redeemed; and
- Discounts received on the early redemption of loans, such that the benefit is recognised in the General Fund over a maximum period of 10 years.

2018/19				2019/20		
Premiums £000	Discounts £000	Total £000		Premiums £000	Discounts £000	Total £000
6,567	(3,506)	3,061	Balance as at 1 April	6,345	(3,342)	3,003
-	-	-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	9,767	-	9,767
(127)	18	(109)	Amortisation of premiums / discounts to the General Fund	(129)	19	(110)
(95)	146	51	Transfer from the General Fund for the difference between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	(258)	50	(208)
6,345	(3,342)	3,003	Balance as at 31 March	15,725	(3,273)	12,452

As noted on page 83, the Council elected to terminate its Tendring Primary Schools Public Private Partnership (PPP) contract early, in December 2019. An early termination premium of **£9.767m** was payable to the contractor to extinguish the Council's liability on the effective date of termination. This premium was carried into the Financial Instruments Adjustment Account and will be charged to the General Fund over a period commensurate with the unexpired term of the contract on the date of termination.

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27.5 Pooled Investment Funds Adjustment Account

For financial assets measured and carried at fair value, changes in fair value are recognised as they arise in the Surplus or Deficit on the Provision of Services. However, statutory provisions currently allow the Council to reverse these gains and losses out of the General Fund Balance, in the Movement in Reserves Statement, to a Pooled Investment Funds Adjustment Account.

2018/19 £000		2019/20 £000
-	Balance as at 1 April	(1,030)
(861)	Reclassification of financial assets	-
(861)	Restated balance at 1 April	(1,030)
(169)	Upward revaluation of investments	-
-	Downward revaluation of investments	394
(1,030)	Balance as at 31 March	(636)

The ability to reverse these gains / losses out of the General Fund Balance applies to the 2019/20 accounts and ceases on 31 March 2023.

27.6 Pension Reserve

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, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require the Council to finance benefits earned as it makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible.

The Pension Reserve therefore absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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2018/19				2019/20		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
1,053,563	32,114	1,085,677	Balance as at 1 April	962,835	29,042	991,877
			Pension Reserve appropriation to / (from) the General Fund for:			
			Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the Provision of Services in the Comprehensive Income Services in the Comprehensive Income and Expenditure Statement			
118,953	707	119,660		113,228	582	113,810
(53,662)	(2,782)	(56,444)	Council contributions to the schemes	(54,036)	(2,701)	(56,737)
65,291	(2,075)	63,216	Total appropriation from Pension Reserve	59,192	(2,119)	57,073
(156,019)	(997)	(157,016)	Remeasurements of the net pension liability	(159,928)	(921)	(160,849)
962,835	29,042	991,877	Balance as at 31 March	862,099	26,002	888,101

27.7 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2018/19 £000		2019/20 £000
(2,535)	Balance as at 1 April	(2,519)
-	Adjustment to deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,185
16	Transfers to the Capital Receipts Reserve upon receipt of cash	-
(2,519)	Balance as at 31 March	(334)

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27.8 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19				2019/20		
Council Tax £000	Non-domestic rates £000	Total £000		Council Tax £000	Non-domestic rates £000	Total £000
(14,527)	(1,169)	(15,696)	Balance at 1 April	(11,045)	(678)	(11,723)
			Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements			
3,482	491	3,973		1,151	1,487	2,638
(11,045)	(678)	(11,723)	Balance as at 31 March	(9,894)	809	(9,085)

27.9 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for paid absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £000		2019/20 £000
12,884	Balance as at 1 April	10,533
(12,884)	Settlement or cancellation of accrual made at the end of the preceding year	(10,533)
10,533	Amounts accrued for at the end of the current year	11,409
(2,351)	Amount by which officer remuneration charged on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	876
10,533	Balance as at 31 March	11,409

28. Cash Flows from operating, investing and financing activities

The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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The cash flows from operating, investing and financing activities include the following items:

2018/19		2019/20
£000		£000
	Cash flows from operating activities	
	Cash inflows	
(689,434)	Taxation	(724,058)
(883,234)	Grants	(919,570)
(301,981)	Sales of goods and rendering of services	(291,036)
(4,049)	Interest received	(3,353)
-	Dividends received	(334)
(1,878,698)		(1,938,351)
	Cash outflows	
455,157	Cash paid to and on behalf of employees	449,632
39,772	Interest paid	48,050
1,210,104	Cash paid to suppliers of goods and services	1,227,281
109,954	Other payments for operating activities	111,521
1,814,987		1,836,484
(63,711)	Net inflow of cash from operating activities	(101,867)
	Cash flows from investing activities	
	Cash inflows	
(10,283)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(29,161)
(120,968)	Proceeds from short and long term investments	(413)
(177,436)	Other receipts from investing activities	(130,072)
(308,687)		(159,646)
	Cash outflows	
175,522	Purchase of property, plant and equipment, investment property and intangible assets	115,344
369	Purchase of short and long term investments	25,000
70,953	Other payments for investing activities	76,626
246,844		216,970
(61,843)	Net (inflow) / outflow of cash from investing activities	57,324
	Cash flows generated from financing activities	
	Cash inflows	
(1,702)	Cash receipts of short and long term borrowing	(107,194)
(316)	Other receipts from financing activities	(20,166)
(2,018)		(127,360)
	Cash outflows	
8,169	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	17,770
2,390	Repayment of short and long term borrowing	3,075
10,559		20,845
8,541	Net (inflow) / outflow of cash from financing activities	(106,515)
(117,013)	Net increase in cash and cash equivalents	(151,058)

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29. Changes in liabilities arising from financing activities

2018/19					2019/20			
Long term borrowing £000	Short term borrowing £000	Lease liabilities £000	Total £000		Long term borrowing £000	Short term borrowing £000	Lease liabilities £000	Total £000
(514,914)	(7,382)	(146,973)	(669,269)	Balance at 1 April	(511,798)	(8,572)	(138,908)	(659,278)
1,878	(1,190)	8,169	8,857	Cash flows	(87,143)	(16,976)	17,770	(86,349)
1,238	-	(104)	1,134	Non cash adjustments	-	-	(2,071)	(2,071)
(511,798)	(8,572)	(138,908)	(659,278)	Balance at 31st March	(598,941)	(25,548)	(123,209)	(747,698)

30. Termination benefits

The Council is undertaking a major transformation programme to improve core services, meet difficult budget pressures in challenging times and deliver better customer services. This programme includes projects aimed at modernising working practices and utilising mobile technology and will reshape the Council into a smaller core organisation. Redundancies are an unavoidable consequence of this programme. The liabilities were recognised in the Cost of Services, in the Comprehensive Income and Expenditure Statement, as follows:

2018/19 £000		2019/20 £000
138	Childrens and Families	85
758	Customer, Communities, Culture and Corporate	122
279	Economic Development	236
2,077	Education and Skills	2,189
194	Environment and Climate Change Action	50
-	Finance, Property and Housing	3
626	Health and Adult Social Care	86
-	Infrastructure	15
165	Leader	-
120	Performance, Business Planning and Partnerships	-
	Recharged Strategic Support Services	
1,072	Customer, Communities, Culture and Corporate	618
288	Finance, Property and Housing	469
222	Leader	30
-	Performance, Business Planning and Partnerships	189
5,939	Total	4,092

Notes: The above figures include provision for termination benefits arising from formal plans for the restructuring of certain services, where actual exit packages have yet to be agreed at 31 March. Provision is raised on the basis of the best estimate of costs.

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The numbers of exit packages agreed in each year are set out in the table below:

2018/19				Value of exit packages	2019/20			
No. packages agreed in the year			Total cost of packages £000		No. packages agreed in the year			Total cost of packages £000
Compulsory	Other	Total			Compulsory	Other	Total	
87	72	159	1,194	Less than £20,000	83	64	147	1,071
24	25	49	1,335	£20,000 to £39,999	13	36	49	1,392
17	9	26	1,326	£40,000 to £59,999	7	4	11	537
5	6	11	811	£60,000 to £99,999	4	4	8	609
3	3	6	771	£100,000 to £199,999	3	2	5	626
136	115	251	5,437	Total no. of agreed packages	110	110	220	4,235
			502	Other termination benefits				(143)
			5,939					4,092

The exit packages include all redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The Council is required to recognise the costs of termination benefits within the Comprehensive Income and Expenditure Statement when it can no longer withdraw the offer of those benefits, even if individual exit packages have yet to be agreed. For this reason, the total cost of packages agreed may differ from the amounts charged to the Comprehensive Income and Expenditure Statement in each year; the 'other termination benefits' line provides a reconciliation between the total cost of packages agreed and the amounts charged to the Comprehensive Income and Expenditure Statement.

31. Pension Schemes accounted for as Defined Contribution Schemes

The Council has two pension schemes which are accounted for as defined contribution schemes:

■ Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita on behalf of the Teachers Pensions Agency. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Teachers' pension scheme has in excess of **11,100** participating employers.

■ NHS Pension Scheme

Staff performing public health functions who were compulsorily transferred from a local primary care trust to the Council, and who had access to the NHS Pension Scheme on 31 March 2013, retained access to that Scheme on transfer to the Council on 1 April 2013.

The NHS Pension Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on contribution rates set by the Secretary of State. The NHS Pension Scheme has approximately **8,500** participating employers.

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These schemes are defined benefit schemes. They are unfunded and the Scheme Administrators use notional funds as the basis for calculating the employer's contribution rates to be paid by the participating employers.

Due to the number of participating employers within the schemes, the Council is not able to identify its share of the underlying financial position and performance of the Schemes with enough reliability for accounting purposes. For the purposes of this Statement of Accounts, both schemes are accounted for on the same basis as a defined contribution scheme.

The following table shows the amounts the Council paid for pension costs in relation to these schemes:

2018/19				2019/20		
Teachers £000	NHS £000	Total £000		Teachers £000	NHS £000	Total £000
22,818	92	22,910	Employer's contributions	27,476	127	27,603
12,547	80	12,627	Employee contributions	12,002	96	12,098
35,365	172	35,537	Total	39,478	223	39,701

The Council's contributions are set in relation to the current service period only. As such, the Council is not entitled to, or liable for, any of the underlying assets or liabilities of the schemes.

The amounts in the above table reflect:

	Teachers		NHS	
	2018/19	2019/20	2018/19	2019/20
Employer's contribution rate	16.48%	16.48%, rising to 23.68% from Sept 2019	14.38%	16.88%
Employee contribution rate	7.4% to 11.7%	7.4% to 11.7%	5.0% to 14.5%	5.0% to 14.5%

There were no contributions remaining payable as at 31 March 2020 (31 March 2019: Nil).

The employer's contributions due to be paid in 2020/21 are estimated to be **£25.5m** for the teachers' pension scheme and **£172,000** for the NHS pension scheme.

The Council is responsible for all pension payments relating to added years that it has awarded to teachers, together with the related increases. These costs are accounted for on a defined benefit basis and are detailed in note 32 below.

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32. Defined Benefit Pension Schemes

32.1 Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers, 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 that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two schemes:

- **The Local Government Pension Scheme (LGPS)**

The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulation 2013 and currently provides benefits based on career average revalued earnings.

The Administering Authority for the Fund is Essex County Council. The Essex Pension Fund Committee oversee the management of the Fund.

As administering authority to the Fund, Essex County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at **31 March 2022** and will set contributions for the period from **1st April 2023 to 31 March 2026**. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- **Investment risk** - the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk** - the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk** - all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- **Longevity risk** - in the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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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.

All of these risks may also benefit the Council (*e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers*). However, these risks are also mitigated, to a certain extent, by the statutory requirements to charge to the General Fund the amounts required by statute as described in Note 1.8.3.

- **Discretionary post-retirement benefits upon early retirement in relation to the teachers' pension scheme**

This is an unfunded defined benefits arrangement, under which the liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash must be generated to meet the actual pension payments as they eventually fall due.

32.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

2018/19				2019/20		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
85,989	-	85,989	Current service cost	90,828	-	90,828
27,791	-	27,791	Past service cost	2,877	-	2,877
(21,722)	-	(21,722)	(Gain) / loss on settlement	(3,723)	-	(3,723)
92,058	-	92,058		89,982	-	89,982
			Financing and Investment Income and Expenditure			
26,895	707	27,602	Net interest expense	23,246	582	23,828
118,953	707	119,660	Total charged to the Surplus / Deficit on Provision of Services	113,228	582	113,810
			Re-measurements of the net pensions liability			
(121,830)	-	(121,830)	Return on scheme assets	172,085	-	172,085
145,108	820	145,928	Actuarial (gains) / losses arising from changes in:			
(179,297)	(1,817)	(181,114)	Financial assumptions	(298,174)	(1,412)	(299,586)
-	-	-	Demographic assumptions	(30,642)	(161)	(30,803)
-	-	-	Experience (gain) / loss on defined benefit obligation	43,130	652	43,782
-	-	-	Other	(46,327)	-	(46,327)
(156,019)	(997)	(157,016)	Total charged to Other Comprehensive Income and Expenditure	(159,928)	(921)	(160,849)
(37,066)	(290)	(37,356)	Total charged to Comprehensive Income and Expenditure Statement	(46,700)	(339)	(47,039)
			Movement in Reserves Statement			
(118,953)	(707)	(119,660)	Reversal of net charges made to the Surplus / Deficit on the Provision of Services	(113,228)	(582)	(113,810)
53,662	2,782	56,444	Actual amount charged against the General Fund Balance for pensions in the year	54,036	2,701	56,737
(65,291)	2,075	(63,216)		(59,192)	2,119	(57,073)

32.3 Pensions assets and liabilities recognised in the Balance Sheet

The amount included within the Balance Sheet arising from the Council's obligation in respect of its defined benefit pension plans is:

2018/19				2019/20		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,256,736	29,042	3,285,778	Present value of the defined benefit obligation	3,050,857	26,002	3,076,859
(2,293,901)	-	(2,293,901)	Fair value of plan assets	(2,188,758)	-	(2,188,758)
962,835	29,042	991,877	Net liability arising from defined benefit obligations	862,099	26,002	888,101

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net deficit of the two Schemes of **£888.101m** (2018/19: £991.877m) has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the next twenty years; and
- Finance is only required to be raised to cover teachers' unfunded added years when the pensions are actually paid.

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Scheme Liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

2018/19				2019/20		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,224,588	32,114	3,256,702	Balance as at 1 April	3,256,736	29,042	3,285,778
85,989	-	85,989	Current service cost	90,828	-	90,828
80,707	707	81,414	Interest cost	77,131	582	77,713
15,857	-	15,857	Contributions by scheme participants	17,110	-	17,110
			Remeasurement (gains)/losses:			
(179,297)	(1,817)	(181,114)	Actuarial (gains) / losses arising from changes in demographic assumptions	(30,642)	(161)	(30,803)
145,108	820	145,928	Actuarial (gains) / losses arising from changes in financial assumptions	(298,174)	(1,412)	(299,586)
-	-	-	Other	43,130	652	43,782
27,791	-	27,791	Past service costs	2,877	-	2,877
(92,701)	(2,782)	(95,483)	Benefits paid	(100,568)	(2,701)	(103,269)
(51,306)	-	(51,306)	Liabilities extinguished on settlements	(7,571)	-	(7,571)
3,256,736	29,042	3,285,778	Balance as at 31 March	3,050,857	26,002	3,076,859

Scheme Assets

The following table provides a reconciliation of the fair value of scheme assets:

2018/19				2019/20		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
2,171,025	-	2,171,025	Balance as at 1 April	2,293,901	-	2,293,901
53,812	-	53,812	Interest income	53,885	-	53,885
			Remeasurement gain/(loss)			
121,830	-	121,830	Return on plan assets (excl. amount incl in net interest expense)	(172,085)	-	(172,085)
-	-	-	Other	46,327	-	46,327
53,662	2,782	56,444	Contributions by the Council	54,036	2,701	56,737
15,857	-	15,857	Contributions from employees into the scheme	17,110	-	17,110
(92,701)	(2,782)	(95,483)	Benefits paid	(100,568)	(2,701)	(103,269)
(29,584)	-	(29,584)	Amounts made for settlements	(3,848)	-	(3,848)
2,293,901	-	2,293,901	Balance as at 31 March	2,188,758	-	2,188,758

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Local Government Pension Scheme assets comprised:

31 March 2019			31 March 2020	
£000	%		£000	%
1,428,158	62.3%	Equities	1,281,161	58.5%
121,750	5.3%	Gilts	94,339	4.3%
134,066	5.8%	Other bonds	132,615	6.1%
203,961	8.9%	Property	196,822	9.0%
60,410	2.6%	Cash and cash equivalents	90,977	4.2%
223,663	9.8%	Alternative assets	252,114	11.5%
121,893	5.3%	Other managed funds	140,730	6.4%
2,293,901	100.0%	Total assets	2,188,758	100.0%

The percentages of the total Fund held in each asset class were as follows:

31 March 2019						31 March 2020				
UK		Overseas		Total		UK		Overseas		Total
Quoted	Unquoted	Quoted	Unquoted			Quoted	Unquoted	Quoted	Unquoted	
4.5%	-	53.2%	4.6%	62.3%	Equities	4.2%	-	49.2%	5.1%	58.5%
5.3%	-	-	-	5.3%	Gilts	4.3%	-	-	-	4.3%
5.8%	-	-	-	5.8%	Other bonds	6.1%	-	-	-	6.1%
3.3%	5.6%	-	-	8.9%	Property	2.5%	6.5%	-	-	9.0%
-	2.6%	-	-	2.6%	Cash and cash equivalents	-	4.2%	-	-	4.2%
-	9.8%	-	-	9.8%	Alternative assets	-	0.7%	-	10.8%	11.5%
-	5.3%	-	-	5.3%	Other managed funds	-	6.4%	-	-	6.4%
18.9%	23.3%	53.2%	4.6%	100.0%	Total assets	17.1%	17.8%	49.2%	15.9%	100.0%

32.4 Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis to estimate the pensions that will be payable in future years. The liabilities have been assessed using the projected unit credit method which is dependent on assumptions about mortality rates, salary levels etc. The Pension Fund liabilities have been assessed by **Barnett Waddingham LLP**, an independent firm of actuaries. The liabilities have been estimated, based upon the results of the valuation as at **31 March 2019** which was carried out for funding purposes.

The significant assumptions used by the Actuary for the Local Government Pension Scheme were as follows:

Assumptions	2018/19	2019/20
▪ Rate of inflation		
- RPI	3.4%	2.7%
- CPI	2.4%	1.9%
▪ Rate of increase in salaries	3.9%	2.9%
▪ Rate of increase in pensions	2.4%	1.9%

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Assumptions	2018/19	2019/20
▪ Discount rate	2.4%	2.35%
▪ Mortality assumptions for members retiring in normal health:		
- Life expectancy for future pensioners retiring in 20 years' time at 65:		
▪ Male	22.9 years	23.2 years
▪ Female	25.4 years	25.2 years
- Life expectancy of current pensioners retiring today aged 65:		
▪ Male	21.3 years	21.8 years
▪ Female	23.6 years	23.7 years
▪ Expected rate of return on assets in the scheme	8%	-5%

The actuarial assumptions used in the calculation of the liabilities for Teachers' additional unfunded pensions were those shown on page 113 for the Local Government Pension Scheme, with the following exceptions:

Assumptions	2018/19	2019/20
▪ Rate of inflation		
- RPI	3.5%	2.95%
- CPI	2.5%	1.95%
▪ Rate of increase in pensions	2.5%	1.95%
▪ Discount rate	2.1%	2.25%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used.

Sensitivity analysis has been undertaken, based on reasonably possible changes of the assumptions occurring at the end of the reporting period. This assumes, for each change, that the assumption analysed changes, whilst all the other assumptions remain constant. In practice, changes in some of the assumptions may be inter-related.

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).

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Local Government Pension Scheme	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	2,992,566	3,050,857	3,110,343
Projected Service Cost	82,672	84,878	87,145
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,054,792	3,050,857	3,046,957
Projected Service Cost	84,919	84,878	84,836
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,106,615	3,050,857	2,996,154
Projected Service Cost	87,111	84,878	82,701
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	3,175,455	3,050,857	2,931,481
Projected Service Cost	87,471	84,878	82,361

Unfunded Teachers' Pensions	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	25,807	26,002	26,199
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	26,199	26,002	25,806
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	27,108	26,002	24,941

The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

32.5 Impact on the Council's Cash Flows

The objectives of the LGPS are to keep employers' contributions at as constant a rate as possible. 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. Funding levels are monitored on an annual basis. The next triennial valuation is being carried out as at **31 March 2022** and will set the contributions for the period 1 April 2023 to 31 March 2026.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is **£55.850m**. Although there are not expected to be any contributions with respect to active members, the total unfunded pensions in respect of teachers are estimated to be **£2.701m** as at 31 March 2020.

The weighted average duration of the pension obligation for the Local Government Pension Scheme members is **20** years. For the Teachers additional unfunded pensions, it is **8** years.

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33. Audit costs

The following costs were incurred in relation to the audit of the Statement of Accounts and in respect of non-audit services provided by the Council's External Auditor:

2018/19 £000		2019/20 £000
	Audit fees payable to the appointed auditor	
135	External audit services carried out by appointed auditor	138
13	Other services carried out by appointed auditor	12
148	Net total	150

The fee for 'other services carried out by the appointed auditor' relates to the certification of the Teachers Pensions grant claim, which is not covered by the Public Sector Auditor Appointments (PSAA) certification arrangements, but external audit certification is nevertheless required by the grant awarding body.

34. Members' allowances and expenses

The total of allowances and expenses paid to Members of the Council during the year amounted to:

2018/19 £000		2019/20 £000
	Members allowances	
899	Basic allowances	896
627	Special responsibility allowances	620
1,526		1,516
65	Members expenses	60
1,591		1,576

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35. Pooled budgets

35.1 Better Care Fund

The Better Care Fund aims to 'drive closer integration and improve outcomes for patients and service users and carers'. It is comprised of several funding streams:

- **Contributions from NHS Clinical Commissioning Groups (CCGs)** – funding for social care services, community health services, carers' breaks and reablement to reduce avoidable hospital admissions and to facilitate more timely hospital discharges.
- **Disabled Facilities Grant** – funding to facilitate changes to a person's home.
- **Improved Better Care Fund** – funding for adult social care, reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready, and ensuring that the local social care provider market is supported.

Whilst the Better Care Fund was established as a pooled budget, the operation of the pool can involve the members ceding control of funds to a lead commissioner / principal or the arrangement being a joint operation.

The Essex Better Care Fund comprises six pooled funds:

- A countywide pool, comprised of NHS contributions to social care (including reablement) and the Improved Better Care Fund;
- Five other pools (one for each of the five CCGs), comprised of the Disabled Facilities Grant, carers' breaks funding and CCGs' contributions to community health services.

Each pool is governed by a Section 75 Agreement, with an overarching collaboration agreement signed by the Council and each of the CCGs. For each service included within the Section 75 agreements, either the Council or a CCG is solely responsible for the delivery of the service.

The contributions and expenses of the Pool for 2019/20 were as follows:

2018/19								2019/20						
Basildon & Brentwood	Castle Point & Rochford	Mid Essex	North East Essex	West Essex	Central Pool	Total		Basildon & Brentwood	Castle Point & Rochford	Mid Essex	North East Essex	West Essex	Central Pool	Total
£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000
							Contributions							
(16,875)	-	-	-	-	-	(16,875)	Clinical Commissioning Groups	(17,707)	-	-	-	-	-	(17,707)
-	(11,512)	-	-	-	-	(11,512)	Basildon and Brentwood	-	(11,908)	-	-	-	-	(11,908)
-	-	(23,386)	-	-	-	(23,386)	Castle Point and Rochford	-	-	(24,330)	-	-	-	(24,330)
-	-	-	(23,200)	-	-	(23,200)	Mid Essex	-	-	-	(23,495)	-	-	(23,495)
-	-	-	-	(19,562)	-	(19,562)	North East Essex	-	-	-	-	(20,968)	-	(20,968)
-	-	-	-	-	(43,147)	(43,147)	West Essex	-	-	-	-	-	(51,024)	(51,024)
(16,875)	(11,512)	(23,386)	(23,200)	(19,562)	(43,147)	(137,682)	Essex County Council	(17,707)	(11,908)	(24,330)	(23,495)	(20,968)	(51,024)	(149,432)
							Expenditure							
10,286	-	-	-	-	-	10,286	Clinical Commissioning Groups	10,812	-	-	-	-	-	10,812
-	6,868	-	-	-	-	6,868	Basildon and Brentwood	-	7,097	-	-	-	-	7,097
-	-	13,726	-	-	-	13,726	Castle Point and Rochford	-	-	14,409	-	-	-	14,409
-	-	-	13,793	-	-	13,793	Mid Essex	-	-	-	14,612	-	-	14,612
-	-	-	-	12,129	-	12,129	North East Essex	-	-	-	-	13,140	-	13,140
6,589	4,644	9,660	9,407	7,433	43,147	80,880	West Essex	6,895	4,811	9,921	8,883	7,828	51,024	89,362
16,875	11,512	23,386	23,200	19,562	43,147	137,682	Essex County Council	17,707	11,908	24,330	23,495	20,968	51,024	149,432
-	-	-	-	-	-	-	Net (surplus) / deficit	-	-	-	-	-	-	-

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35.2 Equipment Pool

The Council entered into a pooled budget arrangement with various local authority and NHS partners in 2014/15. The primary purpose of this arrangement is to manage and control the sourcing, delivery, fitting, return and refurbishment of community equipment, adaptations and aids to daily living in service users' homes as part of an integrated community equipment service.

The agreement in place stipulates that partners will contribute to the 'pool' on the basis of their assumed activity levels. Where a partner has paid more into the pool than has been spent, the partner can either choose to carry their 'surplus' forward for use in the next financial year, or to have their 'surplus' repaid. Where there is a shortfall in the contributions made by a partner, they are expected to redress this position.

The contributions and expenses of the Pool for 2019/20 were as follows:

2018/19				2019/20		
Contributions	Expenditure	Net (surplus) / deficit		Contributions	Expenditure	Net (surplus) / deficit
£000	£000	£000		£000	£000	£000
(8,653)	8,653	-	Local authorities	(9,013)	9,013	-
(578)	578	-	Essex County Council	(1,261)	1,261	-
			Thurrock Council			
(2,496)	2,496	-	Clinical Commissioning Groups	(997)	997	-
			Mid Essex			
(2,192)	2,192	-	NHS Trusts	(848)	848	-
(54)	54	-	Colchester University Hospital Foundation Trust	(61)	61	-
(316)	316	-	Mid Essex Hospital Service NHS Trust	(318)	318	-
(1,744)	1,744	-	South Essex Partnership University NHS Foundation Trust	(708)	708	-
			North East London Foundation Trust			
(16,033)	16,033	-	Total	(13,206)	13,206	-

35.3 Transforming Care Partnership Pool

The Council entered into a pooled budget arrangement with various local authority and NHS partners in 2017/18, with the aim of ensuring that people with learning disabilities, autism or both can live in the community, with the right support, thereby reducing their need for in-patient services and improving their quality of life.

All the current releasable funding for the hospital placements is paid into the pool, to fund both Clinical Commissioning Group commissioned hospital placements and community placements when people are discharged from hospital. Funds released through discharges from NHSE Specialist Commissioning placements transfers into the pool at the point of discharge. If there is insufficient funding within the pooled budget to fund all the community placements, the deficit is met by the local authority partner in whose administrative area the deficit occurs.

Statement of Accounts - Notes to the Financial Statements

The contributions and expenses of the Pool for 2019/20 were as follows:

2018/19				2019/20		
Contributions	Expenditure	Net (surplus) / deficit		Contributions	Expenditure	Net (surplus) / deficit
£000	£000	£000		£000	£000	£000
			Local authorities			
(152)	1,344	1,192	Essex County Council	(334)	2,825	2,491
(31)	484	453	Southend Council	(83)	226	143
-	-	-	Thurrock Council	(83)	67	(16)
			Clinical Commissioning Groups			
(36)	86	50	Basildon and Brentwood	(415)	537	122
(1,716)	250	(1,466)	Castle Point and Rochford	(1,911)	461	(1,450)
(466)	468	2	Mid Essex	(1,031)	680	(351)
(521)	534	13	North East Essex	(1,297)	888	(409)
(659)	405	(254)	Southend	(613)	397	(216)
-	-	-	Thurrock	(248)	215	(33)
(381)	391	10	West Essex	(856)	575	(281)
(3,962)	3,962	-	Total	(6,871)	6,871	-

36. Officers' remuneration

Officers' remuneration includes all sums paid to or receivable by employees, expense allowances chargeable to tax and the money value of benefits. It should be emphasised that this relates to payments to individuals, so part year employment can produce distortions in the presentation.

Pension payments made, whether from a funded or unfunded scheme, do not count as remuneration for this purpose.

The numbers of officers whose remuneration amounted to £50,000 or more, grouped in rising bands of £5,000, are shown overleaf.

2018/19			Remuneration band			2019/20		
Non-schools	Schools	Total				Non-schools	Schools	Total
178	103	281	£50,000	to	£54,999	161	116	277
102	87	189	£55,000	to	£59,999	143	77	220
56	64	120	£60,000	to	£64,999	73	62	135
42	51	93	£65,000	to	£69,999	32	54	86
33	30	63	£70,000	to	£74,999	23	28	51
25	7	32	£75,000	to	£79,999	48	16	64
21	8	29	£80,000	to	£84,999	23	10	33
16	5	21	£85,000	to	£89,999	13	5	18
6	2	8	£90,000	to	£94,999	6	4	10
4	1	5	£95,000	to	£99,999	8	1	9
1	3	4	£100,000	to	£104,999	3	-	3
5	-	5	£105,000	to	£109,999	2	2	4
12	-	12	£110,000	to	£114,999	13	-	13
2	1	3	£115,000	to	£119,999	4	-	4
3	-	3	£120,000	to	£124,999	3	-	3
2	-	2	£125,000	to	£129,999	1	-	1
-	-	-	£130,000	to	£134,999	1	-	1
-	-	-	£135,000	to	£139,999	-	-	-
1	-	1	£140,000	to	£144,999	2	-	2
-	-	-	£145,000	to	£149,999	1	-	1
509	362	871	Total			560	375	935

Notes: Senior officers whose individual remuneration is disclosed in note 37 (page 122) are excluded from the remuneration bandings shown in the above analysis.

Statement of Accounts - Notes to the Financial Statements

37. Senior officers' remuneration

37.1 Senior officers

Senior officers include all members of the Council's Corporate Leadership Team and other statutory officers.

37.2 Disclosure of senior officers' remuneration

Senior Officers' remuneration is disclosed overleaf.

Where a senior officer's annual salary is **£50,000** or more, but less than **£150,000**, remuneration is disclosed individually by way of job title. For those senior officers whose salary is **£150,000** or more, their name is also disclosed.

The employers' contribution to pensions are not amounts paid to individual members of staff, rather they reflect amounts paid by the Council into the Pension Fund; these contributions have been made at the level determined at the last actuarial valuation as necessary to meet the cost of the future pension accrual.

Bonus payments have been disclosed in the year of payment but relate to performance in the preceding financial year.

37.3 Fees paid in respect of individuals engaged on an interim basis

The Council also secured services from various other individuals on an interim basis during 2019/20. The fees payable by the Council in respect of some of these individuals amounted to **£150,000** or more in 2019/20, as follows:

2018/19 £	Position	2019/20 £
153,070	Programme Manager (Ms Michelle Granat)	191,955
118,642	Income Manager (Mr Bola Odunsi)	179,220
23,920	Interim Head of Service - Community and Discharge (Ms Karen Reilly)	167,629
87,687	Libraries Transformation Consultant (Mr Aidan Daley)	155,023
21,448	User Researcher (Ms Magda Rok)	152,772

The amounts disclosed in respect of these individuals are the costs incurred by the Council to secure their services. The amounts received by these individuals will have been lower.

2018/19	Notes	Remuneration						
		Salaries, fees and allowances £	Bonus payments £	Expense allowances / benefits £	Compensation for loss of employment £	Total remuneration Excl pension contributions £	Employer's contribution to pension £	Total remuneration Incl. pension contributions £
Chief Executive - Mr Gavin Jones		195,000	-	11,546	-	206,546	31,395	237,941
Executive Director, Adult Social Care - Mr Nicholas Presmeg	(i)	160,042	500	-	-	160,542	22,433	182,975
Executive Director, Children and Families - Ms Helen Lincoln	(ii)	162,500	250	1,874	-	164,624	25,076	189,700
Executive Director, Corporate and Customer Services - Mrs Margaret Lee	(iii)	162,500	250	1,874	-	164,624	25,076	189,700
Executive Director, Corporate Development - Mr Jason Kitcat		162,500	-	2,343	-	164,843	25,035	189,878
Executive Director, Economy, Localities and Public Health - Mr Mark Carroll		170,417	250	2,343	-	173,010	26,350	199,360
Director, Wellbeing, Public Health and Communities - Dr Michael Gogarty	(iv)	165,087	250	2,357	-	167,694	26,619	194,313
Director, Legal and Assurance	(v)	123,500	500	-	-	124,000	19,280	143,280
Director, Organisation Development and People		143,173	250	1,874	-	145,297	22,178	167,475

Notes:

(i) The Council's Executive Director, Adult Social Care fulfils the statutory role of Director for Adult Social Services (DASS).	(ii) The Executive Director, Children and Families fulfils the statutory role of Director of Children's Services, appointed under Section 18 of the Children Act 2004.
(iii) The Executive Director, Corporate and Customer fulfilled the statutory role of Chief Finance Officer under section 151 of the Local Government Act 1972 throughout 2018/19.	(iv) The Council's Director, Wellbeing, Public Health and Communities fulfils the statutory role of Director of Public Health.
(v) The Council's Director, Legal and Assurance fulfils the statutory role of Monitoring Officer.	

2019/20	Notes	Remuneration						
		Salaries, fees and allowances £	Bonus payments £	Expense allowances / benefits £	Compensation for loss of employment £	Total remuneration Excl pension contributions £	Employer's contribution to pension £	Total remuneration Incl. pension contributions £
Chief Executive - Mr Gavin Jones		196,950	-	14,336	-	211,286	31,709	242,995
Executive Director, Adult Social Care - Mr Nicholas Presmeg	(i)	164,055	-	-	-	164,055	25,286	189,341
Executive Director, Children and Families - Ms Helen Lincoln	(ii)	164,055	10,000	1,939	-	175,994	26,896	202,890
Executive Director, Corporate and Customer Services	(iii)	122,174	-	1,939	-	124,113	10,936	135,049
Executive Director, Corporate Development - Mr Jason Kitcat	(iv)	29,676	-	319	163,838	193,833	4,214	198,047
Executive Director, Finance and Technology	(v)	140,203	-	1,451	-	141,654	21,856	163,510
Executive Director, Economy, Localities and Public Health - Mr Mark Carroll		173,650	-	1,939	-	175,589	26,831	202,420
Director, Wellbeing, Public Health and Communities - Dr Michael Gogarty	(vi)	165,087	-	3,112	-	168,199	26,579	194,778
Director, Legal and Assurance	(vii)	130,333	-	-	-	130,333	20,581	150,914
Director, Organisation Development and People		144,911	-	1,975	-	146,886	22,495	169,381

Notes

(i) The Council's Executive Director, Adult Social Care fulfils the statutory role of Director for Adult Social Services (DASS).	(ii) The Executive Director, Children and Families fulfils the statutory role of Director of Children's Services, appointed under Section 18 of the Children Act 2004.
(iii) The Executive Director, Corporate and Customer Services fulfilled the statutory role of Chief Finance Officer under section 151 of the Local Government Act 1972 until 31 July 2019 when reducing to a three-day working week. The Executive Director reverted to full time working in March 2020, to help with the Council's response to the COVID 19 pandemic.	(iv) The Executive Director, Corporate Development , left the Council on 31 May 2019.
	(v) The Executive Director, Finance and Technology , has fulfilled the statutory role of Chief Finance Officer under Section 151 of the Local Government Act 1972 since 1 August 2019.
(vi) The Council's Director, Wellbeing, Public Health and Communities fulfils the statutory role of Director of Public Health.	(vii) The Council's Director, Legal and Assurance fulfils the statutory role of Monitoring Officer.

Statement of Accounts - Notes to the Financial Statements

38. Related parties

The Council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. The intention, in making this disclosure, is to make explicit 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.

Related party	Declaration
UK Government	The UK Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are detailed in notes 12 (page 73) and 13 (page 73).
Elected members	<p>Members of the Council have direct control over the Council's financial and operating policies. The Council's Constitution requires members to declare their pecuniary interests and any other interests that could reasonably be regarded as likely to prejudice their judgement of the public interest in a Register of Interests and at relevant meetings. The Register of Interests is published on the Council's website. In addition, members are asked to declare separately any related party transactions with the Authority.</p> <p>Based on these declarations, the following matters require disclosure as related party transactions:</p> <ul style="list-style-type: none"> Active Essex Foundation The Active Essex Foundation supports the most deprived communities across Essex through the promotion of physical activity and sport. The Council paid grants of £37,000 to the Foundation during 2019/20. Cllr Ray Gooding is a trustee of the Active Essex Foundation. Cllr Gooding is Cabinet Member for Education and Skills. Anglian Community Enterprise (ACE) The Anglian Community Enterprise (ACE) is a community interest company that provides a range of community health and well-being services to the population of North East Essex, with some services also in Suffolk. The Council made payments totalling £17.717m to this ACE in 2019/20 (including £14.390m via the Better Care Fund). Cllr Julie Young became a Director of ACE in October 2019. Cllr Young has been Vice Chairman of the Corporate Policy and Scrutiny Committee since May 2019. Basildon Borough Heritage Society The objectives of this charity are to advance the education of the public in the history and heritage of Basildon. The Council provided £1,000 to the charity in 2018/19. Cllr Tony Ball is a trustee of this charity. Cllr Ball is Cabinet Member for Economic Development.

Statement of Accounts - Notes to the Financial Statements

Related party	Declaration
Elected Members	<ul style="list-style-type: none"> Brentwood Community Transport This charity provides transport to people who find mainstream public transport difficult to access. Cllr David Kendall was a trustee of the charity during 2018/19. The Council provided £117,000 to this charity in 2018/19.
	<ul style="list-style-type: none"> Essex Association of Local Councils (EALC) This is a Member led Association of Essex Local Councils. Through membership of the EALC, the Parish and Town Councils of Essex are affiliated to the National Association of Local Councils. The Council provided a grant of £30,000 to this organisation in 2019/20 (2018/19: £247,000). Cllr John Jowers is the current president of the EALC. He is also the current Chairman of the County Council.
	<ul style="list-style-type: none"> Essex Cares Ltd Essex Cares Ltd is a wholly owned subsidiary of the Council (see page 128 for further details). The following Members have held the role of non-executive director of Essex Cares Ltd: <ul style="list-style-type: none"> Cllr Stephen Canning was a non-executive director of Essex Cares Ltd between 14th August 2017 and 9th May 2018; he received an allowance of £1,185 from Essex Cares in respect of this role in 2018/19. Cllr Canning was a member of the Place Services and Economic Growth and the Corporate Policy and Scrutiny Committees until May 2018. He was also a Member of the Essex Pension Strategy Board and Investment Steering Committee. Cllr Penny Channer was appointed as a non-executive director of Essex Cares with effect from 9th May 2018; she received an allowance of £12,000 from Essex Cares in respect of this role in 2019/20 (2018/19: £11,000). Cllr Channer is a member of the Council's Audit, Governance and Standards Committee.
	<ul style="list-style-type: none"> Firstsite Ltd Firstsite Ltd promotes the arts in society for the benefit of the public, specifically the inhabitants of Colchester and East Anglia. Funding is awarded to Firstsite by the Arts Council England East, Colchester Borough Council and Essex County Council. Cllrs Mark Durham and Julie Young became trustees of Firstsite in July 2019. The Council made an up-front contribution to Firstsite in 2007/08, of which £50,000 related to 2019/20 (2018/19: £100,000).
	<ul style="list-style-type: none"> Playout Group Ltd A group of companies incorporated during 2018/19 and wholly owned by Ormiston Families; provide a range of childcare and education services for children from 0 to 14 years. Cllr Derek Louis is a Director of these companies. During 2019/20, the Council made payments to these companies amounting to £104,000 (2018/19: £79,000).
	<ul style="list-style-type: none"> Provide Community Interest Company The principle activities of the company are the provision of integrated health and social care. Cllr Derrick Louis is the chairman of Provide. The Council made payments totalling £25.424m to this organisation during 2019/20 (2018/19: £24.636m).

Statement of Accounts - Notes to the Financial Statements

Related party	Declaration
Elected Members	<ul style="list-style-type: none"> Open Road Visions Open Road is a drug and alcohol recovery support charity in Essex and Medway. It provides services to support individuals on their journey to recovery from drug and alcohol addiction. The Council provided £1.6m to the charity in 2019/20 (2018/19: £1.822m). Cllr John Aldridge became a trustee of the charity in March 2019. He was Chairman of the Council in April 2018 and is currently a member of the Development and Regulation Committee.
	<ul style="list-style-type: none"> Rural Community Council of Essex (RCCE) The RCCE is a registered charity that works with local community groups in villages and market towns across the County. The Council provided £1.076m to the charity during 2019/20 (2018/19: £959,000). Cllr Simon Walsh, who is Cabinet Member for Environment and Climate Change Action, became a trustee of the Rural Community Council of Essex (RCCE) in July 2017.
	<ul style="list-style-type: none"> Stow Maries Great War Aerodrome This charity's aim is to preserve the Stow Maries Great War Aerodrome. The Council loaned £200,000 to this charity in 2013. The charity made loan repayments, comprising principal and interest, of £28,000 during 2019/20 (2018/19: £29,000). £125,000 of the loan remained outstanding at 31 March 2020 (31 March 2019: £150,000). Cllr John Aldridge became a trustee of this charity in January 2019. He was Chairman of the Council in April 2018. Cllr Mark Platt became a trustee in November 2019. Cllr Platt is the Deputy to the Cabinet Member for Environment and Climate Change Action, and is a member of the Audit, Governance and Standards Committee.
	<ul style="list-style-type: none"> Supporting Carers and Families Together This charity's objective is to relieve the social, emotional, mental, physical and educational needs of carers and families in Essex. The Council provided £4,000 to this charity in 2018/19. Cllr June Lumley is a Trustee of the charity. Cllr Lumley is a member of the Health Overview Policy and Scrutiny Committee, and the People and Families Policy and Scrutiny Committee.
	<ul style="list-style-type: none"> Tendring Eldercare This is a charity which seeks to relieve elderly people in Tendring who are in need, and to preserve and protect the health of those caring for elderly people by offering a respite service. The Council provided £100,000 to this charity in 2019/20 (2018/19: £74,000). Cllr Mark Platt is a trustee of this charity.
	<ul style="list-style-type: none"> Wyvern Community Transport This charity provides transport to people who find mainstream public transport difficult to access. The Council provided £125,000 to this charity in 2019/20 (2018/19: £124,000). Cllr June Lumley is a trustee of this charity.
	<p>The total of members' allowances paid is shown in note 34 (page 116).</p>

Statement of Accounts - Notes to the Financial Statements

Related party	Declaration
Officers	Members of the Council's Corporate Leadership Team, and other officers with independent statutory powers, can influence significantly the policies of the authority. However, officers are bound by a Code of Conduct which seeks to prevent related parties exerting undue influence over the Council. In addition, they are required to declare any transactions with the Council.
Essex Pension Fund	<p>The Council administers the Essex Pension Fund on behalf of its employees and those of the Essex district councils and other admitted bodies.</p> <p>The Council charged £3.298m for administering the Fund during 2019/20, of which £545,000 was outstanding at 31 March 2020 (2018/19: £3.001m, of which £448,000 was outstanding at 31 March 2019).</p>
Essex Cares Ltd	<p>Essex Cares Ltd is a wholly owned subsidiary of the Council. It provides services for people requiring care, support and assistance living in the community. Essex Cares' transactions are consolidated fully within the Council's Group Accounts, which are set out on pages 131 to 145.</p> <p>The Council commissioned services from Essex Cares Ltd to the value of £39.2m in 2019/20 (2018/19: £35.8m).</p> <p>The Council provided financial, internal audit and other support services to Essex Cares Ltd during 2019/20; the value of these services in 2019/20 was £390,000 (2018/19: £320,000).</p> <p>The Council also provided cash management support to Essex Cares Ltd. The Council paid interest of £9,000 (net) on the amounts it borrowed from Essex Cares Ltd; £100 of this total was outstanding at 31 March 2020 (2018/19: paid interest of £3,000 (net) on amounts it borrowed, £500 of which was outstanding at 31 March 2019).</p> <p>As noted on page 126, Cllr Stephen Canning held a position on the Essex Cares' Board of Directors until May 2018; thereafter, Cllr Penny Channer fulfilled this role.</p>
Rochford District Council	The Council provided Section 151 Officer support to Rochford District Council during 2019/20, at a cost of £33,000 , none of which was outstanding at 31 March 2020 (2018/19: £71,000 , of which £45,000 was outstanding at 31 March 2019).
South East Local Enterprise Partnership	<p>The South East Local Enterprise Partnership (South East LEP) is a business-led, public / private body established to drive economic growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock. It has a range of members (including representatives from businesses, local authorities and higher / further education).</p> <p>The South East LEP secured £102.737m from the Government's Local Growth Fund in 2019/20 to support economic growth in the area, of which £18.519m was allocated to the Council to fund major transport schemes (2018/19: 91.739m of which £15.815m was allocated to fund major transport schemes). The funding allocated to the Council by the South East LEP followed a competitive bidding process.</p> <p>The Council made a loan repayment of £300,000 to the South East LEP of a capital loan previously allocated from its Growing Places Fund.</p>

Statement of Accounts - Notes to the Financial Statements

39. Accounting for schools

All locally maintained schools are deemed to be entities controlled by the Council, which means their transactions, unspent resources and current assets and liabilities are consolidated into the Council's single entity accounts.

With regard to Property, Plant and Equipment, the Council only recognises the assets of its Community and Foundation Schools (other than those owned by religious bodies), and the playing fields for all categories of local maintained schools, in its Balance Sheet. It does not recognise the school building assets of the other categories of local maintained school, as there is no evidence that the rights of ownership for these buildings have been assigned either to the school governing bodies or to the Council, and it is therefore assumed that the Trustees have retained their substantive rights to take back the school property without causal action by the schools. However, the Trustees are, by Regulation, required to give a minimum of two years' notice of their intention to terminate a school's occupancy of a site, to allow the Council and/or school governing body time to make alternative arrangements for the pupils.

The number of locally maintained schools deemed to be controlled by the Council is as follows:

2018/19						2019/20				
Nursery schools	Primary Schools	Secondary schools	Special schools	Total		Nursery schools	Primary Schools	Secondary schools	Special schools	Total
2	122	-	6	130	Community schools	2	116	-	6	124
-	28	1	1	30	Foundation schools	-	27	1	1	29
-	4	-	-	4	Foundation schools (C of E)	-	4	-	-	4
-	47	-	-	47	Voluntary controlled schools	-	43	-	-	43
-	48	3	-	51	Voluntary aided schools	-	45	3	-	48
2	249	4	7	262	Total	2	235	4	7	248

The financial relationship between the Council and the schools it maintains is set out in a 'Scheme for Financing Schools'. The Scheme is produced in line with statutory requirements and is subject to approval by members of the local Schools' Forum representing maintained schools. It deals with financial management issues, and sets out the approach to, and existence of, surplus and deficit balances in schools.

The Scheme allows schools to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. The scheme also contains a provision which has the effect of carrying forward deficit balances but providing for deficits to be deducted from the following year's budget share. The scheme makes it clear that the Council cannot write off the deficit balance of any school. The Council can only give assistance towards elimination of a deficit balance from the Council's own schools budget (budget held centrally) where this has been agreed by the Secretary of State.

Note 14 on the Dedicated Schools Grant (see page 75) shows the total of the Individual Schools budget, which is divided into a budget share for each maintained school.

Statement of Accounts - Notes to the Financial Statements

The reduction in the number of locally maintained schools between 2018/19 and 2019/20 shown in the above table primarily results from schools converting to academy status during the year.

Academy schools are publicly funded independent schools that are held accountable through a legally binding 'funding agreement' with the Government. This means that they cease to be local maintained schools upon conversion. A school wishing to convert to academy status must apply to the Department for Education, following consultation with such persons as the school thinks appropriate.

The conversion process usually involves at least five elements:

- The setting up of an academy trust;
- Putting in place a funding agreement between the academy trust and the Secretary of State for the running and funding of the academy school;
- Transferring the employment of the staff of the school from the local authority or governing body (as applicable) to the academy trust;
- Negotiating the transfer of assets and contracts of the school from the local authority and/or governing body to the academy trust; and
- Arranging for the academy trust to have use of the land and buildings of the school(s), usually by way of a 125 year lease with the local authority or the transfer of the freehold of the land, as applicable.

To the extent that the land and buildings of a school converting to academy status are either leased by, or transferred from, the Council, or school governing body, the Property, Plant and Equipment is removed from the Council's Balance Sheet, and a loss on disposal is reported in the Comprehensive Income and Expenditure Statement (as a component of 'Other Operating Expenditure').

40. Events after the Balance Sheet Date

The Statement of Accounts was certified by the Executive Director, Finance and Technology on **30 June 2020**. Events taking place after this date were not reflected in the financial statements or notes.

Statement of Accounts - Group Accounts

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Essex Cares Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements (*the purposes of which are explained on page 30*), 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 Comprehensive Income and Expenditure Statement	132
Group Movement in Reserves Statement	133
Group Balance Sheet	134
Group Cash Flow Statement	136
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Group Comprehensive Income and Expenditure Statement

For the year ended 31st March 2020

2018/19					2019/20			
Gross expenditure £000	Government grants £000	Other income £000	Net Expenditure £000		Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000
142,942	(13,301)	(8,054)	121,587	Children and Families	154,969	(16,381)	(7,741)	130,847
31,259	(84)	(9,317)	21,858	Customer, Communities, Culture and Corporate	31,317	(182)	(9,498)	21,637
14,774	(2,208)	(876)	11,690	Economic Development	17,153	(1,940)	(1,010)	14,203
				Education and Skills				
553,013	(517,133)	(40,311)	(4,431)	Dedicated Schools Budget	547,362	(508,393)	(37,104)	1,865
216,178	(54,630)	(44,839)	116,709	Non Dedicated Schools Budget	271,473	(26,604)	(43,121)	201,748
99,740	(2,288)	(5,470)	91,982	Environment and Climate Change Action	91,700	(1,824)	(5,858)	84,018
21,308	(482)	(5,152)	15,674	Finance, Property and Housing	21,541	(425)	(4,348)	16,768
658,300	(105,732)	(147,149)	405,419	Health and Adult Social Care	673,291	(107,587)	(150,406)	415,298
98,961	(12,718)	(17,079)	69,164	Infrastructure	95,460	(4,895)	(17,420)	73,145
10,472	(1,417)	135	9,190	Leader	951	(43)	143	1,051
1,377	-	(81)	1,296	Performance, Business Planning and Partnerships	1,942	-	(128)	1,814
				Recharged Strategic Support Services				
74,406	-	-	74,406	Customer, Communities, Culture and Corporate	74,928	-	-	74,928
20,020	-	-	20,020	Finance, Property and Housing	19,270	-	-	19,270
2,222	-	-	2,222	Leader	2,384	-	-	2,384
8,516	-	-	8,516	Performance, Business Planning and Partnerships	8,836	-	-	8,836
1,953,488	(709,993)	(278,193)	965,302	Cost of services - continuing operations	2,012,577	(668,274)	(276,491)	1,067,812
218,596	-	-	218,596	Other Operating Expenditure	49,504	-	-	49,504
128,452	-	(60,282)	68,170	Financing and Investment Income and Expenditure	123,348	-	(58,708)	64,640
-	(303,737)	(685,461)	(989,198)	Taxation and non specific grant income	-	(329,416)	(721,420)	(1,050,836)
2,300,536	(1,013,730)	(1,023,936)	262,870	Deficit on Provision of Services	2,185,429	(997,690)	(1,056,619)	131,120
			-	Tax expenses of subsidiary				-
			262,870	Group deficit				131,120
			(91,993)	Surplus arising on revaluation of non-current assets				(83,918)
			(160,966)	Re-measurements of the net defined benefits pension liability				(163,843)
			(252,959)	Other Comprehensive Income and Expenditure				(247,761)
			9,911	Total Comprehensive Income and Expenditure				(116,641)

Group Movement in Reserves Statement

For the years ended 31st March 2019 and 31st March 2020

	Usable Reserves							Total Unusable Reserves	Total Reserves	Analysis of Reserves	
	Earmarked General Reserves	General Fund Balance	Authority share of Profit and Loss Reserve of Subsidiary	Authority share of Pension Reserve of Subsidiary	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves			Total Authority Reserves	Authority Share of Reserves of Subsidiary
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	(284,997)	(55,212)	(1,902)	(2,926)	-	(2,557)	(347,594)	(850,499)	(1,198,093)	(1,193,265)	(4,828)
Restatement of opening balances											
Reclassification of financial assets	-	-	-	-	-	-	-	-	-	-	-
Adjustment for credit loss allowances	-	2,812	-	-	-	-	2,812	-	2,812	2,812	-
Adjustment for modified loans	-	(1,238)	-	-	-	-	(1,238)	-	(1,238)	(1,238)	-
Adjusted Balance at 1 April 2018	(284,997)	(53,638)	(1,902)	(2,926)	-	(2,557)	(346,020)	(850,499)	(1,196,519)	(1,191,691)	(4,828)
Movement in Reserves during 2018/19											
Total Comprehensive Expenditure and Income	-	264,551	(1,681)	(3,950)	-	-	258,920	(249,009)	9,911	15,542	(5,631)
Adjustments between accounting basis and funding under regulations	-	(277,404)	-	-	-	(1,663)	(279,067)	279,067	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	-	(12,853)	(1,681)	(3,950)	-	(1,663)	(20,147)	30,058	9,911	15,542	(5,631)
Transfers to Earmarked Reserves	(9,881)	9,881	(933)	933	-	-	-	-	-	-	-
(Increase) / decrease in 2018/19	(9,881)	(2,972)	(2,614)	(3,017)	-	(1,663)	(20,147)	30,058	9,911	15,542	(5,631)
Balance at 31 March 2019	(294,878)	(56,610)	(4,516)	(5,943)	-	(4,220)	(366,167)	(820,441)	(1,186,608)	(1,176,149)	(10,459)
Movement in Reserves during 2019/20											
Total Comprehensive Expenditure and Income	-	131,513	(393)	(2,994)	-	-	128,126	(244,767)	(116,641)	(113,254)	(3,387)
Adjustments between accounting basis and funding under regulations	-	(175,481)	-	-	(9,581)	2,962	(182,100)	182,100	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	-	(43,968)	(393)	(2,994)	(9,581)	2,962	(53,974)	(62,667)	(116,641)	(113,254)	(3,387)
Transfers to Earmarked Reserves	(44,139)	44,139	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2019/20	(44,139)	171	(393)	(2,994)	(9,581)	2,962	(53,974)	(62,667)	(116,641)	(113,254)	(3,387)
Balance at 31 March 2020	(339,017)	(56,439)	(4,909)	(8,937)	(9,581)	(1,258)	(420,141)	(883,108)	(1,303,249)	(1,289,403)	(13,846)

Statement of Accounts - Group Accounts

Group Balance Sheet as at 31st March 2020

31 March 2019	Note		31 March 2020
£000			£000
		Property, Plant and Equipment	
		Operational assets	
1,408,207		Land and buildings	1,398,920
11,123		Vehicles, plant and equipment	10,192
1,141,369		Infrastructure	1,180,934
3,130		Community assets	3,275
		Non operational assets	
168,935		Assets under construction	137,519
55,124		Surplus assets held pending disposal	52,338
2,787,888		Total Property, Plant and Equipment	2,783,178
14,572		Heritage assets	14,667
38,337		Investment property	39,181
7,352		Intangible assets	8,792
13,115		Long term investments	12,705
16,803		Long term debtors	15,698
2,878,067		Long term assets	2,874,221
90,209		Short term investments	115,191
10,839		Inventories	10,342
146,162	5	Short term debtors	135,214
157,545		Cash and cash equivalents	308,610
6,124		Assets held for sale	2,413
410,879		Current assets	571,770
(8,164)		Short-term borrowing	(23,571)
(308,115)	5	Creditors	(327,128)
(14,270)		Revenue grant receipts in advance	(31,694)
(75,075)		Capital grant receipts in advance	(69,181)
(11,810)		Provisions (current)	(13,350)
(7,951)		Finance lease obligations - short term	(7,629)
(425,385)		Current liabilities	(472,553)
(1,113)		Long term creditors	(1,215)
-		Revenue grant receipts in advance (long term)	(1,956)
-		Capital grant receipts in advance (non current)	(25,922)
(35,365)		Provisions (non-current)	(33,755)
(511,798)		Long term borrowing	(598,941)
		Other long term liabilities	
(130,957)		Finance lease obligations	(115,580)
(11,699)		Deferred credits	(10,926)
(986,021)	6	Net Pensions liability	(881,894)
(1,676,953)		Long term liabilities	(1,670,189)
1,186,608		Net Assets	1,303,249

Statement of Accounts - Group Accounts

Group Balance Sheet as at 31st March 2020

31 March 2019	Note		31 March 2020
£000			£000
		Usable reserves	
(294,878)		Earmarked reserves	(339,017)
(56,610)		General Fund Balance	(56,439)
(4,516)		Profit and Loss reserve	(4,909)
(5,943)	6	Pension reserve	(8,937)
-		Usable capital receipts reserve	(9,581)
(4,220)		Capital grants unapplied	(1,258)
(366,167)			(420,141)
		Unusable reserves	
(601,983)		Revaluation reserve	(634,629)
(1,208,599)		Capital Adjustments Account	(1,150,386)
3,003		Financial Instruments Adjustment Account	12,452
(1,030)		Pooled Investment Funds Adjustment Account	(636)
991,877	6	Pension reserve	888,101
(2,519)		Deferred capital receipts	(334)
(11,723)		Collection Fund Adjustment Account	(9,085)
10,533		Accumulating Compensated Absences Adjustment Account	11,409
(820,441)			(883,108)
(1,186,608)		Total Reserves	(1,303,249)

Statement of Accounts - Group Accounts

Group Cash Flow Statement

For the year ended 31st March 2020

2018/19 £000	Notes		2019/20 £000
(64,380)	7	Operating activities	(104,362)
(61,543)	↓	Investing activities	58,243
8,949	↓	Financing activities	(104,946)
(116,974)		Net increase in cash and cash equivalents	(151,065)
40,573		Cash and cash equivalents at 1st April	157,545
(2)		Adjustment for credit loss allowances (cash and cash equivalents)	-
40,571			157,545
157,545		Cash and cash equivalents at 31st March	308,610

Statement of Accounts - Group Accounts

Notes to the Group Accounts

1. Group boundary

The Council has an interest in several entities, the most significant of which is Essex Cares Ltd.

Essex Cares Ltd commenced trading in July 2009 and was established by the Council to provide services for people living in the Community who require care, support and assistance.

Essex Cares Ltd is a company limited by shares. Essex County Council owns 100% of the ordinary shares of the Essex Cares Ltd group, which are vested with the Council as a corporate shareholder.

Essex Cares Ltd is a subsidiary of the Council for accounting purposes, and its results have been consolidated into the Group Accounts on a line by line basis using the acquisition accounting basis of consolidation.

None of the other Local Authority Trading Companies in which the Council has an interest are considered material enough, either when considered individually or in aggregate, to merit consolidation into the Council's Group Accounts.

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.

3. Group Expenditure and Funding Analysis

2018/19				2019/20		
Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
116,199	5,388	121,587	Children and Families	122,909	7,938	130,847
17,467	4,391	21,858	Customer, Communities, Culture and Corporate	16,571	5,066	21,637
6,887	4,803	11,690	Economic Development	6,146	8,057	14,203
			Education and Skills			
820	(5,251)	(4,431)	Dedicated Schools Budget	451	1,414	1,865
78,351	38,358	116,709	Non Dedicated Schools Budget	89,141	112,607	201,748
87,007	4,975	91,982	Environment and Climate Change Action	80,947	3,071	84,018
13,977	1,697	15,674	Finance, Property and Housing	15,913	855	16,768
397,706	7,713	405,419	Health and Adult Social Care	407,020	8,278	415,298
54,294	14,870	69,164	Infrastructure	48,058	25,087	73,145
5,508	3,682	9,190	Leader	5,860	(4,809)	1,051
1,285	11	1,296	Performance, Business Planning and Partnerships	1,740	74	1,814
			Recharged Strategic Support Services			
56,377	18,029	74,406	Customer, Communities, Culture and Corporate	61,674	13,254	74,928
18,480	1,540	20,020	Finance, Property and Housing	17,624	1,646	19,270
2,123	99	2,222	Leader	2,227	157	2,384
7,884	632	8,516	Performance, Business Planning and Partnerships	7,959	877	8,836
864,365	100,937	965,302	Cost of services - continuing operations	884,240	183,572	1,067,812
(878,899)	176,467	(702,432)	Other income and expenditure not charged to services	(928,601)	(8,091)	(936,692)
(14,534)	277,404	262,870	Surplus on Provision of Services	(44,361)	175,481	131,120
			General Fund Balance & Profit and Loss Reserve			
(57,114)			Balance as at 1 April	(61,126)		
1,574			Restatement of opening balances	-		
(55,540)			Restated balance at 1 April	(61,126)		
(14,534)			Surplus on Provision of Services	(44,361)		
8,948			Transfers from Earmarked Revenue Reserves	44,139		
(61,126)			Balance as at 31 March	(61,348)		

4. Note to the Group Expenditure and Funding Analysis

2018/19	Adjustments for capital purposes £000	Net change for Pension Adjustments £000	Other adjustments between funding and accounting £000	Other differences £000	Adjustments between the Funding and Accounting basis £000
Children and Families	529	4,859	-	-	5,388
Customer, Communities, Culture and Corporate	3,241	1,150	-	-	4,391
Economic Development	4,289	514	-	-	4,803
Education and Skills					
Dedicated Schools Budget	-	-	(2,351)	(2,900)	(5,251)
Non Dedicated Schools Budget	35,033	12,620	-	(9,295)	38,358
Environment and Climate Change Action	4,684	301	-	(10)	4,975
Finance, Property and Housing	1,831	182	-	(316)	1,697
Health and Adult Social Care	3,757	3,956	-	-	7,713
Infrastructure	24,790	880	-	(10,800)	14,870
Leader	6,812	6,080	-	(9,210)	3,682
Performance, Business Planning and Partnerships	-	11	-	-	11
Recharged Strategic Support Services					
Customer, Communities, Culture and Corporate	15,711	2,318	-	-	18,029
Finance, Property and Housing	-	1,602	-	(62)	1,540
Leader	-	99	-	-	99
Performance, Business Planning and Partnerships	-	632	-	-	632
Cost of services - continuing operations	100,677	35,204	(2,351)	(32,593)	100,937
Other income and expenditure not charged to services	112,116	28,012	3,746	32,593	176,467
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	212,793	63,216	1,395	-	277,404

2019/20	Adjustments for capital purposes £000	Net change for Pension Adjustments £000	Other adjustments between funding and accounting £000	Other differences £000	Adjustments between the Funding and Accounting basis £000
Children and Families	1,680	5,659	599	-	7,938
Customer, Communities, Culture and Corporate	3,343	1,635	88	-	5,066
Economic Development	7,500	507	50	-	8,057
Education and Skills	-	-	-	-	-
Dedicated Schools Budget	-	-	(1,045)	2,459	1,414
Non Dedicated Schools Budget	107,720	13,690	240	(9,043)	112,607
Environment and Climate Change Action	2,608	429	45	(11)	3,071
Finance, Property and Housing	821	267	21	(254)	855
Health and Adult Social Care	3,174	4,576	528	-	8,278
Infrastructure	34,352	953	73	(10,291)	25,087
Leader	(4,261)	(713)	9	156	(4,809)
Performance, Business Planning and Partnerships	-	62	12	-	74
Recharged Strategic Support Services	-	-	-	-	-
Customer, Communities, Culture and Corporate	10,020	3,022	212	-	13,254
Finance, Property and Housing	-	1,843	13	(210)	1,646
Leader	-	141	16	-	157
Performance, Business Planning and Partnerships	-	841	36	-	877
Cost of services - continuing operations	166,957	32,912	897	(17,194)	183,572
Other income and expenditure not charged to services	(61,906)	24,161	12,460	17,194	(8,091)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	105,051	57,073	13,357	-	175,481

Statement of Accounts - Group Accounts

5. Debtors and creditors

The debtors and creditors included within the Group Accounts exclude any amounts owed within the 'Group'.

6. Defined Benefit Pension Schemes

Note 32 of the Council's single entity accounts provides an explanation of the Council's participation in two pension schemes:

- Local Government Pension Scheme; and
- Award of discretionary post-retirement benefits upon early retirement in relation to the Teachers' pension scheme.

Essex Cares Ltd participates in the Local Government Pension scheme as an admitted body.

The following paragraphs explain the Group transactions relating to retirement benefits, the Group assets and liabilities within the Local Government Pension Scheme and the basis for estimating those assets and liabilities and the change in the Group Pension Reserve.

The Council's transactions related to the award of discretionary post retirement benefits upon early retirements in relation to the teachers' pension scheme (as detailed in Note 32 of the Council's single entity accounts) are not reproduced here but are included within the Group Comprehensive Income and Expenditure Statement and the Balance Sheet.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during 2019/20 in relation to participation in the Local Government Pension Scheme.

Statement of Accounts - Group Accounts

2018/19				2019/20		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
85,989	1,599	87,588	Current service cost	90,828	1,638	92,466
27,791	45	27,836	Past service cost	2,877	301	3,178
(21,722)	-	(21,722)	Gain / loss on settlement	(3,723)	1,345	(2,378)
92,058	1,644	93,702		89,982	3,284	93,266
			Financing and Investment Income and Expenditure			
26,895	(103)	26,792	Net interest expense	23,246	(123)	23,123
26,895	(103)	26,792		23,246	(123)	23,123
118,953	1,541	120,494	Total charge to the Surplus / Deficit on Provision of Services	113,228	3,161	116,389
			Re-measurement of the net pensions liability			
(121,830)	(2,814)	(124,644)	Return on scheme assets	172,085	6,038	178,123
			Actuarial (gains) / losses arising from changes in:			
145,108	4,098	149,206	Financial assumptions	(298,174)	(6,290)	(304,464)
(179,297)	(3,938)	(183,235)	Demographic assumptions	(30,642)	(677)	(31,319)
-	-	-	Experience (gain) / loss on defined benefit obligation	43,130	(622)	42,508
-	1,097	1,097	Other	(46,327)	(1,443)	(47,770)
-	(2,393)	(2,393)	Change in effect of the asset ceiling	-	-	-
(156,019)	(3,950)	(159,969)	Total charged to Other Comprehensive Income and Expenditure	(159,928)	(2,994)	(162,922)
(37,066)	(2,409)	(39,475)	Total charged to the Comprehensive Income and Expenditure Statement	(46,700)	167	(46,533)
			Movement on the Authority's General Fund Balance			
(118,953)	-	(118,953)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(113,228)	-	(113,228)
53,662	521	54,183	Actual amount charged against the General Fund Balance for pensions in the year	54,036	518	54,554
(65,291)	521	(64,770)		(59,192)	518	(58,674)

The amount included within the Group Balance Sheet in respect of its Local Government Pension Scheme defined benefit plan is:

2018/19				2019/20		
Council £000	Subsidiary £000	Total £000		Council £000	Subsidiary £000	Total £000
3,256,736	77,792	3,334,528	Present value of the defined benefit obligation	3,050,857	65,845	3,116,702
(2,293,901)	(83,648)	(2,377,549)	Fair value of plan assets	(2,188,758)	(72,052)	(2,260,810)
962,835	(5,856)	956,979	Sub total	862,099	(6,207)	855,892
-	-	-	Impact of asset ceiling	-	-	-
962,835	(5,856)	956,979	Net liability arising from defined benefit obligations	862,099	(6,207)	855,892

Statement of Accounts - Group Accounts

The following table provides a reconciliation of the present value of scheme liabilities:

2018/19				2019/20		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
3,224,588	72,528	3,297,116	Balance as at 1 April	3,256,736	77,792	3,334,528
85,989	1,599	87,588	Current service cost	90,828	1,638	92,466
80,707	1,868	82,575	Interest Cost	77,131	1,851	78,982
15,857	256	16,113	Contributions by scheme participants	17,110	259	17,369
			Actuarial (gains) / losses			
			Actuarial (gains) / losses arising from changes in demographic assumptions			
(179,297)	(3,938)	(183,235)	Actuarial (gains) / losses arising from changes in financial assumptions	(30,642)	(677)	(31,319)
145,108	4,098	149,206	Experience loss (gain) on defined benefit obligation	(298,174)	(6,290)	(304,464)
-	-	-	Other	-	(622)	(622)
-	2,895	2,895	Past service costs	43,130	(1,099)	42,031
27,791	45	27,836	Benefits paid	2,877	301	3,178
(92,701)	(1,559)	(94,260)	Liabilities extinguished on settlements	(100,568)	(1,799)	(102,367)
(51,306)	-	(51,306)		(7,571)	(5,509)	(13,080)
3,256,736	77,792	3,334,528	Balance as at 31 March	3,050,857	65,845	3,116,702

The following table provides a reconciliation of the fair value of scheme assets:

2018/19				2019/20		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
2,171,025	77,847	2,248,872	Balance as at 1 April	2,293,901	83,648	2,377,549
53,812	1,971	55,783	Interest income	53,885	1,974	55,859
			Remeasurement gain / (loss)			
121,830	2,814	124,644	Return on plan assets (excl. amount incl in net interest expense)	(172,085)	(6,038)	(178,123)
-	1,798	1,798	Other	46,327	344	46,671
53,662	521	54,183	Contributions by Employer	54,036	518	54,554
15,857	256	16,113	Contributions by scheme participants	17,110	259	17,369
(92,701)	(1,559)	(94,260)	Benefits paid	(100,568)	(1,799)	(102,367)
(29,584)	-	(29,584)	Settlements	(3,848)	(6,854)	(10,702)
2,293,901	83,648	2,377,549	Balance as at 31 March	2,188,758	72,052	2,260,810

The Local Government Pension Scheme assets comprised:

31 March 2019			31 March 2020	
£000	%		£000	%
1,479,461	62.3%	Equities	1,323,337	58.5%
125,823	5.3%	Gilts	97,445	4.3%
141,107	5.8%	Other bonds	136,981	6.1%
211,336	8.9%	Property	203,302	9.0%
62,707	2.6%	Cash and cash equivalents	93,972	4.2%
231,145	9.8%	Alternative Assets	260,412	11.5%
125,970	5.3%	Other managed funds	145,361	6.4%
2,377,549	100.0%	Total assets	2,260,810	100.0%

Statement of Accounts - Group Accounts

Note 32.4 of the Council's 'single entity' accounts, which commences on page 113, set out the significant assumptions used by the Actuary in its calculations for the Local Government Pension Scheme. The assumptions made in relation to Essex Cares Ltd are consistent with those made for the Council, except for the rate of increase in salaries where the rate for Essex Cares Ltd is estimated at **2.65%** (2018/19: 3.15%).

The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period. It assumes for each change that the assumption analysed changes, while all other assumptions remain constant.

Local Government Pension Scheme	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,057,075	3,116,702	3,177,553
Projected Service Cost	83,998	86,237	88,537
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,120,736	3,116,702	3,112,704
Projected Service Cost	86,278	86,237	86,195
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,173,731	3,116,702	3,060,754
Projected Service Cost	88,503	86,237	84,027
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	3,243,683	3,116,702	2,995,029
Projected Service Cost	88,873	86,237	83,678

Statement of Accounts - Group Accounts

7. Cash Flow

The cash flows for operating, investing and financing activities include the following items:

2018/19 £000		2019/20 £000
	Cash flows from operating activities	
	Cash inflows	
(689,434)	Taxation	(724,058)
(883,234)	Grants	(919,570)
(303,692)	Sales of goods and rendering of services	(289,993)
(4,049)	Interest received	(3,353)
-	Dividends received	(334)
(1,880,409)		(1,937,308)
	Cash outflows	
455,157	Cash paid to and on behalf of employees	449,632
39,772	Interest paid	48,050
1,211,146	Cash paid to suppliers of goods and services	1,223,743
109,954	Other payments for operating activities	111,521
1,816,029		1,832,946
(64,380)	Net inflow of cash from operating activities	(104,362)
	Cash flows from investing activities	
	Cash inflows	
(10,283)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(29,161)
(120,968)	Proceeds from short and long term investments	(413)
(177,436)	Other receipts from investing activities	(130,072)
(308,687)		(159,646)
	Cash outflows	
175,822	Purchase of property, plant and equipment, investment property and intangible assets	116,263
369	Purchase of short and long term investments	25,000
70,953	Other payments for investing activities	76,626
247,144		217,889
(61,543)	Net (inflow) / outflow of cash from investing activities	58,243
	Cash flows generated from financing activities	
	Cash inflows	
(1,702)	Cash receipts of short and long term borrowing	(107,194)
(316)	Other receipts from financing activities	(20,166)
(2,018)		(127,360)
	Cash outflows	
8,169	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	17,770
2,798	Repayment of short and long term borrowing	4,644
-	Other payments for financing activities	-
10,967		22,414
8,949	Net (inflow) / outflow of cash from financing activities	(104,946)
(116,974)	Net increase in cash and cash equivalents	(151,065)

Statement of Accounts - Pension Fund Accounts

Introduction

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of the Council, Essex district, borough and unitary councils, and for other scheduled and admitted bodies. The Pension Fund accounts are set out in the following pages, as detailed below.

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Fund Account	147
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Statement of Accounts - Pension Fund Accounts

Pension Fund Accounts

Fund Account for the year ended 31st March 2020

2018/19 £000	Note		2019/20 £000
		Dealing with members and others directly involved in the Fund	
		Income	
(57,799)	9	Contributions receivable	(60,772)
(181,987)	9	Member contributions	(191,720)
(10,796)	9	Employers' contributions	(12,253)
(2,423)		Transfers in from other Pension Funds	(2,318)
		Other income	
(253,005)		Total income	(267,063)
		Expenditure	
		Benefits payable	
200,611	9	Pensions	211,869
38,334	9	Commutation of pensions & lump sum retirement benefits	41,130
5,599	9	Lump sum death benefits	7,178
		Payments to and on account of Leavers	
687		Refunds of contributions	900
33		State scheme premiums	20
30,304	9	Transfers out to other schemes	23,313
275,568		Total expenditure	284,410
22,563		Net (additions) / withdrawals from dealings with members	17,347
48,921	11	Management expenses	55,317
71,484		Net (additions) / withdrawals from dealings with members	72,664
		Returns on investments	
(92,287)	10	Investment income	(109,811)
(492,310)	12	Profit and losses on disposal of investments and changes in market value of investments	433,307
4,647	15	Taxes on income	3,503
(579,950)		Net returns on investments	326,999
(508,466)		Net (increase)/decrease in the assets available for benefits during the year	399,663
(6,518,883)		Net assets as at 1 April	(7,027,288)
61		Restatement of opening balance	-
(6,518,822)		Adjusted net assets as at 1 April	(7,027,288)
(7,027,288)		Net assets as at 31 March	(6,627,625)

Statement of Accounts - Pension Fund Accounts

Pension Fund Accounts

Net Assets Statement as at 31st March 2020

31 March 2019 £000	Note		31 March 2020 £000
	12	Investments at market value	
		Investment assets	
404,594		Fixed interest securities	400,724
4,064,304		Equities	3,530,936
391,041		Index linked securities	285,066
383,250		Property	429,285
226,626		Property unit trusts	165,452
321,530		Private equity	340,352
356,015		Infrastructure	392,964
212,357		Timber	234,178
118,654		Private debt	135,587
365,608		Other managed funds	425,244
11,216		Derivative contracts	31
145,961		Cash/deposits	250,164
7,995		Other investment balances	9,393
7,009,151			6,599,376
		Investment liabilities	
(10,798)		Derivative contracts	(31)
(209)		Other investment balances	(1,400)
(11,007)			(1,431)
6,998,144		Total net investments	6,597,945
	14	Long term debtors	
1,587		Contributions due from employers	539
		Current assets and liabilities	
		Current Assets	
14,775		Cash	16,749
21,560		Contributions due from employers and other current assets	21,808
7,036,066			6,637,041
		Current liabilities	
(8,778)		Unpaid benefits and other current liabilities	(9,416)
7,027,288		Net assets of the scheme available to fund benefits at the end of the reporting period	6,627,625

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 3.

Statement of Accounts - Pension Fund Accounts

Notes to the Pension Fund Accounts

1. Background

1.1 General description of the Fund

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2008, Essex County Council is required to maintain a pension fund ("the Fund").

The Essex Pension Fund is part of the Local Government Pension Scheme and is administered by Essex County Council ("the Administering Authority") which is the reporting entity for this pension fund.

Established by the Local Government Superannuation Regulation 1974 the scheme is governed by the Public Service Pensions Act 2013, the Fund is administered in accordance with the following secondary legislation:

- Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- LGPS (Transitional Provisions, Savings and Amendment) Regulation 2014 (as amended); and
- LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme to provide pensions and other benefits for its Essex County Council employees and those other scheduled Bodies within its area. It is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. A complete list of the employers participating in the Fund is contained in the Pension Fund Annual Report and Accounts. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

The Council has delegated its pension functions to the Essex Pension Fund Strategy Board (PSB) and Investment Steering Committee (ISC). Responsibility for the administration and financial management of the Fund has been delegated to the Executive Director, Finance and Technology along with the Director for Essex Pension Fund.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in private equity, infrastructure and timber through the use of limited partnerships. The ISC oversees the management of these investments and meets regularly with the investment managers to monitor their performance against agreed benchmarks. The ISC in turn reports to the Essex Pension Fund Strategy Board. The Fund's Investment Strategy Statement, is contained in the Pension Fund Annual Report and Accounts and can be found on the Pension Fund website (www.essexpensionfund.co.uk).

Statement of Accounts - Pension Fund Accounts

Regional Asset Pools

In response to the Government's guidance and criteria on pooling investments issued in 2015, the Essex Pension Fund are working collaboratively with ten other like-minded LGPS Funds under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires).

In 2018 a joint procurement was undertaken by ACCESS for a passive provider with UBS Asset Management appointed as the preferred provider. In addition, in March 2019 Link Solutions Limited (Link) was appointed to act as operator of the ACCESS's Authorised Contractual Scheme (ACS). As at 31 March 2020 Link had launched 15 sub funds.

At the end of 2017/18 Essex Pension Fund had transitioned **£1,945m** from Legal and General to ACCESS's new provider, UBS Asset Management. During 2018/19 a further **£1,532m** had been invested into sub funds managed by Link Solutions Limited. No new assets were transitioned in 2019/20.

It is anticipated that during 2020/21 further investment will be made into the ACS managed by Link.

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Essex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are around **700** active employer organisations within Essex Pension Fund including the County Council itself.

Membership details are set out below:

31 March 2019 <i>Restated</i>		31 March 2020
52,524	Contributors	57,498
73,827	Deferred pensioners	69,857
42,405	Pensioners	44,682

Statement of Accounts - Pension Fund Accounts

Prior year membership data has been restated to reflect the final membership position following the Actuarial Valuation carried out as at 31 March 2019.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from **5.5%** to **12.5%** of pensionable pay for the financial year ending 31st March 2020. Employees can also opt to pay a reduced contribution. This is commonly referred to as the '50/50' option. At any time, an active member can opt to pay half of their normal contribution. This option results in the pension built up during this time being reduced by half. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at **31st March 2019**. Details can be found on the website www.essexpensionfund.co.uk.

1.4 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with inflation.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Essex Pension Fund website www.essexpensionfund.co.uk.

2. Basis of preparation

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

The financial statements summarise the Fund's transactions for the financial year ended 31st March 2020 and its position as at 31st March 2020. They report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. However, a statement calculating the Fund's actuarial present value of promised retirement benefits (IAS 26) as at 31st March 2020 using IAS 19 methodology can be found in section 3.3. Details of the actuarial position of the scheme as at 31st March 2019 can also be found in section 3.1.

Statement of Accounts - Pension Fund Accounts

The accounts are prepared on a going concern basis.

3. Actuarial valuation

The contributions payable for 2019/20 were determined by the 2016 Actuarial Valuation.

3.1 Actuarial Valuation 2019

In line with the Local Government Pension Regulations 2013 the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting the employer contribution rates for the forthcoming triennial period.

An Actuarial Valuation of the Essex Pension Fund was carried out as at 31st March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. The results of the valuation are contained within the Statement by the Consulting Actuary of the Pension Fund Report and Accounts.

Actuarial Approach

Market conditions and the underlying investment performance of the Fund's assets will have a direct impact on the funding position, a smoothed value is used by the Fund's Actuary, Barnett Waddingham.

The Actuary's approach adopted at the 2019 Actuarial Valuation included the following features:

- financial assumptions such as inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six-month period from 1 January 2019 to 30 June 2019. The discount rate is based on the expected investment return from the Fund's assets.
- the market value of assets at 31 March 2019 is then adjusted to also be smoothed over the same six-month period so that a consistent comparison can be made with the liabilities.
- the smoothed assets also include a 5% volatility reserve deduction which may be used in the instance for future adverse experience to help achieve stability.

The Valuation was carried out using the projected unit actuarial method. Full details of the actuarial assumptions are contained within the full Valuation Report that is available from www.essexpensionfund.co.uk, but the main financial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

Assumptions	Proposed financial assumptions	
	2016	2019
Rate of discount	5.10%	4.50%
Short term pay increase	CPI to 31 March 2020	N/A

Statement of Accounts - Pension Fund Accounts

Assumptions	Proposed financial assumptions	
	2016	2019
Long term pay increase	3.9%	3.6%
Rate of increase to pensions in payment	2.4%	2.6%
Pension increases on Guaranteed Minimum Pension	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reached SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	

The assumed life expectancy from age 65 is as follows:

31 March 2016 Years		31 March 2019 Years
	Retiring today	
22.3	Males	21.7
24.8	Females	23.7
	Retiring in 20 years	
24.5	Males	23.1
27.2	Females	25.1

The assets were assessed at market value.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of **£6,711m** (on a smoothed basis) represented **97%** of the Funding Target liabilities of **£6,917m** at the valuation date. This was based on a smoothing adjustment of 100.5% applied to the market value of the assets less the 5% volatility reserve.

The valuation also showed that a primary rate of contribution of **20.0%** of Pensionable Pay per annum was required from employers (16.3% as at 31 March 2016). The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the Actuary's statement. In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The next triennial actuarial valuation of the Fund is currently due as at 31st march 2022. Based on the results of this valuation, the contributions payable by the individual employers will be revised with effect from 1 April 2023.

Statement of Accounts - Pension Fund Accounts

Funding Strategy

The Funding Strategy adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The funding objectives of the Fund are:

- to prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement;
- to recognise in drawing up its Funding Strategy, the desirability of employer contribution rates that are as stable as possible;
- to manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives;
- to maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund;
- to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation; and
- to have consistency between the investment strategy and funding strategy; and to maximise returns within reasonable risk parameters.

3.2 Actuarial present value of promised retirement benefits

Many of the Fund's employers comply with the accounting disclosure requirements of either IAS 19 or FRS 102. These accounting standards specify the approach taken when calculating liabilities for disclosure in an employer's annual accounts – they do not determine the employer contribution. Employer contributions are determined via the Actuarial Valuation (as described in Note 3 above).

3.3 Actuarial present value of promised retirement benefits

Separate to the Actuarial Valuation, IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed. For this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used in the Actuarial Valuation for funding purposes.

In order to assess the present value of the Fund's obligation on this basis, the Actuary, allowing for the different financial assumptions required under IAS 19 has used a roll forward approach in valuing the Fund's liabilities which were last calculated at the triennial actuarial valuation as at 31 March 2019.

Statement of Accounts - Pension Fund Accounts

Liabilities are valued using a discount rate based on corporate bond yields.

An estimate of the Fund's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

The duration of the Fund's liabilities is the weighted average time to pay each future expected cash flow for each member. This is based on the data from the last actuarial valuation. The Fund's liability duration as at 31 March 2019 is **20 years** which in turn means a discount rate of **2.35%** per annum (31 March 2019: 2.40%).

McCloud / Sargeant ruling

Two employment tribunal cases in respect of the Judicial and Firefighters' Pension Schemes were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public services pension schemes from 1 April 2015.

The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination. The rulings of both cases were appealed to the Employment Appeal Tribunal and subsequently to the Court of Appeal. In December 2018, the Court of Appeal ruled that the transitional protections gave rise to unlawful discrimination. In June 2019, the Government was denied permission to appeal the decision to the Supreme Court.

The result of the ruling has far reaching consequences for all public services pension schemes, including the Local Government Pension Scheme, as there is now a requirement to compensate eligible members for any discrimination suffered as a result of the transitional protections. The Government Actuary's Department (GAD) has undertaken a high-level cost analysis of the potential impact on total liabilities. The remedy remains uncertain. A public consultation is expected in 2020/21 with proposed changes to remove discrimination by extension of protections. The Actuary applying GAD's scenario analysis has estimated that the impact on the total liabilities at 31st March 2019 was **0.8%** of liabilities, which equates to **£79.328m**.

In regard to 2019/20, an allowance was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date as stated above and is already included in the starting position. This allowance is incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

The value of the Fund's promised retirement benefits as at 31st March 2020 was **£9,259m** (£9,805m as at 31 March 2019). The key financial assumptions used are:

Statement of Accounts - Pension Fund Accounts

31 March 2019 %		31 March 2020 %
2.40	Pension increases	1.90
3.90	Salary increases	2.90
2.40	Discount rate	2.35

4. Accounting policies

4.1 Fund Account – revenue recognition

4.1.1 Contribution income

Normal contributions (also referred to as Primary Contributions), both from the members and from the employer, are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes which arise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund Actuary in the payroll period to which it relates.

Employer deficit funding contributions (also referred to as Secondary Contributions) are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and financial strain contributions are accounted for in the period in which the liability arises. Any amounts due in the year but unpaid are classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

4.1.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations (see Note 9 which commences on page 165).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and included in Transfers in (see Note 9 which commences on page 165).

Statement of Accounts - Pension Fund Accounts

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

4.1.3 *Investment Income*

- **Dividend income**

Dividend income is recognised in the Fund Account on the date the shares are quoted ex-dividend. Any amounts not received by 31 March are disclosed in the Net Assets Statement as other investment balances due. Investment income also includes withholding tax where this cannot be recovered. The amount of irrecoverable withholding tax is disclosed as a separate line item on the face of the Fund Account, and a more detailed breakdown can be found in Note 15 (page 177) of the accounting notes that accompany these financial statements.

- **Interest income**

Interest income is recognised in the Fund Account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

- **Income from other investments**

This income is accounted for on an accruals basis. Any amount not received by the end of the financial year is disclosed in the Net Assets Statement under other investment balances.

- **Distribution from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

- **Property related income**

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease.

Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

- **Change in market value of investments**

This is recognised as income during the year and comprises all realised and unrealised profits and losses during the year.

Statement of Accounts - Pension Fund Accounts

4.2 Fund Account – Expense items

4.2.1 *Benefits payable*

Under the regulations, retirees can receive a lump sum retirement grant in addition to their annual pension. Pensions and lump sum retirement grants are accounted for from the date of retirement. When a member chooses to take a greater retirement grant in return for reduced pension these lump sums are accounted for on an accruals basis from the date that the option is exercised. Any amounts due but not paid are disclosed in the Net Assets Statement as current liabilities provided that payment has been approved.

Other benefits are accounted for on the date that members leave the Fund, or upon death.

4.2.2 *Taxation*

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax accounted for as a fund expense as it arises (see Note 15).

As Essex County Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investments and property expenses.

4.2.3 *Management expenses*

The Fund discloses its pension fund management expenses where possible in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses 2016'.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the administration part of the function are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Statement of Accounts - Pension Fund Accounts

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. For the investment managers who manage the main asset classes of the Fund these are broadly based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. With the investment managers who manage the alternative assets the fees are generally calculated on a commitment basis.

Some of the Fund's investments are via pooled vehicles. In the majority of cases the investment manager deducts its management fees directly i.e. the Fund are not invoiced for these costs. The gross up of management fees are offset through the change in market value of these investments.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20, **£1.735m** of fees is based on such estimates (2018/19: £2.412m). A creditor has been raised and the actual invoice amount is shown within current liabilities.

The costs of the Pension Fund investment function are charged direct to the Fund along with any direct running costs. Transaction costs and custody fees are included within investment management expenses.

The cost of obtaining investment advice from external consultants is included in government and oversight.

4.3 Net Assets Statement

4.3.1 Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis (with the exception of cash and debtors, which have been dealt with on an amortised cost basis), as at the financial year end date of 31 March. The financial asset is recognised in the Net Asset Statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in fair value of the asset are recognised in the Fund Account.

The values of investments shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 12). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted where possible, the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG / Investment Association, 2016). Each type of investment in consultation with the Fund's Investment Managers have been assessed and a single level has been applied, based on their overall characteristics.

Statement of Accounts - Pension Fund Accounts

4.3.2 Valuation of investments

The value of investments as shown in the Net Assets Statement is determined as outlined in the following paragraphs.

- **Market Quoted Investments**

In the majority of cases, market quoted equity investments for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- **Unquoted Investments**

- Unquoted private equity

Unquoted equity, and private equity limited partnership, investments are valued based on the Fund's share of the net assets of the partnership using the latest financial statements published by the respective fund managers. In 2019/20, these are mainly valued as at 31 December 2019, in accordance with the guidelines issued by the British Venture Capital Association or an equivalent body. As such, an estimate of the valuation at 31st March 2020 has been made. The 31 December valuation is adjusted for payments made to, and received from, the private equity managers in the period 1 January to 31st March 2020.

In addition to the above treatment, the Fund, using information supplied by the Fund's private equity manager has made a further adjustment to reflect the last quarter's market volatility arising from the COVID-19 crisis.

- Other unquoted investments

Investments in unquoted property, private debt, timber and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager. These investments are based on 31 March 2020 valuations.

- **Directly held investments**

These include investments in limited partnerships, unlisted companies, trust and bonds.

Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pooled or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or standards set by the constituent documents of the pool or the management agreement.

- **Unit trusts and managed funds**

These are valued at bid prices provided by the relevant fund managers, which reflect the market value of the underlying investments.

In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Statement of Accounts - Pension Fund Accounts

- **Value of fixed interest investments**

Fixed interest investments in the Fund's investment portfolio are recorded at net market value, based on their current yield (i.e. excludes interest earned but not paid over at the Fund year-end, which is included separately within accrued investment income and disclosed within Note 10).

- **Direct Property Investments**

Direct property investments have been valued on a fair value basis as at 31 March 2020, by Frank Knight, Chartered Surveyors in accordance with the Royal Institute of Chartered Surveyors' (RICS) valuation standards 2017 which incorporates the International Valuation Standards and the RICS UK National Supplement effective from January 2019. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms. Due to the unprecedented set of circumstances arising from the COVID-19 pandemic, the Valuers have stated that the valuations as at 31st March 2020 are reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards.

4.3.3 Derivatives

Derivative financial instruments are used to manage exposure to specific risks arising from the Fund's investment activities – they are not held for speculative purposes.

4.3.4 Dividends, Interest and Foreign Currencies

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

4.3.5 Cash and Cash Equivalents

Cash comprises of cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

4.3.6 Financial Liabilities

A financial liability is recognised in the Net Assets Statement of the date the Fund becomes party to the liability. The Fund recognises financial liabilities related to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between the contract date, the year-end date and the eventual settlement date are recognised in the Fund as part of Change in Value of Investments.

Other financial liabilities classified as amortised cost are carried at amortised cost.

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4.3.7 *Contingent liabilities*

Contingent liabilities are possible obligations that arise from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Pension Fund's control.

Contingent liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts, unless the possibility of an outflow of resources is remote (Note 14).

4.3.8 *Additional Voluntary Contribution*

The Essex Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 13.

The AVC providers to the Fund are The Equitable Life Assurance Society, Prudential and Standard Life.

The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the AVC providers.

5. **Critical judgements in applying accounting policies**

In applying the accounting policies set out within Note 4, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Fund Accounts are:

▪ **Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuation are agreed with the Actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of the promised retirement benefits by way of a note to the Net Assets Statement. This is shown in Note 3.3.

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▪ Directly held property

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods over various time periods. The Fund has determined that these contracts all constitute operating lease arrangements under classifications permitted by IAS 7 and the Code, therefore the properties are retained on the Net Assets Statement at fair value. Rental income is recognised in the Fund Account.

6. Assumptions made about the future and other major sources of estimation uncertainty

The Fund Accounts contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits <i>Note: Results are taken from the 2019 Actuarial valuation</i>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £116m . An increase of the CPI assumption by 0.1% per annum increases the value of liabilities by approximately £18m . A 0.5% increase in the long-term rate of salary increase would increase the value of liabilities by approximately £55m . Increasing the long-term rate of improvement used in the mortality projection by 0.25% per annum would increase the liability by approximately £50m .

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Item	Uncertainties	Effect if actual results differ from assumptions
Property	<p>Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property.</p> <p>Where possible, these valuation techniques are based on observable data but where this is not possible management uses the best available data.</p> <p>Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels, changes in market process, changes in volume of sales and purchases or the discount rate could affect the fair value of property. There is also increased uncertainty due to the Novel Coronavirus COVID-19, and its impact on the property market.</p>	<p>The effect of variations in the factors supporting the valuation could result in an increase or decrease in the value of:</p> <ul style="list-style-type: none"> · directly held property by +/- 20% an increase or decrease of £79.585m, on current value of £397.925m (Note 18.6) · pooled property funds by +/- 20% an increase or decrease of £33.090m, on current value of £165.452m. (Note 18.6) · global held property by +/- 14,2% an increase or decrease of £4.453m, on current value of £31.360m. (Note 18.6)
Private equity / Infrastructure / Timber / Private debt	<p>There is a degree of estimation involved in the valuation of these assets.</p> <p>Uncertainties including changes in market activity, credit risks, expected cash flows, discount rates used can impact valuations.</p>	<p>The total private equity, infrastructure, timber and private debt investments in the financial statements are £1,103m. There is a risk that this investment may be under or overstated in the accounts, totalling an increase / decrease of £88.636m (Note 18.6).</p>

7. Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are 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 (adjusting events after the reporting period), and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

During March 2020 there was a sharp decline in global stock markets as news of the severity of the Novel Coronavirus (COVID-19) pandemic around the world became known. The market value

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of the Funds investments was affected. The majority of the investments are valued as at 31st March 2020. In the case where valuations as at 31st March were not available, this year, a further adjustment has been made to the estimated market value to reflect the above event.

8. Accounting standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 requires the disclosure of any accounting standards issued but not yet adopted. IFRS 16 Leases was due to be adopted in 2020/21. However, due to the above event, adoption has now been deferred to 2021/22. The Fund does not believe this will have a material impact on the 2021/22 financial statements.

9. Membership activities

9.1 Pension benefits payable

2018/19				2019/20		
Pensions	Commutation of pensions and lump sums	Lump sum death benefits		Pensions	Commutation of pensions and lump sums	Lump sum death benefits
£000	£000	£000		£000	£000	£000
71,791	12,831	1,355	Administering Authority	74,960	10,720	1,898
108,880	20,611	3,745	Scheduled Bodies	115,408	25,594	4,618
12,194	2,395	62	Community Admission Bodies	12,945	2,582	220
7,039	2,119	432	Transferee Admission Bodies	7,735	2,073	412
707	378	5	Resolution Bodies	821	161	30
200,611	38,334	5,599		211,869	41,130	7,178

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9.2 Contributions receivable

9.2.1 By category

Contributions receivable from employers are set out below:

2018/19 £000		2019/20 £000
57,799	Employee's normal contributions	60,772
	Employers' normal contributions	
146,065	Normal contributions	154,216
30,313	Employers' deficit recovery contributions	33,141
5,609	Employers' augmentation	4,363
181,987		191,720
239,786		252,492

The terminology used in the Actuarial Report for both employer contribution categories have been changed to:

- Employer normal contributions – primary contributions;
- Deficit contribution – secondary contributions;
- Employer augmentation relates to payments for the cost of early retirements.

9.2.2 By type

2018/19			2019/20	
Member £000	Employer £000		Member £000	Employer £000
15,475	49,525	Administering Authority	15,919	49,882
38,890	119,077	Scheduled Bodies	41,331	128,494
1,908	8,682	Community Admission Bodies	1,888	8,030
1,205	3,654	Transferee Admission Bodies	1,302	4,175
321	1,049	Resolution Bodies	332	1,139
57,799	181,987		60,772	191,720

9.3 Transfers in from, and out to, other pension funds

2018/19			2019/20	
Transfers in £000	Transfers out £000		Transfers in £000	Transfers out £000
-	19,381	Group transfers	-	
10,796	10,923	Individual transfers	12,253	23,313
10,796	30,304	Total	12,253	23,313

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During 2019/20 (and 2018/19) no group transfers from other schemes were received.

In 2019/20, no bulk transfers were made. In 2018/19, a bulk transfer of **£19.381m** was made in respect of Epping College to London Pension Fund Authority (LPFA) following a college merger.

10. Investment Income

10.1 By Type

2018/19 Restated £000		2019/20 £000
32,488	Dividends from equities	26,991
-	Dividends from equity pooled funds	20,962
2,505	Private Equity income	2,182
17,301	Infrastructure / timberland income	16,362
10,100	Managed fund income	15,790
7,934	Income from pooled property investments	7,611
13,679	Net rent from properties	12,394
2,204	Interest from cash deposits	3,132
2,431	Other	903
88,642	Total investment income showing net property rent	106,327
	Add back:	
3,645	Property operating expenses	3,484
92,287	Total investment income showing gross property rent	109,811

In line with best practice guidelines, the note that accompanies investment income requires the Fund to show rent from property net of other property income and operating property expenses. However, rent from property which is included under 'investment income' in the Fund Account is shown on a gross basis.

The Fund has looked at its classification of other property income and as such have reclassified some of the income from 'Net rent from properties' to 'income from pooled property investments' and 'Other' categories. Prior year figures have been restated with a net nil effect on the bottom-line figure.

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10.2 Investment property net rental

2018/19 Restated £000		2019/20 £000
17,214	Rental Income from investment property	15,738
110	Other Property income	140
(3,645)	Direct operating expenses arising from investment property	(3,484)
13,679	Total	12,394

10.3 Contractual rental receivable

The table below shows the contractual amount of rental income due to the Fund as at 31 March:

2018/19 £000		2019/20 £000
15,733	Within one year	16,406
45,826	Between one and five years	53,461
47,553	Beyond five years	53,774
109,112	Total	123,641

The above disclosure has been reduced by a loss allowance of **3.2%** per annum (2018/19: 1.5%) reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on Fund information for the year to 31 March 2020.

10.4 Movement in the fair value of investment properties

	Freehold £000	Leasehold £000	Total £000
Fair value at 1 April 2018	323,385	70,500	393,885
Additions	7,870	12,295	20,165
Disposals	(44,507)	-	(44,507)
Net gain/loss on fair value	16,232	(2,525)	13,707
Fair value at 31 March 2019	302,980	80,270	383,250
Additions	73,841	1,092	74,933
Disposals	(39,809)	-	(39,809)
Net gain/loss on fair value	(13,182)	(7,267)	(20,449)
Fair value at 31 March 2020	323,830	74,095	397,925

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11. Management expenses

11.1 By type

2018/19 £000		2019/20 £000
2,860	Administration costs	3,299
44,372	Investment management expenses	50,522
1,689	Oversight and governance	1,496
48,921	Total	55,317

ACCESS ongoing costs were £74,000 for 2019/20 (2018/19: £116,000). These costs are shown under oversight and governance costs line of the above note.

In 2019/20 external audit costs were £40,000 of which £12,000 was rechargeable and relates to work undertaken to provide scheduled bodies on IAS 19 accounting disclosures (2018/19: £30,000 and £6,000 respectively).

11.2 Investment management expenses

2018/19 £000		2019/20 £000
43,201	Management fees	49,454
388	Custody fees	779
783	Transaction costs	289
44,372	Total	50,522

Custody fees are made up of fees paid to the Fund's Global Custodian, Northern Trust and other out of pocket custody expenses. These were **£303,000** and **£476,000** in 2019/20 respectively (£304,000 and £84,000 in 2018/19).

Investment transaction costs of **£289,000** were paid in 2019/20 (£783,000 in 2018/19). These were made up of transactions that have gone through the custody account of **£565,000** and for the first year an adjustment has also been made for any further costs reported by the Fund's Investment Managers these amounted to a reimbursement back to the Fund of **£276,000**.

The Fund in 2018/19 also incurred transition costs of **£240,000** as a result of moving assets into sub funds managed by Link Solutions Limited, the ACCESS Pool Operator. No transition costs were incurred in 2019/20.

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12. Investments

12.1 Value of investments held by managers

The value of investments held by each fund manager on 31 March was as follows:

2019			2020	
£m	%		£m	%
		Investments managed inside the ACCESS Pool		
507	7.2	Link Asset Solutions - Long term Global Growth Fund	591	9.0
536	7.7	Link Asset Solutions - Global Dividend Fund	447	6.8
489	7.0	Link Asset Solutions - Global Equity Fund	425	6.4
2,045	29.2	UBS Asset Management	1,753	26.6
3,577	51.1		3,216	48.8
		Investments managed outside of the ACCESS Pool		
122	1.7	Alcentra Ltd	136	2.0
670	9.6	Aviva Investors	637	9.6
335	4.8	Stewart Investors (formerly First State)	259	3.9
404	5.8	Goldman Sachs Asset Management International	401	6.1
347	5.0	Hamilton Lane	382	5.8
86	1.2	IFM Investors	92	1.4
73	1.0	JPMorgan Asset Management	70	1.1
1	-	Longview Partners	-	-
588	8.4	Marathon Asset Management Ltd	368	5.6
365	5.2	M&G Investments Alpha Opportunities	425	6.4
1	-	M&G Investments Financing Fund	-	-
202	2.9	Partners Group Management II S.à r.l (Infrastructure)	231	3.5
-	-	Partners Group Management II S.à r.l (Global Property)	31	0.5
217	3.1	Stafford Timberland Limited	243	3.7
10	0.2	Other	107	1.6
3,421	48.9		3,382	51.2
6,998	100.0		6,598	100.0

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12.2 Investments by asset type

The tables below provide an analysis of investment assets by type and show the movements in the market value of the investments, including profits and losses realised on the sales of investments:

2018/19	Value at 1 April 2018 £000	2018/19 Movement					Value at 31 March 2019 £000
		Purchases £000	Net Transfers £000	Sale Proceeds £000	Change in Market Value £000	Cash Movement £000	
Fixed interest securities							
UK quoted	242,167	160,000	-	-	2,427	-	404,594
Equities							
UK quoted	134,666	7,972	(54,523)	(27,142)	4,370	-	65,343
Overseas quoted	1,838,222	282,901	(864,903)	(600,574)	157,348	-	812,994
UK unit trust life assurance policies	239,889	-	-	-	7,359	-	247,248
Overseas unit trust life assurance policies	774,160	5,020	-	-	30,291	-	809,471
Global unit life assurance policies	496,794	85,000	-	-	15,342	-	597,136
Global unit trusts	471,407	1,714	(496,834)	(4,045)	27,758	-	-
ACCESS pooled global equity funds	-	22,108	1,416,260	(1,666)	95,410	-	1,532,112
Index unit linked life assurance policies	433,664	6	-	(63,000)	20,371	-	391,041
Property							
UK properties (freehold)	323,385	7,870	-	(44,507)	16,232	-	302,980
UK properties (leasehold)	70,500	12,295	-	-	(2,525)	-	80,270
Property unit trusts	224,468	8,379	-	(4,589)	(1,632)	-	226,626
Private equity							
UK unquoted	7	-	-	-	(3)	-	4
Overseas unquoted	299,444	52,988	-	(88,892)	57,986	-	321,526
Infrastructure							
UK unquoted	1	-	-	-	-	-	1
overseas unquoted	297,755	66,434	-	(49,681)	41,506	-	356,014
Timber (Overseas unquoted)	109,869	98,955	-	(10,895)	14,428	-	212,357
Private Debt							
UK unquoted	29,676	-	-	(136)	864	-	30,404
Overseas unquoted	76,894	24,515	-	(15,081)	1,922	-	88,250
Other managed funds							
UK unquoted	264,399	105,015	-	(1,529)	(2,277)	-	365,608
Cash							
Cash deposits held at the custodian/other							
Sterling	85,487	-	-	-	-	(1,818)	83,669
Foreign currency	63,621	-	-	(5,133)	5,133	(1,329)	62,292
	6,476,475	941,172	-	(916,870)	492,310	(3,147)	6,989,940
Derivative pending foreign currency contracts *	(27,570)						418
Other investment balances							
Assets							
Amounts receivable for sales of investments	30,932						60
Investment income due	5,771						7,892
Amounts receivable in respect of the GLF sales	-						43
Liabilities							
Amounts payable for purchase of investments	(3,971)						(56)
Investment withholding tax payable	(143)						(153)
Amounts payable in respect of the GLF purchases	(981)						-
	6,480,513						6,998,144

The change in market value includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments since 1 April.

* Investment managers operate in global markets and need to transact in different currencies in order to settle trades. At the end of the year, the outstanding balance of these trades are disclosed in Note 12.2.

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	Value at 1 April 2019 £000	2019/20 Movement					Value at 31 March 2020 £000
		Purchases £000	Net Transfers £000	Sale Proceeds £000	Change in Market Value £000	Cash Movement £000	
Fixed interest securities							
UK quoted	404,594	-	-	(693)	(3,177)	-	400,724
Equities							
UK quoted	65,343	7,416	-	(18,447)	(12,634)	-	41,678
Overseas quoted	812,994	156,495	-	(307,286)	(104,298)	-	557,905
UK unit trust life assurance policies	247,248	25,500	16,000	-	(53,675)	-	235,073
Overseas unit trust life assurance policies	809,471	49,501	(16,000)	-	(91,363)	-	751,609
Global unit life assurance policies	597,136	-	-	-	(115,322)	-	481,814
ACCESS pooled global equity funds	1,532,112	25,253	-	(7,037)	(87,471)	-	1,462,857
Index unit linked life assurance policies	391,041	-	-	(100,000)	(5,975)	-	285,066
Property							
UK properties (freehold)	302,980	73,841	-	(39,809)	(13,182)	-	323,830
UK properties (leasehold)	80,270	1,092	-	-	(7,267)	-	74,095
Global Property	-	30,725	-	(181)	816	-	31,360
Property unit trusts	226,626	3,781	-	(53,898)	(11,057)	-	165,452
Private equity							
UK unquoted	4	-	-	-	-	-	4
Overseas unquoted	321,526	51,753	-	(87,505)	54,574	-	340,348
Infrastructure							
UK unquoted	1	-	-	-	-	-	1
overseas unquoted	356,014	26,358	-	(19,967)	30,558	-	392,963
Timber (Overseas unquoted)	212,357	16,242	-	(3,780)	9,359	-	234,178
Private Debt							
UK unquoted	30,404	-	-	(143)	(4,569)	-	25,692
Overseas unquoted	88,250	41,268	-	(20,111)	488	-	109,895
Other managed funds							
UK unquoted	365,608	84,937	-	(2,508)	(22,793)	-	425,244
Cash							
Cash deposits held at the custodian/other							
Sterling	83,669	-	-	-	-	101,996	185,665
Foreign currency	62,292	-	-	(3,424)	3,424	2,207	64,499
	6,989,940	594,162	-	(664,789)	(433,564)	104,203	6,589,952
Derivative pending foreign currency contracts	418	481	-	(1,156)	257	-	-
	6,990,358	594,643	-	(665,945)	(433,307)	104,203	6,589,952
Other investment balances							
Assets							
Amounts receivable for sales of investments	60						1,664
Investment income due	7,892						7,269
Amounts receivable in respect of the GLF sales	43						460
Liabilities							
Amounts payable for purchase of investments	(56)						(1,207)
Investment withholding tax payable	(153)						(193)
Amounts payable in respect of the GLF purchases	-						-
	6,998,144						6,597,945

The change in market value includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments since 1 April.

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31 March 2019 £000		31 March 2020 £000
	Fixed interest securities	
404,594	UK quoted	400,724
	Equities	
65,343	UK quoted	41,678
812,994	Overseas quoted	557,905
247,248	UK unit trust life assurance policies	235,073
809,471	Overseas unit trust life assurance policies	751,609
597,136	Global unit life assurance policies	481,814
1,532,112	ACCESS pooled global equity funds	1,462,857
391,041	Index linked securities: UK unit linked life assurance policies	285,066
	Property	
302,980	UK properties (freehold)	323,830
80,270	UK properties (leasehold)	74,095
-	Global property	31,360
226,626	Property unit trusts	165,452
	Private equity	
4	UK unquoted	4
321,526	Overseas unquoted	340,348
	Infrastructure	
1	UK unquoted	1
356,014	Overseas unquoted	392,963
212,357	Timber: Overseas unquoted	234,178
	Private Debt	
30,404	UK unquoted	25,692
88,250	Overseas unquoted	109,895
365,608	Other managed funds: UK unquoted	425,244
418	Derivative contracts	-
	Cash deposits	
	Cash deposits held at custodian/other	
83,669	Sterling	185,665
62,292	Foreign currency	64,499
6,990,358		6,589,952
	Other investment balances	
	Assets	
60	Amounts receivable for sales of investments	1,664
7,892	Investment income due	7,269
43	Amounts receivable re. GLF	460
	Liabilities	
(56)	Amounts payable for purchase of investments	(1,207)
(153)	Investment withholding tax payable	(193)
6,998,144	Value at 31 March	6,597,945

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12.3 Pooled investments representing 5% or more of net assets

The Fund holds the following investments in unit trusts/pooled vehicles which are in excess of 5% of the value of the Fund:

31 March 2019			31 March 2020		
£000	%		£000	%	
507,346	7.2%	Link Fund Solutions LTGG Fund	590,709	8.9%	
597,136	8.5%	UBS Asset Management Life All World Equity Tracker	481,814	7.3%	
535,454	7.6%	Link Fund Solutions Global Dividend Fund	447,157	6.7%	
364,778	5.2%	M&G Alpha Opportunity Fund	425,244	6.4%	
489,312	7.0%	Link Fund Solutions Global Equity Fund	424,991	6.4%	
404,594	5.8%	Goldman Sachs Strategic Absolute Fund	400,724	6.0%	
370,615	5.3%	UBS Asset Management Life USA Equity Tracker Hedged	333,557	5.0%	
391,041	5.6%	UBS Asset Management Life Over 5 Year Index Tracker	285,066	4.3%	

12.4 Derivative contracts

12.4.1 Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, **65.8%** of the Fund's NAS is in overseas assets as at 31st March 2020 (31st March 2019: 67.3%).

To reduce some of the volatility associated with fluctuating currency rates (currency risk) the Fund invests in hedged overseas regional index funds via its passive provider UBS Asset Management.

12.4.2 Open forward currency contracts

Settlement	Currency Bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000	Net value £000
Up to one month	GBP	11,181	EUR	(12,484)	11,181	(10,763)	418
Up to one month	GBP	26	PHP	(1,768)	26	(26)	-
Up to one month	USD	2	HKD	(15)	2	(2)	-
Up to one month	USD	10	JPY	(1,050)	7	(7)	-
Open forward currency contracts at 31 March 2019					11,216	(10,798)	418
Open forward currency contracts at 31 March 2018					8,362	(35,932)	(27,570)

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Settlement	Currency Bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000	Net value £000
Up to one month	USD	33	DKK	(225)	27	(27)	-
Up to one month	USD	5	ZAR	(98)	4	(4)	-
Open forward currency contracts at 31 March 2020					31	(31)	-
Open forward currency contracts at 31 March 2019					11,216	(10,798)	418

13. Additional Voluntary Contributions (AVC) Investments

A summary of the information provided by Equitable Life, Prudential and Standard Life to the Fund is shown in the table below.

13.1 Reconciliation of movements in AVC investments

2018/19 £000		2019/20 £000
7,302	Value of AVC fund at beginning of year	8,416
1,982	Employees contributions	1,569
247	Investment income and change in market value	(191)
(1,115)	Benefits paid and transfers out	(1,011)
8,416		8,783

13.2 Analysis of AVC investments by Provider

2018/19 £000		2019/20 £000
50	Utmost (formerly Equitable Life)	64
3,768	Prudential	4,651
4,598	Standard Life	4,068
8,416		8,783

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14. Current assets and liabilities

14.1 Analysis of current assets

31 March 2019 £000		31 March 2020 £000
	Cash Balances	
627	Cash at bank	1,737
14,148	Cash on short term deposits within 3 months	15,012
14,775		16,749
	Debtors and payments in advance	
4,475	Contributions due – employees	4,811
15,213	Contributions due – employers	15,524
1,872	Sundry debtors	1,473
21,560		21,808
36,335	Total	38,557

14.2 Analysis of long-term debtors

31 March 2019 £000		31 March 2020 £000
1,514	Other employer contributions due	228
73	Reimbursement of lifetime allowances	311
1,587	Total	539

Introduced in 2016, the lifetime allowance limits the amount of pension that can be paid by an individual pensioner without incurring an extra tax charge. Responsibility falls to the pensioner. However, the Fund offers the facility to pay all or part of the tax upfront, on the individual's behalf, and gets reimbursed by additional pension deductions over time. A long-term debtor of **£311,000** has been raised in 2019/20 in this regard (£73,000 in 2018/19).

14.3 Analysis of current liabilities

31 March 2019 £000		31 March 2020 £000
	Unpaid benefits and other current liabilities	
(791)	Contributions due – employers	(1,460)
(2,674)	Investment manager fees payable	(1,883)
(5,295)	Benefits payable	(5,139)
(18)	Other	(934)
(8,778)	Total	(9,416)

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14.4 Contingent liabilities and contractual commitments

As at 31st March 2020, the Fund had a commitment to contribute a further **£1,192m** to its existing direct and indirect partnership investments, including private equity, infrastructure, timber and private debt (31st March 2019: £512.585m). The amounts called by these funds are irregular in both size and timing over a period of between five to ten years from the date of each original commitment.

15. Taxes on income

The table below provides a breakdown of the taxes paid by the Fund in the UK and overseas.

2018/19 £000		2019/20 £000
78	UK withholding tax	-
3,704	Overseas withholding tax	2,121
865	Payment to HMRC in respect of returned contributions	1,382
4,647		3,503

16. Related party transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund. The intention in making this disclosure is to make explicit the extent to which the Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to negotiate freely with the Fund.

16.1 Administration of the Fund

The Essex Pension Fund is administered by Essex County Council.

The Council incurred gross costs of **£3.298m** in 2019/20 (2018/19: £3.001m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed **£49.882m** to the Fund in 2019/20 (2018/19: **£49.525m**). No significant amounts were owing to and due to be paid from the Fund in the year.

The Fund has in place a separate bank account arrangement with the County Council. Surplus cash is invested by the County Council's treasury management team on the sterling money markets, in accordance with the Essex Pension Fund treasury management policy and strategy as agreed by the Essex Pension Fund Investment Steering Committee 28 March 2019. This service is provided to the Fund at a cost of **£28,000** (2018/19: £27,000).

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During the year to 31st March 2020, the Pension Fund had an average investment balance of **£21.097m** (2018/19: £31.296m) earning **£110,000** interest (2018/19: £176,000).

16.2 Governance

Under IAS 24 'Related Party Disclosures' it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements. During the year, each member of the Essex Pension Board and Investment Steering Committee are required to declare their interests at each meeting. None of the Essex Pension Board Members, Investment Steering Committee Members or Senior Officers undertook any material transactions with the Essex Pension Fund. There were no material contributions due from the employer bodies at the end of the year that remained outstanding after the due date for payment.

16.3 Members of the LGPS

Essex County Council administers the LGPS for its own employees and numerous other bodies. Under legislation introduced in 2003/04, Councillors were also entitled to join the Pension Fund. However, under legislation introduced from 1 April 2015, the entitlement for Councillors to join the Pension Fund was removed. Those Members of the Essex Pension Board and Investment Steering Committee who, during 2019/20, were also members of the LGPS are listed below.

Representative of scheme members	County Councillors
▪ S. Child	▪ Cllr S. Barker
Representative of scheme employers	▪ Cllr M. Maddocks
▪ C. Riley	▪ Cllr A. Erskine
Representatives of smaller employing bodies	▪ Cllr A. Davies
▪ J. Moore	

From 1 April 2015 pension funds were required to establish a local Pensions Board under section 5 of the Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations 2013. Members of this Board, (Essex Pension Fund Advisory Board) who, during 2019/20, were also members of the LGPS are listed below:

Representative of scheme employers	Representative of scheme members
▪ J. Durrant	▪ A. Coburn
▪ Cllr S. Walsh	▪ P. Hewitt (<i>until June 2019</i>)
	▪ D. Hurst
	▪ S. Roberts (<i>from September 2019</i>)
	▪ J. Sheehy (<i>from September 2019</i>)

The employees of Essex County Council who hold key positions in the financial management of the Essex Pension Fund during 2019/20 and were also members of the Fund were the Executive Director for Corporate and Customer Services and Director for the Essex Pension Fund up until 31

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July 2019, the Executive Director, Finance and Technology, the Interim Director for Essex Pension Fund and three personnel covering the Head of Essex Pension Fund position from 1 August 2019.

During 2019/20 approximately 2% of the Executive Director for Corporate and Customer Services and Executive Director, Finance and Technology time was spent on the Pension Fund, with the other officers spending 100% of their time in this way.

The short-term benefits (pay) associated with the time spent by these staff working on the Fund and the current service cost i.e. the increase in the value of the Fund's future pension liabilities arising out of the employees on-going membership of the Fund are shown below:

2018/19 £000		2019/20 £000
161	Short term benefits	145
105	Current service costs	153
266		298

17. Agency Services

The Essex Pension Fund pays discretionary awards to former employees of both current and former employers' of the Fund. The amounts paid are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below:

2018/19 £000		2019/20 £000
1,456	Administering Authority	1,443
5,209	Scheduled Bodies	5,166
138	Community Admission Bodies	89
2	Resolution Bodies	2
20	Former employers	20
6,825	Total	6,720

18. Financial Instruments

Accounting policies describe how different asset classes of financial instrument are measured and how income and expenditure, including fair value gains and losses, are recognised.

18.1 Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement headings.

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Statutory debtors and creditors are excluded from the financial instrument note and only contractual debtors and creditors are shown.

The debtor figure of **£22.347m** as at 31st March 2020 (2018/19: £23.147m) excludes statutory debtors of **£21.958m** (2018/19: £22.895m).

The creditor figure of **£9.416m** as at 31st March 2020 (2018/19: £8.778m) excludes statutory creditors of **£6.599m** (2018/19: £6.086m).

In addition, financial assets held by the Fund on a direct basis, for example direct property and infrastructure, have also been excluded from the below note.

31 March 2019			Asset type	31 March 2020		
Fair value through profit and loss £000	Assets at Amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at Amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
404,594	-	-	Fixed interest securities	400,724	-	-
4,064,304	-	-	Equities	3,530,936	-	-
391,041	-	-	Index linked securities	285,066	-	-
226,626	-	-	Property unit trusts	165,452	-	-
321,530	-	-	Private equity	340,352	-	-
265,731	-	-	Infrastructure	276,564	-	-
212,357	-	-	Timber	234,178	-	-
118,654	-	-	Private debt	135,587	-	-
365,608	-	-	Other managed funds	425,244	-	-
11,216	-	-	Derivative contracts	31	-	-
-	160,736	-	Cash deposits	-	266,913	-
7,995	-	-	Other investment balances	9,393	-	-
-	252	-	Debtors	-	389	-
6,389,656	160,988	-		5,803,527	267,302	-
			Financial liabilities			
(10,798)	-	-	Derivative contracts	(31)	-	-
(209)	-	-	Other investments balances	(1,400)	-	-
-	-	(2,692)	Creditors	-	-	(2,817)
(11,007)	-	(2,692)		(1,431)	-	(2,817)
6,378,649	160,988	(2,692)	Balance at the end of the year	5,802,096	267,302	(2,817)
		6,536,945	Total			6,066,581

18.2 Net gains and losses on financial instruments

Asset value as at 31 Mar 2019 £000		Asset value as at 31 Mar 2020 £000
	Financial assets	
455,488	Fair value through profit and loss	(436,635)
5,133	Amortised cost - unrealised gains	3,424
460,621	Total	(433,211)

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Financial assets held by the Fund on a direct basis (e.g. direct property and direct infrastructure) have also been excluded from the above note.

The net gains and losses differ from the Fund Account by gains and losses of financial assets held directly. These gains and losses totalled **£96,000** as at 31st March 2020 (31st March 2019: £31.689m).

18.3 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- **Level 1** – Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Assets classified as Level 1 comprise equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investments is based on bid market quotation of the relevant stock exchange.
- **Level 2** – Financial instruments where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
- **Level 3** – Financial instruments where at least one input that could have significant effect on the instruments valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The value of the investment in private equity is based on valuations provided by the general partners to the private equity funds in which the Essex Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IRRS and US GAAP. Valuations are usually undertaken annually at the end of December, with unaudited valuations provided by the general partner as at 31 March.

The valuations of infrastructure and timber are based on net asset value provided by the fund manager.

The table below sets the valuation basis used. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market based information:

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Stewart Investors/ Marathon Asset Management Ltd	Market Quoted Equities	Level 1	Published Bid Market Price	N/A	N/A
Link Asset Solutions	Pooled global equities funds	Level 1	Net Asset Value / Bid Market Price	Net Asset Values	N/A
Goldman Sachs Asset Management International	Fixed interest securities	Level 1	The prices are published reflecting the NAV at each dealing point but are not exchange traded	Net Asset Values	N/A
UBS Asset Management	Equities/Indexed Linked Life Assurance Policies	Level 2	Valuation technique with quoted prices of a similar asset	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place
M&G Investments Alpha Opportunities	Other managed funds	Level 2	The prices are published reflecting the NAV at each dealing point but are not exchange traded	Price of recent transactions for identical instrument	Significant change in economic circumstances or time lapse since the transaction took place
All	Forward Foreign Exchange Derivatives	Level 2	Market exchange rates at the year end	Price of recent transactions for identical instrument	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period.

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Aviva Investors	Direct property	Level 3	Direct Property independently valued by Knight Frank LLP in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation Standard	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing tendencies, Discount rate Land/building valuation surveys	Valuations are reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation - Global Standards. Asset values can range between (+/-20%), significant changes in Yield Movement (+/-10%) and Estimated rental value movement (+/-10%) have been identified as key sensitivities. These risks also reflect the increased uncertainty due to the possible impact of Novel Coronavirus (COVID-19) and its impact on the property market.
Partners Group Management II Sea r.l	Global property	Level 3	Assets are based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing tendencies, Discount rate Land/building valuation surveys	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market process and volume of sales and purchases. Assets values can range between (+14.2% / -14.2%)
Aviva Investors	Property unit trusts	Level 3	Assets are based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the real estate fund.	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth Covenant strength for existing tendencies, Discount rate Land/building valuation surveys	The following sensitivities have been identified Asset values can range between +/-20% Significant changes in Yield Movement (+/-10%) and Estimated rental value movement (+/-10%) have been identified as key sensitivities These risks also reflect the increased uncertainty due to the possible impact of Novel Coronavirus (COVID-19) and its impact on the property market.

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Partners Group Management II S.à r.l	Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar assets, valuation techniques	Valuations can be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and recent transaction prices. Asset values can range between (+4.1% /-4.1%)
JP Morgan Asset Management	Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar assets, valuation techniques	Valuations can be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments, changes in interest rates, inflation, discount rate, price weaknesses As a result assets values can range between (+5.1% /-5.8%)
IFM Investors	Infrastructure	Level 3	The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar assets, valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's reporting date. Key sensitivities identified are changes in gross domestic product, base rates, inflation and discount rates. Asset values can range between (+2.5/-2.5%)

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Hamilton Lane	Private Equity	Level 3	The valuation of the investment are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP	Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets Valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to gross domestic product, inflation, interest rates, and discount rates. Asset values can range between (+15%/-15%)
Stafford Timberlands Limited	Timberlands	Level 3	Valuation technique is based on accepted valuation techniques that include discounted cashflow and multiple earnings	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, adjustments to current prices for similar assets, valuation techniques	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's reporting date by changes to expected cash flows, earning multiple and discount rates used in the discounted cash flow analysis. Asset values can range between (+5%/-5%)
Alcentra Limited	Private Debt	Level 3	Net Asset Value Market approach using comparable trade multiples. They include comparison to recent arm's length transactions, reference to other instruments that are sustainably the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation	These techniques may include a number of assumptions relating to variables such as credit risk and interest rates, direct lending loan values, marketability	Material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, EBITDA multiple, and discount rates used (e.g. discounts offered for lack of marketability). Asset values can change between (+7,2%/-7.2%).

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The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Level 1 to 3 based on the level at which the fair value is observable.

Values as at 31 March 2019				Values as at 31 March 2020		
Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs Restated £000		Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs £000
			Financial assets			
2,823,039	2,648,345	918,272	Fair value through profit and loss	2,472,558	2,178,836	1,152,133
160,988	-	-	Financial assets measured at amortised cost	267,302	-	-
2,984,027	2,648,345	918,272		2,739,860	2,178,836	1,152,133
			Non financial assets			
-	-	473,533	Fair value through profit and loss	-	-	545,685
			Financial liabilities			
(209)	(10,798)	-	Fair value through profit and loss	(1,400)	(31)	-
(2,692)	-	-	Financial liabilities measured at amortised cost	(2,817)	-	-
(2,901)	(10,798)	-		(4,217)	(31)	-
2,981,126	2,637,547	1,391,805	Total net assets per level	2,735,643	2,178,805	1,697,818
		7,010,478	Total Net Assets			6,612,266

18.4 Transfers between hierarchy levels

As at 31 March 2020 based on information received from the Fund's property manager, Aviva Investors pooled property funds was reclassified from a level 2 to a level 3. No reclassifications were made as at 31st March 2019.

Values as at 31 March 2019 Movement to/(from)				Values as at 31 March 2020 Movement to/(from)		
Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs £000		Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs £000
			Financial assets			
-			Fair value through profit and loss	-	(165,452)	165,452
			Pooled property unit trusts			
-	-	-	Movement between levels	-	(165,452)	165,452

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18.5 Reconciliation of fair value measurements within Level 3

2019/20	Value at 1 April 2019 £000	2019/20 Movement						Value at 31 March 2020 £000
		Transfer to Level 3 £000	Purchases £000	Net Transfers £000	Sale Proceeds £000	Unrealised profit/ loss £000	Realised profit/ loss £000	
Properties								
UK properties (freehold)	302,980	-	73,841	-	(39,809)	(13,329)	147	323,830
UK properties (leasehold)	80,270	-	1,092	-	-	(7,267)	-	74,095
Global Property	-	-	30,725	-	(181)	816	-	31,360
Property unit trusts	-	226,626	3,781	-	(53,898)	(31,624)	20,567	165,452
Private equity								
UK unquoted	4	-	-	-	-	-	-	4
Overseas unquoted	321,526	-	51,753	-	(87,505)	(3,395)	57,969	340,348
Infrastructure								
UK unquoted	1	-	-	-	-	-	-	1
Overseas unquoted	356,014	-	26,358	-	(19,967)	29,059	1,499	392,963
Timber (Overseas unquoted)	212,357	-	16,242	-	(3,780)	9,169	190	234,178
Private Debt								
UK unquoted	30,404	-	-	-	(143)	(4,569)	-	25,692
Overseas unquoted	88,250	-	41,268	-	(20,111)	(564)	1,052	109,895
	1,391,806	226,626	245,060	-	(225,394)	(21,704)	81,424	1,697,818

18.6 Sensitivity of assets valued at Level 3

In consultation with its institutional consultants, Hymans Robertson and the Fund's investment managers, an analysis of historical data and expected return movements during the accounting periods in question was undertaken. The fund has determined that the valuation methods described in Note 18.3 are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held as at 31 March 2020.

Value at 1 April 2019 Restated £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000		Value at 1 April 2020 £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000
383,250	10.0%	421,575	344,925	Freehold and leasehold properties	397,925	20.0%	477,510	318,340
-	10.0%	-	-	Global property	31,360	14.2%	35,813	26,907
226,626	10.0%	249,289	203,963	Property unit trusts	165,452	20.0%	198,542	132,362
321,530	15.0%	369,760	273,301	Private equity	340,352	15.0%	391,405	289,299
356,015	7.5%	382,716	329,314	Infrastructure	392,964	4.1%	409,076	376,852
212,357	5.0%	222,975	201,739	Timber (overseas unquoted)	234,178	5.0%	245,887	222,469
118,654	12.6%	133,604	103,704	Private debt	135,587	7.2%	145,349	125,825
1,618,432		1,779,919	1,456,946		1,697,818		1,903,582	1,492,054

Prior year figures have been restated to reflect the reclassification of Property unit trusts, which have moved from Level 2 to Level 3 as at 31 March 2020.

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19. Nature and extent of risks arising

19.1 Risk and risk management

The Fund's primary long term risk is that the Fund assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole of the Fund's investments. The Fund achieves this through asset diversification to reduce its exposure to a variety of financial risks: market risk; other price risk; currency risk; interest rate risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's overall risk management strategy rests with the Essex Pension Fund Strategy Board (PSB). Risk management policies are established to identify and analyse the risks faced by the Fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

19.2 Market risk

Market risk is the possibility that financial loss might occur as a result of fluctuations in equity and commodity prices, interest rates and foreign exchange. The level of risk exposure depends on market conditions, expectation of future price and yield movements and the asset mix.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified pool of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its institutional investment consultant, Hymans Robertson LLP, along with the Fund's independent adviser and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Investment Strategy Statement which is available from the website www.essexpensionfund.co.uk. Investment risk and strategy are regularly reviewed by the Investment Steering Committee (ISC).

19.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The

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level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

19.4 Other price risk sensitivity analysis

In consultation with its institutional consultants, Hyman Robertson LLP, an analysis of historical data and expected return movements during the accounting periods in question was undertaken. The table below shows the potential price movements deemed possible for the accounting period 2019/20 and 2018/19. Prior year figures have been restated to reflect the removal of non-financial assets.

The percentages shown in the following table are broadly consistent with a movement of one standard deviation in the value of the Fund's assets, and assumes that all other variables in particular foreign exchange rates and interest rates remain unchanged.

31st March 2019 Potential Market movement %	Asset type	31st March 2020 Potential Market movement %
0.5%	Cash	0.3%
8.86%	Fixed interest securities	8.0%
16.6%	UK equities	27.5%
16.9%	Overseas equities	28.0%
7.2%	UK index linked bonds	7.4%
14.3%	Pooled property unit trusts	14.2%
28.3%	Private equity	28.4%
11.8%	Infrastructure funds	11.1%
11.8%	Timber	20.1%
12.8%	Private debt	7.2%
11.8%	Other managed funds	11.1%

Had the market price of the Fund investments increased/ (decreased) in line with the above assumptions the change in the net assets available to pay benefits would have been as follows:

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31st March 2019 Restated £000	Percentage change %	Value increase £000	Value decrease £000	Asset type	31st March 2020 £000	Percentage change %	Value increase £000	Value decrease £000
160,736	0.5%	161,540	159,932	Cash and equivalents	266,913	0.3%	267,714	266,112
				Investment portfolio assets				
404,594	8.86%	440,441	368,747	UK fixed interest securities	400,724	8.0%	432,782	368,666
65,343	16.6%	76,190	54,496	UK equities	41,678	27.5%	53,139	30,217
812,994	16.9%	950,390	675,598	Overseas equities	557,905	28.0%	714,118	401,692
247,248	16.6%	288,291	206,205	UK equities unit insurance policies	235,073	27.5%	299,718	170,428
809,471	16.9%	946,272	672,670	Overseas equities insurance policies	751,609	28.0%	962,060	541,158
597,136	16.9%	698,052	496,220	Global equities insurance policies	481,814	28.0%	616,722	346,906
1,532,112	16.9%	1,791,039	1,273,185	ACCESS pooled global equity funds	1,462,857	28.0%	1,872,457	1,053,257
391,041	7.2%	419,196	362,886	UK index linked bonds	285,066	7.4%	306,161	263,971
226,626	14.3%	259,034	194,218	Pooled property unit trusts	165,452	14.2%	188,946	141,958
321,530	28.3%	412,523	230,537	Private equity	340,352	28.4%	437,012	243,692
265,731	11.8%	297,087	234,375	Infrastructure	276,564	11.1%	307,263	245,865
212,357	11.8%	237,415	187,299	Timber	234,178	20.1%	281,248	187,108
118,654	12.8%	133,842	103,466	Private Debt	135,587	7.2%	145,349	125,825
365,608	11.8%	408,750	322,466	Other managed funds	425,244	11.1%	472,446	378,042
418	-	418	418	Net derivative assets	-	-	-	-
6,531,599		7,520,480	5,542,718	Total assets available to pay benefits	6,061,016		7,357,135	4,764,897

19.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk primarily impacts on the valuation of the Funds' bond holdings and, to a lesser degree, the return it receives on cash held. The Fund has three bond mandates; a passive bond mandate with UBS Asset Management and bond mandates with M&G Investments (M&G) and Goldman Sachs Asset Management (GSAM) in which exposure is actively managed. In addition the Fund has an investment in a private debt mandate.

The Fund's direct exposure to interest rate movements is shown below. The underlying assets are shown at their fair value.

Asset value as at 31 Mar 2019 £000	Asset type	Asset value as at 31 Mar 2020 £000
145,961	Cash and cash equivalents	250,164
14,775	Cash balances	16,749
404,594	Fixed interest securities	400,724
391,041	Index-linked securities	285,066
118,654	Private debt	135,587
1,075,025	Total assets	1,088,290

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19.6 Interest rate risk sensitivity analysis

Interest rates have remained constant but this is not always the case and can vary. As a result, any variation in interest rates affects the level of income achievable and the value of the net assets of the Fund to pay benefits. The Fund's institutional consultants, Hymans Robertson, have undertaken a sensitivity analysis and advised that it is reasonable in today's climate that a movement increase/(decrease) of not more than 100 basis points on a year to year basis is possible based on past experience.

The table below shows the effect in the year on the net assets available to pay benefits of an increase/(decrease) of 1% change in interest rates assuming all other factors remain unchanged.

Asset value as at 31 Mar 2019 £000	Impact of 1% increase £000	Impact of 1% decrease £000	Asset type	Asset value as at 31 Mar 2020 £000	Impact of 1% increase £000	Impact of 1% decrease £000
145,961	145,961	145,961	Cash and cash equivalents	250,164	250,164	250,164
14,775	14,775	14,775	Cash balances	16,749	16,749	16,749
404,594	400,548	408,640	Fixed interest securities	400,724	396,717	404,731
391,041	391,041	391,041	Index-linked securities	285,066	285,066	285,066
118,654	117,467	119,841	Private debt	135,587	134,231	136,943
1,075,025	1,069,792	1,080,258	Total change in assets available	1,088,290	1,082,927	1,093,653

The above analysis demonstrates that a 1% change in interest rates will only impact the fair value of fixed interest and private debt, interest received would be unaffected.

A 1% movement of interest rates on cash and index linked securities would not impact the fair value and would have a negligible effect on interest received.

19.7 Currency risk

Currency risk is the extent to which the fair value of future cash flows of a financial asset/liability will fluctuate due to changes in exchange rates. The Fund is exposed to currency risk on all assets that are denominated in any currency other than sterling its reporting currency. To reduce the volatility associated with fluctuating currency rates (currency risk) the Fund invests in hedged overseas regional index funds via its passive provider UBS Asset Management.

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The following table summarises the Fund's currency exposure as at 31st March 2020 and prior year:

31 Mar 2019 £000	Asset type	31 Mar 2020 £000
812,994	Overseas equities quoted	557,905
809,471	Overseas unit life assurance policies	751,609
597,136	Global unit life assurance policies	481,814
1,532,112	ACCESS pooled global equity funds	1,462,857
-	Global property	31,360
321,526	Overseas private equity	340,348
356,014	Overseas infrastructure	392,963
212,357	Overseas timber	234,178
88,250	Overseas private debt	109,895
4,729,860	Total overseas assets	4,362,929

19.8 Currency risk sensitivity analysis

In consultation with the Fund's institutional consultant, Hymans Robertson the Fund considers the likely volatility associated with exchange rate movements to be in the region of **13%** (2018/19: 13%) (approximately one standard deviation) assuming other factors remain constant.

The table below shows the effect of a **13%** (2018/19: 13%) strengthening/weakening of the pound against the investments the Fund holds in various other currencies. The increase/ (decrease) on the net assets of the Fund are as follows:

Asset value as at 31 Mar 2019 £000	Change in year in the net assets to pay benefits		Asset type	Asset value as at 31 Mar 2020 £000	Change in year in the net assets to pay benefits	
	+13% £000	-13% £000			+13% £000	-13% £000
812,994	918,683	707,305	Overseas equities quoted	557,905	630,433	485,377
809,471	914,702	704,240	Overseas unit life assurance policies	751,609	849,318	653,900
597,136	674,764	519,508	Global unit life assurance policies	481,814	544,450	419,178
1,532,112	1,731,287	1,332,937	ACCESS pooled global equity funds	1,462,857	1,653,028	1,272,686
-	-	-	Global property	31,360	35,437	27,283
321,526	363,324	279,728	Overseas private equity	340,348	384,593	296,103
356,014	402,296	309,732	Overseas infrastructure	392,963	444,048	341,878
212,357	239,963	184,751	Overseas timber	234,178	264,621	203,735
88,250	99,723	76,778	Overseas private debt	109,895	124,181	95,609
4,729,860	5,344,742	4,114,979	Total change in assets available	4,362,929	4,930,109	3,795,749

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19.9 Credit Risk

Credit risk is the possibility that the counterparty to a transaction or a financial instrument might fail in its obligation to pay amounts due to the Pension Fund resulting in a financial loss. The market value of investments reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk in all its operational activities through forward currency contracts, derivative positions (futures) where applicable and treasury management activities. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

19.10 Commercial

Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

Except in certain bulk transfer cases, the Fund does not apply service credits in respect of transfers in until cash settlement is made.

Monthly receipt of contributions is closely monitored by the Employer team. In addition, member records are updated throughout the year with any new information provided to them. At the end of the financial year employers are required to provide an annual return which is used to reconcile both member information and the contributions paid over in the year by both the employee and the employer.

The Funding Strategy Statement requires safeguards to be in place on all new admission agreements to protect the Fund from an employer default, including through a guarantee from a tax backed scheme employer for any new body. An analysis of debtor balances at 31st March 2020 is provided in Note 14.

19.11 Bonds

Credit risk will also be considered by the Fund's bond managers in their portfolio construction. A bond is a saleable debt instrument issued by a corporation, government or other entity, the instrument may be purchased direct from the issuer or in the secondary market.

In addition to the passive manager, UBS Asset Management, the Fund has two active bond managers M&G and GSAM. The former also manage a financing fund which is in wind up.

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Both M&G and GSAM manage pooled assets against a LIBOR plus benchmark. At 31st March 2020, the average credit quality of the M&G bond mandate was **BBB+** rated (**BBB+** rated as at 31st March 2019). The portfolio had suffered six defaults since inception, one within the financial year ended 31st March 2020 (none as at 31st March 2019).

The portfolio managed by GSAM as at 31st March 2020 had an average credit quality of **AAA** (AA+ rated as at 31st March 2019) and has suffered twelve defaults since inception, none as at 31st March 2020 (with one occurring in 2018/19).

19.12 Cash held on deposit and current accounts

Cash managed internally – The Fund has operated a separate bank account since 1 April 2010 with Lloyds Bank plc, which is also banker to the Administering Authority. The Bank holds an **A+** (A+ as at 31st March 2019) long term credit rating with Standard and Poor. Cash is invested with Lloyds and is placed with institutions on the Administering Authority's approved counter-party list. The management of cash is carried out by the Treasury Management function of the Administering Authority in accordance with the treasury management policy and strategy approved by the ISC. The ISC have approved the management of cash in accordance with the policies and practices followed by the Administering Authority for its own investments as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority sets detailed credit criteria having taken independent advice and has maximum exposure limits to any single institution. Details of such are shown in the following tables.

At 31st March 2020 **£16.749m** (31st March 2019: £14.775m) was under management by the Administering Authority's Treasury Management Team. Over the last five financial years the Pension Fund has no experience of default or uncollectible deposits.

Cash managed externally – The majority of the cash held by the Fund's custodian, the Northern Trust, is swept overnight to one of two AAA rated money market funds. As at 31st March 2020, the total balance held in the Sterling and US dollar AAA money market funds was **£224.984m** with a smaller balance of **£25.180m** held in the custodian current account (31st March 2019: £117.940m and £28.021m respectively). The use of a money market fund provides an underlying diversification of counter-party and avoids exposure to a single institutional Balance Sheet, in this case the custodian.

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The table below provides a breakdown of where the Pension Fund cash is managed:

31 March 2019			31 March 2020	
Rating	£000		Rating	£000
		Cash managed externally		
		Cash held on deposit (GLF)		
AAA	66,717	BNP Paribas Investment Partners	AAA	96,022
AAA	51,223	Northern Trust	AAA	128,962
		Cash held in Current Account		
AA-	28,021	Northern Trust	AA-	25,180
	145,961	Total cash managed externally		250,164
		Cash managed internally		
		Cash held on fixed term		
AA	5,000	Thurrock Council	AA	-
AA	-	Peterborough Council	AA	5,006
		Cash held on deposit		
AAA	-	Blackrock	AAA	10,000
AA-	4,092	HSBC	AA-	3
A	-	Santander UK	A	1
AA-	5,055	Svenska Handelsbanken	AA-	3
		Cash held in Current Account		
A	628	Lloyds Bank plc	A+	1,736
	14,775	Total cash managed internally		16,749
	160,736	Total		266,913

The following table summarises the maximum exposure to credit risk of the cash held with Northern Trust and other financial institutions.

31 March 2019		31 March 2020	Maximum limit per Financial Institution	Historical risk of default	Estimated maximum exposure to default and uncollectability
		£000	£000	%	£000
	Cash managed externally				
	Deposit with bank and other financial institutions				
117,940	AAA Rated	224,984	80,000	0.0400%	90
28,021	AA Rated	25,180		0.0200%	5
145,961	Total cash managed externally	250,164			95
	Cash managed internally				
	Deposit with bank and other financial institutions				
-	AAA Rated	10,000	10,000	0.0400%	4
14,147	AA Rated	5,012	7,500	0.0200%	1
628	A Rated	1,737	5,000	0.0500%	1
14,775	Total cash managed internally	16,749			6
160,736	Total cash	266,913			101

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19.13 Liquidity Risk

Liquidity risk is the possibility that the Fund might not have adequate cash resources available to meet its financial commitments as they fall due.

The ISC reviews its strategy on a yearly basis and where necessary takes steps to ensure that the Fund has adequate readily realisable resources to meet its financial commitments. The majority of the Fund's investments are quoted on major stock markets and are in readily realisable form. The Fund also has an allocation to alternative investments, which are relatively illiquid.

In 2017 the ISC took the decision to de-risk reducing its equity allocation from 60% to 50% as a result the strategic allocation to alternatives will increase from 27% to 37% as and when opportunities arise. The Fund is relatively immature with almost as many contributors as pensioners, dependants and deferred pensioners. In consequence the Fund has a neutral cash flow and is able to pay benefits from contributions and income received. As the Fund is not in the position of a forced seller, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such illiquid investments to increase diversification, minimise risk and improve long-term investment performance.

The Fund as at 31st March 2020 had immediate access to its pension fund cash holdings held internally and externally of **£266.913m** (31st March 2019: £160.736m). These monies are primarily invested on an overnight basis on the money market.

Officers of the Fund prepare periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Investment Strategy Statement outlines the appropriate strategic level of cash balances that the Fund can hold. More detail can be found in the Pension Fund Annual Report and Accounts.

19.14 Custody

Northern Trust are the global custodian with responsibility for safeguarding the assets of the Fund. As at 31st March 2020 Northern Trust had **\$10.8 trillion** of assets under custody (31st March 2019: \$8.2 trillion) and had a credit rating of **AA-** (31st March 2019: AA-). Monthly reconciliations are performed between the underlying records of the custodian and all investment managers and partnerships of the Fund.

20. Events after the Balance Sheet date

The Statement of Accounts was certified by the Executive Director, Finance and Technology on **30 June 2020**. Events taking place after this date were not reflected in the financial statements or notes.

Statement of Accounts - Pension Fund Accounts

21. Further information

The Council publishes a separate Pension Fund Annual Report and Accounts. Copies may be obtained from the website www.essexpensionfund.co.uk or by contacting:

Director for Essex Pension Fund

County Hall

Chelmsford

CM1 1QH

Telephone 03330 138501

E-mail fund.manager@essex.gov.uk

Statement of Accounts - Glossary

Term	Explanation
Accruals	Sums included in the accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received / made, by the end of that accounting period.
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.
Actuarial valuation	A type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities.
Actuary	A suitably qualified independent consultant employed to advise the Council upon the financial position of either the Pension Fund or the Council's insurance arrangements.
Accumulating Absences	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services.
Additional voluntary contributions	Additional voluntary contributions (AVC's) are an option available to individuals to secure additional pension benefits by making regular payments in addition to those payable on basic earnings.
Amortised cost	A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet.
Amortised financial assets	Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold.
Amortisation	Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over several years.
Appropriations	Appropriations are the transfer of resources between, to and from the various reserves.
Available for sale financial assets	Financial assets that have a quoted market price and/or do not have fixed or determinable payments.
Billing authority	City, district and borough councils are responsible for the billing and collection of Council Tax and Non-domestic rates (NDR).
Cabinet	The Cabinet comprises the Leader, and other Members appointed by the Leader. Each member of the Cabinet has a defined portfolio of responsibilities for the discharge of the Council's business; these portfolios are assigned by the Leader and are reported to the Council.
Capital Adjustment Account	<p>This account represents:</p> <ul style="list-style-type: none"> ▪ Amounts set aside from revenue resources to repay external loans; ▪ The financing of capital payments from capital receipts and revenue reserves; and ▪ The consolidation of gains arising from the revaluation of Property, Plant and Equipment prior to 1 April 2007.
Capital expenditure	This is expenditure on the acquisition of Property, Plant and Equipment (with certain minor exceptions) that will be of use or benefit to the Council in providing its services for more than one year.
Capital financing costs	Costs associated with the financing of Property, Plant and Equipment, representing interest and principal repayments on loans and contributions from revenue reserves towards capital payments.
Capital financing requirement	This is a measure of the Council's underlying need to borrow for capital financing purposes.
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the main professional body for

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Term	Explanation
	accountants working in the public service.
Collection Fund	Account maintained by billing authorities for the collection and distribution of Council Tax and non domestic rates.
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and monuments.
Community Schools	Locally maintained schools that are owned and run by the Council. The Council employs the staff, owns the land and buildings and decides upon the schools' admission criteria.
Council tax	A local tax set by local authorities to finance their revenue expenditure. The level set by a Council will be dependent on the level by which its budgeted expenditure exceeds income from other sources (for example, grants awarded by central government).
Credit losses	A measure of how much the Council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Council and those that it expects to receive.
Creditors	Amounts due, but not yet paid, for work, goods received or services received during the financial year.
Current service cost	The increase in pension liabilities because of service earned during the year.
Current value	A measurement reflecting the economic environment prevailing for the service or function the asset is supporting at the reporting date. Current value measurement bases include 'Existing Use Value', 'Depreciated Replacement Cost' and 'Fair Value'.
Debtors	Amounts due, but not yet received, for work done or services supplied, during the financial year.
Defined benefit pension scheme	A defined benefit pension scheme is any scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined contribution pension scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have enough assets to pay all employee benefits relating to employee service in the current or prior periods.
Depreciated Replacement Cost	A method of valuation which provides a measure of the current cost of replacing an asset with a modern equivalent asset, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. It involves imagining what the current asset would need to be substituted with to deliver the same level and quality of service currently being delivered.
Depreciation	Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.
Discount	Arises from prematurely repaying a loan where the prevailing interest rate is above the rate of interest payable on the loan being repaid - the Council is compensated for the interest rate differential, which is referred to as a 'discount' arising from early settlement of the loan.
Discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.
Effective interest rate	The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. It is used to calculate the amortised cost of an asset or liability.

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Term	Explanation
Employee benefits	Employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees.
Existing Use Value	A valuation method that estimates amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction and disregarding potential alternative uses for the asset.
Expected credit losses	The credit losses that the Council estimates will arise from the amounts that it is currently owed. Expected credit losses are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.
Fair value	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.
Fair value through profit and loss	Defined as financial assets that do not qualify for measurement at amortised cost.
Fees and charges	Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities.
Finance leases	Finance leases transfer all, or the majority of, the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the fixed asset is included within the Balance Sheet of the lessee, even though the lessor retains legal title of the asset (also see 'Leasing' and 'Operating Leases').
Financial instruments	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include the borrowing or lending of money and the making of investments.
Foundation Schools	Locally maintained schools that are state-funded by the Council. These schools are run by their governing body. The governing bodies employ the staff, determine the school admission policies and own the school land and buildings.
Heritage Assets	Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. These are accounting standards by which the Council prepares its accounts.
Inventories	Assets acquired or produced for resale or to be consumed or distributed in the provision of services.
Investment properties	Properties held solely to earn rentals and/or for capital appreciation purposes. This 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.
Investments	<p>A long term investment is intended to be held for use on a continuing basis in the activities of the Council. Investments are so classified only where an intention to hold the investment for the long term (greater than one year) can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those related to the pensions fund that do not meet the above criteria, are classified as current assets.</p>
Joint operations	Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.
Lease	An arrangement for securing the use of a use of capital assets without legal title (ownership). There are two main types of leasing arrangements – namely finance leases and operating leases.

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Term	Explanation
Lessee	The party in a lease arrangement who secures the use of an asset over an agreed period of time in exchange for payment, but does not secure legal title to the asset.
Lessor	The party in a lease arrangement who retains legal title of an asset but lets out that asset to another party in exchange for rental payments.
Loans and receivables	Assets that have fixed or determinable payments but are not quoted in an active market.
Non Domestic Rates	These rates are how local businesses contribute to the cost of providing local authority services. Business rates are collected by the billing authorities and are distributed in accordance government regulations.
Net interest on the net defined benefit liability	The change during the period in the net pension liability that arises from the passage of time. It includes interest income on plan assets and interest costs on the pension liability. It is calculated by applying the discount rate used to measure the net pension obligation at the beginning of the period to the net pension liability at the beginning of the period – considering any changes in the net pension liability during the period as a result of contribution and benefit payments.
Non-current assets held for sale	Property, Plant and Equipment assets that the Council is formally committed to sell and is actively marketing them in their current condition and where sale is expected within the next 12 months.
Operating lease	Operating leases are agreements for the rental of assets where the rewards and risks of ownership of the asset remain with the leasing company. The annual rentals are charged directly to the Income and Expenditure Account (also see Leasing and Finance Leases).
Past service cost	The increase in pension liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years.
Pooled Budget	A type of partnership arrangement whereby NHS organisations and local authorities contribute an agreed level of resource into a single pot (the 'pooled budget') that is then used to commission or deliver health and social care services.
Precept	The amount the County Council requires the City, Borough and District Councils to pay from the Council Tax they have collected (on behalf of all authorities that set Council Tax) to meet the cost of County Council services.
Premium	Arises from prematurely repaying a loan where the prevailing interest rate is below the rate of interest payable on the loan being repaid. The differential between the two rates is paid to the lender, in the form of a 'premium' arising from early settlement of the loan.
Private Finance Initiative (PFI)	A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.
Property, Plant and Equipment	Assets that have physical substance and are held for use in the provision or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.
Provisions	An amount set aside to provide for a liability that is likely to be incurred as a result of a past event, prior to the Balance Sheet date, but where the exact amount and the date on which it will arise is uncertain.
Public Private Partnership (PPP)	An arrangement where the private sector partner agrees to provide a service to a public sector organisation.
Public Works Loan Board	The PWLB is a government agency that provides longer-term loans to local authorities, at interest rates marginally above the Government's borrowing rate.

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Term	Explanation
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.
Return on plan assets	Interest, dividends and other income derived from the Local Government Pension Scheme's assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable.
Reserves	<p>The Council's accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial events.</p> <p>Earmarked reserves are amounts set aside for a specific purpose in one financial year and can be carried forward to meet expenditure in future years.</p>
Revenue provision for repayment of debt	The minimum amount which must be charged, by Regulation, to the revenue account each year for repaying external loans.
Revenue Support Grant	This is the central government financial support towards the general expenditure of local authorities.
Retirement benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable. This is because these are not given in exchange for services rendered by employees.
RICS	The Royal Institution of Chartered Surveyors (RICS) is the professional body for qualifications and standards in land, property, infrastructure and construction.
Salary	Salary represents the amounts received under contract of employment for services rendered, other than bonuses, allowances, benefits in kind or compensation payments.
Scheme liabilities	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the 'projected unit method' reflects the benefits that the employer is committed to provide for service up to the valuation date.
SeRCOP	CIPFA Service Reporting Code of Practice provides a framework for consistent financial reporting by local authorities in order that consistency and comparability are achieved.
Settlement	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.
Specific government grant	These represent central government financial support towards local authority services, which the Government wishes to target.
Surplus properties	Properties not being used to deliver services but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.
Termination benefits	Termination benefits are payable either because of an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.
Voluntary aided schools	In these schools, all the running costs and most of the building costs are funded by central government via the Council. The remaining building costs are met by the religious body that owns the school land and buildings. The governing body, comprising most governors appointed by the religious body, employs the school staff and sets the school's admission arrangements in consultation with the Council.

Statement of Accounts - Glossary

Term	Explanation
Voluntary controlled schools	These schools are state funded via the Council. A religious body has some formal influence in running the school, including appointing a proportion of the school governors, and owns the school land and buildings. The Council employs the school staff though, and has primary responsibility for the school's admission arrangements.

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Introduction

This statement summarises the outcome of Essex County Council's (ECC) review of the governance arrangements that have been in place during 2019/20.

ECC is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local [code of governance](#) is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.

The local code of governance comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which ECC is controlled and governed. This was reviewed in February 2020 in line with current CIPFA guidance and the [code of governance](#) external webpage was refreshed at the same time.

The effectiveness of key elements of the governance framework are assessed throughout the year by the Corporate Governance Steering Board, the Audit, Governance and Standards Committee, Internal Audit and other officers and members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Assurance's annual report, Service Assurance Statements (completed by all Executive Directors) and from comments received from external auditors and other review agencies and inspectorates.

The review demonstrates that the arrangements provide satisfactory assurance and continue to be regarded as fit for purpose in accordance with the governance framework. Detailed findings are outlined under points 1 – 20 below:

Findings

The findings of this review are outlined under points 1 – 20 below:

- 1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.**

All ECC employees and members must conduct themselves in accordance with the terms of the [Officer Code of Conduct](#) and [Member Code of Conduct](#) (part 5 of the Constitution).

All members have attended training on the code of conduct and refresher sessions are offered annually.

The Audit, Governance and Standards Committee advises the Council on the local Code of Conduct for members promotes high standards of conduct by members. The Committee's terms of reference are set out in the [Constitution](#). Records of the Committee's meetings and decisions

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are available online. One standards complaint was referred to the Committee during 2019/20, which considered it on 24 July 2019. Three further complaints were dealt with by the Monitoring Officer. A revised investigations and hearings process was approved by the Audit, Governance and Standards Committee in December 2019.

ECC corporate governance e-learning training includes modules called 'How We Behave' and 'Good Decision Making' which cover the Code of Conduct and other expectations for Councillors and employees. Completion rates for all governance e learning modules for Officers and members are monitored at Corporate Governance Steering Board.

In May 2016 the Council adopted a [Policy](#) that all members are asked to undergo a Disclosure and Barring Service (DBS) check when elected. This was followed up after the May 2017 elections and subsequently after the by election in October 2019, and all members have been DBS checked.

ECC has arrangements in place for employees, consultants or contractors to raise any concerns they have in the workplace. The [Whistle-Blowing Policy](#) is available for employees online and provides advice and guidance about informal and formal ways to raise concerns relating to wrongdoing.

An external company called Expolink provides an independent and confidential route for any whistle-blowing allegations from staff and contractors. Any referrals through this route are rigorously investigated through a set process. These arrangements are also covered in the Anti-Fraud and Corruption corporate governance e-learning.

ECC has a strong Counter Fraud Team that supports investigations into allegations raised through any of the above routes and instigates appropriate recovery action where necessary. The counter fraud service was independently audited in 2019/20. The audit's objective was to assess whether the Counter Fraud Team has effective proactive and reactive processes to deter, prevent, detect, and investigate and prosecute, where appropriate, potentially fraudulent and corrupt behaviour. The overall opinion given was satisfactory assurance.

All employees must declare any interests in line with the Declaration of Interests Policy, all employees are asked to complete this once a year or whenever their situation changes.

Members are required to register details of Disclosable Pecuniary Interests and a series of interests defined by the Code of Member Conduct. Declarations are required to be completed within 28 days of becoming a member (or being re-elected or reappointed) in the Authority's Register of Members' Interests. This is set out in section 24.6 of the Constitution. In May 2017 ECC moved to an online form to aid efficient reporting of member interests.

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2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is the Director, Legal and Assurance, and is responsible for ensuring lawfulness in decision making. The Section 151 Officer is the Executive Director for Finance and Technology Services and is responsible for financial administration and financial probity and prudence in decision making. Both roles are defined within Part 2 of the [Constitution](#).

The Chief Audit Executive is responsible for providing assurance on internal controls and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud. The Chief Audit Executive is the Head of Assurance.

Each Executive Director is required to complete and formally sign off a Service Assurance Statement (SAS) accompanied by a plan setting out actions to be taken to strengthen any areas of weakness identified. The SAS covers key lines of enquiry on governance arrangements including service planning, budget, people, information, partnerships, risk, business continuity, equalities and health and safety. This gives an overall picture of assurance across the authority.

These Statements were completed in April and May 2020, collated and analysed. The organisation's 2019/20 Service Assurance Statements returned a satisfactory overall assessment. Where necessary improvements have been identified and the relevant directors are responsible for securing remedial action in these areas.

All reports prepared for Cabinet require legal advice to be sought prior to their submission, and all reports to Cabinet or Cabinet Members must incorporate comments from both the Section 151 Officer and Monitoring Officer before they are submitted for consideration. The Reports are also considered at a Cabinet Agenda Setting Meeting before the public meeting.

The scheme of delegations to officers, to committees and to cabinet members ensures that decisions are not *ultra vires* whilst allowing ECC to exercise its powers in a convenient way.

The Council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on us by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

3. Documenting a commitment to openness and acting in the public interest

ECC's [Publication scheme](#) details the different classes of information which ECC routinely makes available and the ['request information'](#) webpage provides guidance for the public about what information is available to them and how they can access it, including via Freedom of Information (FOI), Environmental Information and Subject Access Requests. ECC publishes all [responses](#) to FOI requests.

The [ECC website](#) is accessible to a wide audience, with relevant and regularly updated news articles online.

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Copies of the agendas, documents, minutes and decisions of all Committees, Cabinet and Council are available promptly online and an interactive online calendar of future meetings enables public attendance where appropriate. Audio of all Council, Cabinet and most other committee meetings are broadcast live on the website and are [available to listen to after the meeting](#).

ECC publishes data under the [Government's Transparency Code](#) including [Council spending](#), [Council contracts](#) and [senior salaries](#).

The [Vision for Essex](#), developed with partners and ECC's [Organisational Strategy](#) (see section 5) outlines how ECC commits to work in the public interest. ECC's commitment to transparency, as detailed above, enables the public to assess this and they can then use the [complaints policy](#) and the consultation process to feedback their views. An Internal Audit review of Complaints Handling in 2019/20 gave an overall opinion of Satisfactory Assurance.

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The [Communications and Marketing Strategy 2019/20](#) outlines how ECC communicates with all sections of the community, employees and stakeholders.

A budget consultation was undertaken during November and December 2019, for 4 weeks. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

All communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The [constitution](#) allows public speaking at Cabinet and Scrutiny Committees and for public questions to be heard at Full Council. ECC's social media feeds have encouraged people to listen to public meetings as they are simultaneously audio-broadcast online. At many meetings members of the public can now ask a question and expect their elected representatives to respond. Within the last few years there has been a steady increase in the number and frequency of questions from members of the public.

The [Petitions Policy](#) is available online. In 2019/20 ECC received 74 petitions.

ECC proactively engages with the community in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. These are inclusive and meet individual needs. This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, ethnographic work, workshops and consultation/discussion events.

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A group of officers hold an oversight role for all consultations that ECC is currently undertaking or planning to undertake. This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council's decision making. All consultations are signed off by cabinet members prior to release.

The consultation portal '[Consultations in Essex](#)' also known as [Citizen Space](#) is used by ECC for both public and internal consultations and for truly collaborative Partnership consultations, to manage online consultations. There is a list of open and closed consultations and purpose of each consultation is described so it is possible to take part in those that are open. The contact details of the consultation owners are given so that anyone with a question can contact the owner and there is a 'We Asked, You Said, We Did' section so that citizens can view information about what happened as a result.

ECC has been working collaboratively with adults with an experience of disability to review current service user groups and explore how working differently together might look in the future, to ensure that true co-production is happening across the system. The new model for engagement is known as 'Collaborate Essex' and provides various channels of engagement that give opportunities to a much wider range of people. This includes new county-wide Local learning disability groups called Ability Before Disability (AB4D). These groups are completely user-focused and aim empower and enable adults with a Learning Disability and autism to be involved in meaningful engagement activity. There is also A Collaboration In Action Forum, which has representatives across all disabilities, who meet with senior ECC officers and members to set a forward plan for co-production and engagement activity and discuss issues that are important to people with disabilities across Essex communities. ECC also commissioned a provider who will work with the Research and Insight team to establish a new citizens panel, which will aim to have a representative sample of Essex residents who are interested in taking part in engagement and co-production activity, which will help us to create an on-going dialogue with Essex citizens and will support recruitment for research and engagement activity across the Council.

ECC also supports young people to provide views through a range of groups including the Young Essex Assembly and the Children in Care Council.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

A [Vision for Essex](#) called 'the Future of Essex' is available online. The Essex vision was co-created alongside partners in 2017 and sets out ambitions for the County until 2035. It comprises a set of ambitions which can only be delivered through effective, joined-up partnership. ECC is clear that 'whole system thinking' is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

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6. Translating the vision into courses of action for the authority, its partnerships and collaborations

The [Organisation Strategy](#) 2017-21 can be found online, this articulates ECC's strategic aims and priorities and integrates the authority's Equality objectives.

ECC's [Organisation Plan and budget 2019/20](#) was endorsed at Full Council on 12 February 2019.

In addition the [Essex Joint health and wellbeing strategy 2018-22](#) was considered and endorsed by the Health and Well-being Board in July 2018 and at Cabinet in September 2018.

Further detail in terms of partnerships and collaborations can be found in section 20.

7. Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality

Article 5 of the [Constitution](#) defines the responsibilities for decision making and the principles in accordance with which decisions must be made.

The Strategy, Insight and Engagement Team provides ECC with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs assessments, as well as enabling the organisation to manage performance, engage with citizens and service users and maintain key business intelligence systems. All reports are reviewed and signed off by the S151 Officer and the Monitoring Officer to ensure the financial impact of any decision is properly recognised before that decision is taken, and the Council's decisions are lawful.

All agendas, minutes and decisions taken by Cabinet members are available to the public through [ECC's website](#). The online committee management system which ensures easily accessible and good quality information is always available about decisions and Member meetings, this also ensures that the committee process is efficiently managed.

Reports to Cabinet are considered at a Cabinet Agenda Setting Meeting before the formal Cabinet meeting. This allows members of the Cabinet and the Corporate Leadership Team to review the quality of reports and ensure they are easy for the public to understand before they are formally submitted to a Cabinet meeting.

The Overview and Scrutiny Committees play a key role to inform and challenge decisions carried out within each service. Each Overview and Scrutiny Committee has its own terms of reference and these are set out in the [Constitution](#). All relevant papers can be found on ECC's [Committee Management Information System](#).

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ECC intranet pages provide officers and councillors with access to information about decision making, including an easy to use decision tree on how to make formal decisions. The Corporate Governance E-learning also covers decision making (see section 13).

In 2019/20 there were 182 decisions requiring an Equality Impact Assessment, 169 or 92.9% had the assessment completed.

ECC has a robust Data Quality Strategy in place, it will be reviewed in 2020 in line with the introduction of a new Information Governance Policy Booklet which is being designed to streamline the presentation and communication of these policies.

ECC's decision making processes were the subject of an Internal Audit review in 2019, the final report, issued in December 2019 gave a 'Good Assurance' opinion and found that there are good processes in place so that decisions are made in line with the Constitution's requirements of who makes the decision and that such decisions are made openly and transparently with evidence of required consultation and equality analyses.

8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money

The Organisation Performance Report is reviewed by The Corporate Leadership Team (CLT) on a quarterly basis. ECC publishes an [annual report](#) which measures progress against the goals set in the organisation strategy. Alongside this ECC publishes the detailed data in the annual [performance tables](#). The 2018/19 report can be found online, and the 2019/20 report will be published later in the year.

Corporate Governance issues are monitored in a quarterly performance report to the Corporate Governance Steering Board. For 2020/21 ECC will be introducing an Organisational Health report, it will set out information on key themes relevant to Organisational Health and Assurance on a quarterly basis. It is intended to be a single, authoritative report setting out key issues for senior officers and members.

Scrutiny plays a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of ECC's objectives and holding Cabinet to account for delivery.

The Procurement Strategy and procedures provide a framework of best practice for all procurement activities which support ECC in achieving value for money and delivering on corporate objectives.

ECC Service Quality has been recognised nationally during 2019/20:

- Social Worker of the Year awards, November 2019:
 - Team Leader of the year – finalist
 - Social worker of the year – finalist (second place) winner

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- Social worker of the year – finalist and winner
- Newly Qualified Social worker of the year – finalist
- Children and Young People Now awards, November 2019:
 - ESCA – Recruitment and professional development team of the year – finalist
 - Powers Project (Presenting Opportunities with Emotional Resilience) – Youth Justice Award
- Book Industry Communication accreditation achieved for 2019/20
- CILIP 2019 Excellence in Prison Libraries Award – awarded for the Family Library Time project
- Reaccredited as Excellent in the Local Government Association’s Equalities Framework
- ECC retained ranking as seventh most productive council in the IMPOWER Report 2019
- Essex Cares Limited achieved an overall outcome of Outstanding after inspection by the Care Quality Commission (CQC) for South East Essex regulated services
- The Essex Design Guide won the 2019 Planning awards in June 2019
- The Assurance Team won team of the year at the ALARM Risk awards
- The Provider Quality Innovation Team won the Improving Care for Older People at the Patient Safety Awards in June 2019
- The Superfast Essex programme won the connectivity project of the year in the national Connected Britain Awards in June 2019
- The Pension Fund won the Scheme Governance Award at the Local Authority Pension Fund Awards in September
- All ECC’s Country Parks won Green Flag awards in 2019
- Highways Team won the Best Use of New Technology in the Highways Industry award at the 2019 Highways Awards
- Peer review of Finance commended the strong financial management arrangements of the authority

9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements

The law and [Constitution](#) clearly defines the responsibilities of key member and officer roles.

Part 3 of the [Constitution](#) sets out how Councillors’ authority is delegated to Cabinet Members and Officers. Chief Officers are in turn responsible for authorising delegations to their officers. All delegations are updated when roles or structures change.

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The protocol on member/officer relations contained within Part 5 of the [Constitution](#) further defines the day-to-day roles and responsibilities of officers and members.

The Council has [Financial Regulations](#) which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review, with the last update approved at Full Council on 11 July 2017.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016), where they do not, explain why and how they deliver the same impact

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief Financial Officer for April - July 2019 was the Executive Director for Corporate and Customer Services. From August 2019 it was the Executive Director for Finance and Technology.

11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function

For 2019/20 the Monitoring Officer was the Director, Legal and Assurance and both the Head of Legal and (other than when the substantive postholder was away from her role) the Head of Democracy and Transparency were the deputy Monitoring Officers.

12. Ensuring effective arrangements are in place for the discharge of the head of the paid service function

For the year 2019/20 the Head of the Paid Service was the Chief Executive.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Member Development Steering Group takes ownership of members' development and is responsible for shaping the Member Development Strategy and Programme. ECC has held Member Development Charter Plus status since November 2014, this was reaccredited in March 2018 and, more recently, ECC passed a mid-point review in September 2019.

Following elections in May 2017 all members were asked to complete a personal development planning questionnaire and then supported in developing a Personal Development Plan. By March 2018 87% of members had a Personal Development Plan in place. Members were offered a comprehensive Induction after the May 2017 Election and there are regular briefing and development sessions throughout their term of office.

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In 2019/20 it was identified that the take up of the GDPR online training for members was low and a number of training sessions were arranged. Compliance now stands at 79%.

In November 2018 ECC launched a People Plan – a new workforce strategy which sets out how it will build employee capability, skills and culture for the future. The People Plan is a key building block of the [Organisation Strategy](#) and will help ensure ECC achieves the strategic priority to transform the council to achieve more with less. A key strand of this plan is enabling growth and development which will focus on three areas:

- Management and leadership development
- Learning organisation
- Career development

In November 2019 ECC launched a new Learning Platform called 'My Learning'. This new platform offers a complete suite of learning resources for the workforce which can be accessed on-demand as well as part of structured learning programs. This move away from a “one-size fits all” approach to learning allows employees and managers to determine their individual learning pathways. Since the launch 6,400 courses and approximately 20,000 hours of training have been completed.

ECC also launched a new Management Development offer in November 2019, following the publication of a Management Framework a learning offer was developed which supports the development and strengthening of the key skills identified in the framework.

ECC is continuously reviewing the content of the Management Development offer to ensure it meets the organisation's needs and it is relevant to the changing context (for example, new collection of resources was published to support managers with managing remote teams). As part of this offer ECC successfully completed a pilot Senior Leadership Team Development program for one function and will design tailored programs for 3 more senior teams.

ECC has reviewed the approach to Performance Management for 2019/20, moving from a rigid annual process to a process that champions ongoing conversations, regular check-ins and a flexible approach to ensure teams can respond quickly to changing contexts and priorities.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

ECC's Risk Management Strategy was fully reviewed and refreshed and approved at Audit, Governance and Standards Committee in January 2020. It is available to staff with an accompanying Risk Management Toolkit and these are reviewed at least annually to ensure they remain fit for purpose.

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Comments on the effectiveness of the Council's risk arrangements are included in the Head of Assurance Annual Report which is presented to the Audit, Governance and Standards Committee in July 2020.

ECC has a corporate risk management system that records both strategic and service risks and the assigned owners. The system provides automated prompts to risk owners for updates to recorded risks.

A Strategic Risk Report is formally considered on a quarterly basis by the Corporate Leadership Team where they consider current and emerging risks and determine appropriate action.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

ECC has a dedicated Counter Fraud Team within the Assurance Service, delivering services to all ECC staff. The Counter Fraud Team have undertaken proactive prevention and detection work, including participation in the National Fraud Initiative (NFI), data matching exercises with other Essex authorities and internal data matching exercises. The team also deliver directed fraud awareness training in addition to the mandatory Corporate Governance e-learning modules which includes Anti-Fraud and Corruption and Anti-Bribery and Money Laundering.

An external company called Expolink provides an independent and confidential route for any whistle-blowing allegations from staff and contractors. Any referrals through this route are rigorously investigated through a set process.

A total of **240** referrals have been received and investigated by the Counter Fraud Team during 2019/20.

The Audit, Governance and Standards Committee received quarterly updates in respect of counter fraud activity and a summary is included in the Head of Assurance Annual Report.

The Council's counter fraud arrangements have been assessed against the CIPFA Counter Fraud Code of Practice and the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

16. Ensuring an effective scrutiny function is in place.

Essex County Council has four policy and scrutiny committees. In addition, there are two Joint Health Overview and Scrutiny Committees (JHOSC), looking at proposals arising from local Sustainability and Transformation Plans, one with Suffolk County Council and the other with Southend and Thurrock unitary authorities. In May 2020 an additional JHOSC meeting looked at the proposed relocation and rebuild of Princess Alexandra hospital and specifically whether the proposals constituted a substantial variation of service.

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Three of the policy and scrutiny committees are chaired by the governing administration. The Corporate Policy and Scrutiny Committee is chaired by the Leader of the largest opposition group. Each of the Committees has two vice-chairmen, one opposition member and one administration member.

Induction, training and support is provided to individual members and whole committees to support them in their policy development and holding-to-account roles. Following the election in 2017 all committee members received significant levels of training and development and this continues.

The Chairmen of the four committees (and the Chairman of the Audit, Governance and Standards Committee) meet as the Scrutiny Board on a bi-monthly basis, to oversee the coordination of scrutiny activity, consider its development strategically and share best practice.

There is close working between committee Chairmen, Vice-Chairman and their cabinet counterparts, with regular meetings place to discuss key areas of work and direction. Scrutiny members are involved in influencing policy development (pre-decision scrutiny) and well as post decision scrutiny.

In 2019/20 scrutiny in ECC was supported by officers within Democratic Services and the Head of Democracy and Transparency is the Statutory Scrutiny Officer.

An update to the Government's Statutory Scrutiny Guidance was released in May 2019, this being the first update since 2006. The Scrutiny Board reviewed the updated guidance and were pleased to note that much of the best practice identified was already reflected in the Scrutiny function's working practises. The Board considered, however, that it was timely to support raising the profile of the work being undertaken and in March 2020 a regular 'Scrutiny Bulletin' was launched to progress this. The Board continues to discuss issues influencing the effectiveness of scrutiny.

More detail on the work of Scrutiny can be found in the Scrutiny Annual Report, the [2018/19 report](#) can be found online and the 2019/20 report will be published in July 2020.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The role of the Chief Audit Executive was fulfilled by the Head of Assurance during 2019/20. The Head of Assurance also has responsibilities for other operational services including Health & Safety, Risk Management, Insurance, Counter Fraud, Emergency Planning and Business Continuity. The arrangements for ensuring independence were outlined in the [Audit Charter](#) which was reviewed, updated and presented to the Audit, Governance and Standards Committee in January 2020.

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Assurance arrangements for 2019/20 conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The UK Public Sector Internal Audit Standards (PSIAS) provide clear standards for internal audit which ECC complies with. ECC undertakes an annual self-assessment against the standards and had an external review carried out by CIPFA in 2018 which demonstrated that compliance with the Standards in all material aspects.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

The [Audit, Governance and Standards Committee](#) has undertaken the key functions required of it by Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees. The Audit, Governance and Standards Committee role and purpose is set out in Articles of the [constitution](#).

The Committee continues to have a close working relationship with the internal and external auditors and has played an active role in relation to counter-fraud, as stated above.

The Committee met 4 times during the 2019/20 financial year, in public. [Their work](#) has included receiving internal audit and counter fraud progress reports, including detail of all Limited Assurance reviews from the Head of Assurance and the extent to which remedial recommendations have been implemented. In July 2019 it approved ECC's 2018/19 [Statement of Accounts](#).

All recommendations arising from internal audit and counter fraud activity are tracked with monthly automated emails sent to owners of recommendations to request status updates via a web-based system. Summary reports on outstanding recommendations are presented to Audit, Governance and Standards Committee and to the Corporate Leadership Team via the quarterly Assurance Report. The Corporate Governance Steering Board also monitor implementation of recommendations as one of their indicators of effective organisational governance. This provides good accountability and visibility of Internal Audit recommendations. All reviews with a 'No' or 'Limited Assurance' opinion are also subject to a follow-up audit review.

In 2019 the Audit, Governance and Standards Committee agreed to commission CIPFA to support the Committee to undertake a review of its effectiveness. Accordingly a CIPFA facilitator sent a questionnaire to all committee members and attended County Hall to interview the Chairman, a member of the committee and a number of ECC officers, including the Executive Director for Corporate and Customer Services, the Section 151 Officer, the Monitoring Officer and the Head of Assurance. He also listened to recordings of meetings of the Committee. On 9 March 2020 a workshop took place facilitated by CIPFA and as a result an action plan has been produced, this is due to be formally approved in July 2020.

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19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The Chief Accountant and the Chief Audit Executive meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided. Quarterly meetings are also held with the S151 Officer to review the audit plan and key recommendations.

20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures

'Essex Partners' is a working relationship between representatives of organisations who deliver services to the public across Essex. Governance of the shared vision is the responsibility of the Essex Partners Board, who meet at least three times per year to steer the work of partners together to deliver shared priorities for Essex communities. The Essex Partnership Board directs and oversees progress on strategic plans which influence the decisions made to shape the future direction of policy and the provision of services within the county.

In addition, Essex Partners host the Essex Assembly twice per year, where all senior partners across Essex come together to take forward delivery of the ambitions set out in the Essex vision, Future of Essex and strengthen whole system working.

Essex Partners and the Essex Health and Wellbeing Board are supported by Essex Strategic Coordination Group, who coordinate action responding to priorities identified by partners and partnerships across the whole Essex system.

ECC has made substantial steps forward in developing partnership work in Essex. Recent examples include:

- **Improving accountability and sharing learning.** Work has commenced on developing a systems dashboard to improve outcomes and accountability which will help demonstrate the links between partnership activity and delivery of shared ambitions. The score card will also support the sharing of learning and best practice across the system.
- **Reviewing our progress.** A 2-year review of the vision set out in the Future of Essex has been conducted. The review includes a visualisation of the insight and research headlines for 2020 against each of the seven vision ambitions as well as case studies showcasing work across the system.
- **Sharing knowledge.** Delivery of the 2019/20 Leading Greater Essex (LGE) programme. Over 45 leaders from across the system took part in LGE 2019/20. The programme comprised a combination of group learning and 100 Day Challenge team projects tackling "real" issues that impact people in Essex across boundaries. These have included mental health and suicide; homelessness and housing; infrastructure and communications.
- **Engaging citizens.** Research and Citizen Insight worked with partners to develop a toolkit to enable organisations to engage and collaborate with citizens in tackling some of our most

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challenging issues. Chief Executives from across the system took part in conversations with residents and citizens on issues such as deprivation and mental health to develop strong networks across the system that facilitate communication, gather insight, develop and shape new ideas and solutions.

- **Working with faith organisations.** Essex County Council has also supported The Essex Faith Covenant. The covenant is a set of principles agreed by public services and faith-based organisations. The principles aim to harness trust, build effective dialogue and break down barriers in the pursuit of delivering shared outcomes that help those most in need. Currently, the main focus for this partnership is to tackle isolation, loneliness and disadvantage in the areas that have currently signed up (Basildon, Braintree, Colchester, Chelmsford, Maldon and Rochford). On 14th November 2019 an event was held at Anglia Ruskin University to celebrate the two-year anniversary of the launch of the Essex Faith Covenant. Given that faith communities play an important role in helping to manage demand on public services, it provided an opportunity to seek a progress update on how the work of the signatories of the Covenant has impacted on communities across the county. The event was held during Inter Faith Week with over 100 representatives from faith organisations, public services and the wider community attending. Going forward, the Essex Faith Covenant is looking to consolidate its position, extend its reach and continue to demonstrate how its influence is making a significant impact across the county.

The County Council is the accountable body for the South Essex Local Enterprise Partnership (SELEP), SELEP became a limited company as of February 2020. An ECC Internal Audit of SELEP received satisfactory assurance in 2020, it concluded that governance arrangements and decision making, financial and project management processes are designed and working satisfactorily.

NHS England has established Sustainability and Transformation Partnerships (STPs). Essex County Council's area is covered by three of the 44 STPs nationally:

- Mid and South Essex (covering Braintree, Chelmsford, Maldon, Brentwood, Basildon, Castle Point and Rochford districts, and the two unitary authority areas of Southend and Thurrock)
- West Essex and Hertfordshire (covering Epping Forest, Harlow and Uttlesford)
- North East Essex and Suffolk (covering Colchester and Tendring)

The governance arrangements for STPs were developed during 2016/17 and were finalised by April 2017. In general terms they all include a Programme Board with representation at director level, as well as reporting links to the Essex Health and Wellbeing Board. STP boards do not change the individual accountabilities and responsibilities of individual organisations as STPs are not statutory.

Each STP has an independent Chair, their role is to chair the partnership board meetings, to help local systems develop their visions and strategies, and to informally hold organisations to account for their commitment and collaborative working within the STPs.

Each STP also must have a joint accountable officer. This is a single accountable officer who oversees the clinical commissioning groups in the STP area. The role has been appointed to in

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Suffolk and North East Essex but is still being finalised in Hertfordshire and West Essex and Mid and South Essex.

The NHS Long Term Plan (published in January 2019) expects STPs to become integrated care systems by 2021. These will bring together commissioners and providers across health and social care together under a shared financial envelope to achieve shared goals and health and wellbeing outcomes. Essex County Council is clear that it will not pool funding across county boundaries. The Essex STPs are at different stages of development:

- The Suffolk and North East Essex STP is part of the national wave 2 programme of integrated care systems. Its independent Chair is Professor William Pope. The ICS contains three “local alliances” to bring together commissioners and providers in a local area, with one of these alliances being North East Essex). The three CCGs across Suffolk and North East Essex are now sharing a single accountable officer and a shared management teams across the three CCGs.
- The Hertfordshire and West Essex STP appointed an independent Chair in November 2018 (Rt Hon Paul Burstow). There is already a West Essex Local Delivery Board, bringing together local health and care partners in West Essex, and this is likely to move towards becoming an integrated care alliance. The Herts and West Essex STP aims to become an integrated care system in 2020. They are in the process of finalising the appointment of a single accountable officer for the 3 CCGs across Hertfordshire and West Essex.
- The Mid and South Essex STP is just starting the process of designing how its ICS might work. The STP appointed a new independent Chair in 2019 (Professor Michael Thorne). The STP is in the process of recruiting a single accountable officer

The NHS long Term Plan was also accompanied by proposals from NHSE for some changes to the law. These are currently being consulted on nationally. If enacted, they would facilitate the formation of statutory joint committees between NHS providers and commissioners and change some procurement rules for the NHS. It is not clear if – or when – these reforms would be implemented.

The Essex Health Overview Policy and Scrutiny Committee (HOSC) has established two Joint Health Overview and Scrutiny Committees with neighbouring authorities in the STPs. The Essex HOSC has been working with Southend and Thurrock HOSCs to consider the implications of STP proposals in Mid and South Essex which are now on hold pending resolution of referrals made to the Secretary of State. In another Joint Committee the HOSC is working with the Suffolk HOSC continuing to scrutinise the implementation of the merger of Colchester and Ipswich Hospitals as well as emerging proposals being developed for North East Essex and Suffolk STP. Further joint working may be developed with Hertfordshire HOSC in due course.

As part of the Better Care Fund (BCF), ECC has established pooled funds with the five clinical commissioning groups in Essex. The BCF is “owned” by the Health and WellBeing Board (HWB) on behalf of ECC and the five Clinical Commissioning Groups (CCG), NHS England require that it is approved by the HWB before submission. BCF is also approved by Cabinet and the individual CCG Boards.

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Head of Assurance Opinion

The Head of Assurance's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) is one of **Satisfactory Assurance** which means that which means although there are some weaknesses which may put individual system/process/service objectives at risk of achievement, there is an overall satisfactory system of internal control, appropriately designed to meet the Council's objectives, and controls are generally being applied consistently.

The Head of Assurance Annual Report provides a summary of the activity used to support this opinion is published in July 2020.

External Audit

The External Auditors BDO LLP provided an [unqualified opinion](#) on the 2018/2019 financial statements. This was reported to the Audit, Governance and Standards Committee in July 2019. The external auditor for the 2019/20 financial year remains BDO LLP.

External inspections

Care Quality Commission (CQC) and OFSTED Inspection Report on SEND services in Essex

Between 30 September 2019 and 4 October 2019, the CQC and OFSTED conducted a joint inspection to judge the effectiveness of the Essex area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014. OFSTED and the CQC issued their [Inspection Report](#) on 17 November 2019, the report identified 'significant areas of weakness in the local area's practice'.

Essex County Council and the Clinical Commissioning Groups (CCGs) were required to jointly submit a written statement of action to OFSTED addressing the issues raised in the inspection report. The WSOA was submitted and has been accepted by Ofsted/CQC. A reinspection will take place 18 months from the date that the WSOA was accepted.

Adult Social Care (Newton Europe diagnostic)

In July 2019, in conjunction with health partners, ECC commissioned an external partner (Newton Europe) to conduct a detailed diagnostic to look at the effectiveness of the intermediate care offer and its achievement of outcomes for the people of Essex.

This diagnostic phase suggests that there are opportunities to improve outcomes for 44% of elderly frail people who go through the system. Achieving this would be good for Essex citizens and would also support a more viable and sustainable health and care system. Similar opportunities have been found in other parts of England.

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The findings showed that there is the opportunity to:

- support more people to stay in their own home and stay as independent as possible;
- make a measurable improvement in service user outcomes and patient flow, whilst continuing to progress the alignment of Essex system partners towards the joint re-design of intermediate care and the overall objective of integration;
- increase capacity of the reablement team, allowing 1,200 to 1,700 additional referrals per year, and shifting existing referrals to the most effective services;
- release 36% of social worker capacity through productivity and ways of working;
- enable 4100 additional assessments and reviews per year;
- increase the effectiveness of the reablement team by 23%, reducing long-term care needs over time;
- improve long-term care decisions, with consistent, supportive processes embedded in teams, reducing 30% of homecare packages by approximately £100 per week and increasing independence for adults in Essex.

The Adult Social Care Business Plan includes a programme of work on Transforming Community Care which addresses issues raised in this report.

Covid-19 Response

The Coronavirus had a significant impact on ECC operations in the last part of the 2019/20 financial year and that impact has continued into 2020/21. In most cases governance arrangements have been able to cope with the challenges presented and any issues identified will form part of the action plan at the end of this statement.

There has been significant and urgent work undertaken across the Council and with social care providers to ensure an effective response. The pandemic has affected other Council services as facilities have had to close, which includes, but is not limited to Libraries, Adult Community Learning classroom-based provision, Country Parks, Essex Outdoors and Recycling Centres. ECC's Business Continuity plans were implemented across all services, with homeworking becoming the new normal for many employees. In March 2020 ECC completed the rollout of Microsoft Office 365 and Teams at speed as a way of helping employees to stay connected.

The pandemic has necessitated an unusual number of urgent decisions, these are listed in a [report to Cabinet](#) in May 2020. Three key decisions relating to adult social care funding were taken before 31st March 2020 which were taken even though they were not on the forward plan. with the agreement of the Chairman of the Corporate Policy and Scrutiny Committee. A further eight non key decisions taken before 31 March related to the temporary closures listed above.

Since the introduction of the Coronavirus Act 2020 the authority has implemented remote formal committee meetings and quickly adapted to the use of new technology and best practice. The Act was not in place by 31 March 2020 however up to this point ECC held several informal Member meetings and briefings online to ensure Committees were in a position to continue as much business as possible when they could next meet formally.

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ECC has been lobbying to recommend that the powers given in the Coronavirus Act 2020 around virtual meetings, court proceedings and school appeals to continue beyond the periods defined within the emergency legislation.

ECC has produced a COVID-19 risk register to ensure risks and issues are properly considered and at the time of writing the Council continues to assess the longer-term governance issues associated with the impact of the pandemic such as financial resilience, pausing of certain projects and long term home working. From mid May 2020 ECC began carefully moving forward with a recovery plan, initially with the re-opening of Recycling centers and County Parks.

Information Governance

There were five decision notices received in 2019/20 from the Information Commissioner's Office (ICO) regarding complaints made to them about ECC compliance. Three were FOI related and two were EIR related. One was not upheld (i.e. ECC had been found not to have breached the law), four were confirmed as upheld. Of those complaints that were upheld, one required ECC to disclose information that it had previously withheld, no further action was required for the remaining notices. None resulted in monetary penalties or enforcement action.

ECC also received five ICO complaints relating to Subject Access Requests, two of these complaints were not upheld, two are waiting for an ICO decision and one was upheld. Of the complaint that was upheld the ICO ordered the data to be released.

Monthly performance in responding to statutory requests under FOI/EIR has exceeded the ECC corporate target during 2019/20. However, monthly performance in responding to statutory requests under GDPR (SAR) is 3% below the corporate target. This is a 2% improvement in performance from 2018/19. This is monitored by the Corporate Governance Steering Board on a quarterly basis.

A GDPR governance audit was held during Q3 of 2019/20, the outcome of this audit was 'Satisfactory Assurance'. Overall there were five recommendations, one recommendation was with regard to GDPR training completion rate being below 65% and was marked as a major issue. The Information Governance Team are currently rebranding the Information Governance eLearning modules, with a view to being rolled out in quarter 1 of 2020/21, further to this an action plan is in place to improve compliance going forward. The four remaining recommendations were either low or medium and were regarding communications, retention, third party contractors and policy review. Work in these areas was progressing before the audit, all of these recommendations will be implemented by quarter 2 of 2020/21. Due to COVID-19 the submission of the Data Security and Protection Toolkit has been pushed back to September 2020, however ECC are on track for a successful submission.

Local Government and Social Care Ombudsman (LGSCO)

Between 1 April 2019 to 31 March 2020 Essex County Council received 218 contacts from the Local Government and Social Care Ombudsman (LGSCO) which is a 118% increase on the 100 contacts received in 2018/2019. This increase may be as a result of a recommendation from the Ombudsman to ensure all service areas are aware of the importance of ensuring complainants are always advised of

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their option to refer their concerns to the Ombudsman in the event of them remaining dissatisfied with the outcome of their complaint considered by the Council. From the 218 contacts received, 70 escalated to formal investigation (down 3% on last year) with 40 cases not upheld and 30 upheld (6% reduction compared to last year) with 15 relating to Adult Social Care, 5 for Children and Families, 8 for Education and Schools, 1 for Public Health, 1 for Roads and Travel. The Compliance and Complaints team actively engages with the Ombudsman's office and all service areas ensuring all deadlines are met and agreed recommendations are carried out within timeframes.

Health and Safety

There has been one improvement notice served, under health and safety legislation, against the Council during the financial year 2019/20. This was related to an incident that took place in July 2018. The incident related to a breach of the Control of Asbestos Regulations 2012. This has resulted in Fee for Intervention (FFI) totalling £10,620.30.

During the year ECC also responded to two other matters that occurred in previous years. One in Jan 2019 when a member of staff was knocked unconscious by a pupil and another that occurred in Aug 2017 when a school used a contractor, who was not gas safe registered, to undertake work refurbishing a gas boiler for their swimming pool. ECC submitted responses to all three of the HSE's Notices of Contravention on 5 May 20.

ECC Owned Companies

ECC has interests in and is involved in companies for many different reasons. For example, to trade services for profit or to set up a joint decision-making forum with partners. The Council has adopted company guidance which sets out requirements about creating new companies or joining a new company. The creation of an ECC company is a significant step. No ECC company may be created or dissolved without a formal Cabinet or a formal decision by the Leader. ECC has a Shareholder Board which oversees relationships with ECC companies, delivery of each ECC company's business plan, performance, financial issues, investments and governance arrangements. There is also an overview of companies performance through an annual Shareholders Board, chaired by the Leader.

By Election

In October 2019 ECC held a by election for the Clacton East division, following the resignation of the existing Councillor. This required review of committee seat allocations in accordance with the statutory rules of political balance which resulted in no overall change to political balance or allocation of committee places.

Previous Governance Matters Arising

All Governance remedial actions identified in the 2018/19 Annual Governance Statement have been adequately addressed, with implementation being reviewed by the Corporate Governance Steering Board. Areas where actions are ongoing have been updated in the table below except for the Corporate

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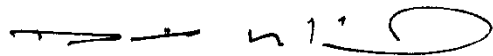
Peer Review which was scheduled for March 2020 and is unlikely to be rescheduled in the next financial year in view of pressures arising from the Local Authority Coronavirus response.

Action Plan

We do not consider that there have been any significant governance issues arising in 2019/20. However, the actions detailed below are in place to maintain good governance arrangements throughout 2020/21.

Subject	Action(s)	Responsible Officer	Target completion date
Coronavirus	Review the impact of the pandemic on governance arrangements and develop an action plan if necessary.	Monitoring Officer	December 2020
Audit, Governance and Standards Committee Effectiveness review	Implement actions agreed as part of the review.	Audit, Governance and Standards Committee	January 2021
Pay and Grading	Complete transfer of employees to Essex Pay.	Chief Executive	October 2020
Standards	Monitor progress on implementation of the recommendations for the Committee in Standards in Public Life.	Monitoring Officer	Ongoing
Assurance	Implement actions identified as part of the 2019/20 Service Assurance Statement process.	All Executive Directors	March 2021
Health and Safety	Report to the Corporate Health and Safety Board regarding Health and Safety matters highlighted in the Service Assurance Statement process. Board to support implementation of actions identified and improve service engagement with Health and Safety training.	Health and Safety Manager & Board	January 2021
Elections	Review the impact of a possible delay to the 2021 County Council elections and complete any actions identified.	Monitoring Officer	September 2020

We have been advised on the outcome of the result of the review of the effectiveness of the governance framework and consider that the arrangements provide satisfactory assurance and continue to be regarded as fit for purpose in accordance with the governance framework. We are committed to monitoring the implementation of the action plan, via the Corporate Governance Steering Board, as part of the next annual review.



Cllr David Finch (Leader of the Council)



Gavin Jones (Chief Executive)

Independent Auditor's Report

To be added upon conclusion of the external audit

Report title: Consultation by LGA on Model Code of Conduct for Councils	
Report to: Audit, Governance and Standards Committee	
Report author: Paul Turner, Director, Legal and Assurance	
Date: 6 July 2020	For: Decision
Enquiries to Paul Turner, paul.turner@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of report

- 1.1 The LGA are consulting on a proposed model code of conduct. This report asks the Committee to review the draft in order to help shape ECC's response to that consultation.

2. Recommendations

- 2.1 That the Committee review the consultation draft code of Conduct and make any comments they wish to in order to shape the response.

3. Background and Issues

- 3.1 In early 2019 the national Committee on Standards in Public Life published a report on standards in local government. They made a number of recommendations to local authorities, to the LGA and to central government. ECC has implemented the recommendations, insofar as it was thought appropriate. Central government has not yet responded to the recommendations so we do not yet know how it will react.
- 3.2 The key recommendation to the LGA was that it should produce a model code for local authorities to consider adopting. At present all local authorities have their own code. In Essex a 'model' code was produced in 2012 but many authorities – including ECC -- amended the 'model' code to reflect their own circumstances. Over time the code has been reviewed by Essex local authorities and now most authorities are using a Essex code which differs significantly from the Essex Code.
- 3.3 This has a particular impact on members of ECC given that 60-70% of our members are also district councillors and have to remember up to four sets of rules at meetings.
- 3.4 ECC's starting point should therefore be that it would welcome the introduction of a model national code, in the hope that all Essex authorities will adopt it. The adoption of a national code would of course meaning that ECC has to accept a code designed for all local authorities rather than specifically for ECC.

- 3.5 There is limited advantage to ECC in adopting the national code unless a significant number of Essex local authorities also adopt it. If the LGA introduces a model code there is likely to be an increased expectation that authorities will use the national code, but there is no guarantee that this will happen. Early conversations with other Essex local authorities indicate that a significant number of authorities are likely to adopt the LGA code but this is of course dependent on the final content of the code and the views of those authorities at the time.
- 3.6 In March 2020 the LGA published a consultation draft of the code. ECC was originally asked to respond to the code by the end of May 2020 but the LGA then decided to republish the draft Code, with a revised closing date of 17 August 2020. This time the LGA have published a specific questionnaire. The LGA documents can be accessed here:
<https://www.local.gov.uk/local-government-association-model-member-code-conduct>
- 3.7 The code is significantly longer than the current ECC code because as well as including the 'rules' there is a commentary. It appears from the consultation questionnaire, which asks *'Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?'* that the commentary is intended to be guidance, though the suggested answer to that question is 'no', although it would be simple to amend the draft to make it clear
- 3.8 The code also has two appendices, one of which reproduces the 'Nolan' principles (which are only a guide to interpretation) and another which sets out the rules relating to registration and declaration of interests.
- 3.9 Both the ECC code and the draft LGA code have their roots in the former mandatory national code of conduct created by the Local Government Act 2000. This means that broadly the codes are similar but, as would be expected, there are a number of differences. The following table highlights the differences between the current ECC code and compares it to the draft LGA Code, with a commentary.

Current ECC Code	Draft LGA Code	Commentary
Requirement to treat others with respect	Requirement to treat other members and the public with civility but treating employees, partners and volunteers with civility and respect to their role. Expanded wording makes it clear that members should not make unreasonable attack.	It is difficult to see why a two-tier approach is appropriate. The current ECC wording derives from the old national code and has not caused difficulties in practice.
Requirement to uphold the law	Not included in draft LGA code.	The requirement to uphold the law is a useful reminder if a member were to seek to persuade officers to do something unlawful.
Requirement to promote good relationships between people with different protected characteristics	Not included in draft LGA Code.	This is a useful specific clause and it would be helpful to include it.

Current ECC Code	Draft LGA Code	Commentary
and not behave in a way likely to breach Equality Act		
Not bringing the office of councillor into disrepute	Not bringing role or the Council into disrepute. Commentary makes it clear that dishonest/deceitful behaviour can bring council into disrepute.	It is not a breach of the current ECC code to bring the Council into disrepute, although it is a breach to bring the <i>office</i> of councillor into disrepute. It could be argued that criticising the authority brings it into disrepute.
Disclosure of information	Under LGA model code it would be necessary to demonstrate that a member believed information to be confidential.	It is not helpful to have to prove that a member believed something to be confidential, since a member can argue that they believed something was not confidential when it was clearly marked as such. The ECC wording is more detailed and based on the previous national code. It may be better to say that it is a breach to disclose believed that the Council if the Councillor knew or ought to have known'.
Not conferring an advantage or disadvantage on someone (including yourself)	Similar wording. Commentary says: Your position as a Member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.	Some members may feel that this prevents them using skills and experience in other walks of life. That is unlikely to be what these words are intended to. mean, but it is suggested that these are
When using ECC resources comply with our requirements and not use them improperly	There is a requirement not to misuse council resources. Limited commentary as to what this means and no requirement to comply with ECC requirements.	Draft does not provide for enforcement of any internal rules about resources. It would be helpful if this could be expanded.
Requirement to have regard to statutory publicity code	Not included.	This provision is not often relied upon, but it is a useful for this to have personal consequences for a councillor if they seek to abuse the statutory code and it would be preferable if the LGA code could include it.
Disclosure of interests in correspondence/discussions	Not included.	This provision is (I believe) unique to ECC and it requires members when dealing with officers to disclose any interest. Views are sought on whether ECC should seek to maintain this provision.
Requirement to register gifts and hospitality of over £25	Included.	One of the consultation questions is whether the £25 limit should change.

Current ECC Code	Draft LGA Code	Commentary
	Additional requirement not to accept significant gifts or hospitality from people who may apply to council for any permission licence or other significant advantage	It is not clear whether the requirement to refuse hospitality is helpful – term ‘significant advantage’ is unclear – does it include current potential contractors and partner organisations?
<p>Code interests are:</p> <p>(i) Any contract for goods, services or works which has not been fully discharged between you, your spouse or partner or a body in which the relevant person has a beneficial interest and a body controlled by the Authority;</p> <p>(ii) Any contract with the Authority which has expired within the last 2 years and which was, when it was in force, a disclosable pecuniary interest.</p> <p>(iii) Any tender, bid or quotation submitted within the last 2 years to the Authority which would, if accepted, have amounted to a disclosable pecuniary interest. Tenders, bids or quotations are not required to be registered until 28 days after the last date for the submission of tenders, bids or quotations.</p> <p>(iv) Any body of which you are a member or in which you hold a position of general control or management and to which you have been appointed or nominated by the Authority;</p> <p>(v) Any other body of which you are a member or in which you hold a position of general control or management</p> <p>a. which exercises functions of a public nature;</p> <p>b. which is directed to charitable purposes; or</p> <p>c. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);</p>	<p>Other interests are only</p> <p>(i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;</p> <p>(ii) Any body—</p> <p>(a) exercising functions of a public nature;</p> <p>(b) directed to charitable purposes; or</p> <p>(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)</p> <p>of which you are a member or in a position of general control or management.</p>	<p>Under the draft, tenders and expired contracts and contracts with subsidiaries are not required to be registered. This can be a significant administrative burden, but members would still have to register current contracts.</p>
Someone with a code interest may take part unless someone believes it would prejudice consideration of public interest.	Someone with an ‘other’ interest can only exercise same rights as member of public – i.e. they can only speak where the public can take part and they cannot vote.	This is a stricter test than ECC the ECC code – the interest could be trivial and could deprive a member of a vote. Unclear whether it is lawful to deprive a member of a vote if they are allowed to be in the room.
Monitoring Officer can give dispensations for interests	Unclear whether dispensations allowed for other interests.	Power to grant dispensations for ‘other interests’ must be included in the draft.

Current ECC Code	Draft LGA Code	Commentary
Requirement not to take a decision as an individual if you couldn't vote on that item at a meeting.	Not including.	This is presumably an accidental omission from the draft.

- 3.8 The closing date for receipt of comments by the LGA is 17 August 2020, although this may well be postponed as a result of the current emergency.

4. Financial Implications

- 4.1 This report has no financial implications.

5. Legal Implications

- 5.1 The Council is required by the Localism Act 2011 to adopt a code of conduct which is consistent with the 'Nolan' principles. It has a wide discretion as to what the code says, but there is a clear benefit to it being consistent with codes adopted by other authorities where there is an overlap of membership between ECC and the other authority.

6. List of Annexes

Annexe 1 – ECC code

Annexe 2 – Draft LGA Code (including appendices)

Annexe 3 - LGA consultation questionnaire (to be completed online:)

https://research.local.gov.uk/jfe/form/SV_blupYNXmiJ0xECV

Localism Act 2011

Promoting and Maintaining High Standards of Conduct in Local Government

Code of Conduct for Members

24.1 Introduction and Interpretation

24.1.1 This is the Code of Conduct for Members. The Localism Act 2011 requires the Authority to have a code of conduct which is consistent with the 'Nolan Principles' determined by the Committee on Standards in Public Life. These principles are set out in the Appendix to this Code. The Code is consistent with the Nolan Principles but any breach of the principles is not by itself a breach of the Code.

24.1.2 As a Member you are a representative of the Authority and the public will view you as such. Your actions impact on how the Authority as a whole is viewed and your actions can have both positive and negative impacts on the Authority.

24.1.3 When words appear in **bold type** in this code they refer to a term which has been defined in paragraph 24.13.

24.1.4 This Code applies to all Members of the Authority including co-opted members of the Authority and its committees (including non-voting members). It is your responsibility to comply with the provisions of this Code.

24.1.5 You must comply with this Code whenever you act as a Member of the Authority or when you are representing the Authority – this includes postings to social media which relate to your role as a member.

24.1.6 When you act as a representative of the Authority on another body you must, when undertaking your role on that other body, comply with the Authority's code of conduct, except and insofar as it conflicts with any other code of conduct or legal obligation to which you are subject as part of your role on that other body.

24.2 General Obligations

24.2.1 You must treat others with respect.

24.2.2 You must uphold the law.

24.2.3 You must:

- (i) ensure that your personal behaviour promotes good relations between people with different protected characteristics and is not such as may cause the Authority to discriminate unlawfully against any person under the provisions of the Equality Act 2010 or subsequent equality legislation;
- (ii) not bully or intimidate or attempt to intimidate any person; or

- (iii) not do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the Authority.

24.2.4 You must not behave in a way which would be likely to bring the office of Member of the Authority into disrepute.

24.3 Confidential Information

24.3.1 You must not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:

- (i) you have the consent of a person authorised to give it; or
- (ii) you are required by law to do so; or
- (iii) the disclosure is made to a third party for the purpose of obtaining professional advice and that third party has, before receiving the information, agreed not to disclose the information to any other person; or
- (iv) the disclosure is-
 - (a) reasonable and in the public interest; and
 - (b) made in good faith and in compliance with the reasonable requirements of the Authority.

24.3.2 You must not prevent another person from gaining access to information to which that person is entitled by law.

24.4 Conferring an Advantage or Disadvantage

24.4.1 You must:

- (i) not use or attempt to use your position as a Member improperly to confer on or to secure for yourself or any other person, an advantage or disadvantage - financial or otherwise;
- (ii) when using or authorising the use by others of the resources of the Authority,
 - i. act in accordance with the Authority's reasonable requirements; and
 - ii. ensure that such resources are not used improperly for political purposes (including party political purposes).

24.5 Publicity

24.5. You must have regard to any applicable Code of Practice on Local Authority Publicity made under the Local Government Act 1986.

24.6 Registration of Interests

24.6.1 Subject to 24.7 below you are required to register details of your **Disclosable Pecuniary Interests** and your **Code Interests**, within 28 days of becoming a Member (or being re-elected or reappointed) in the Authority's Register of Members' Interests.

24.6.2 **Code Interests** which fall only within paragraph 24.13.2 (vi) are not registrable.

24.6.2 You must keep your entry in the register of interests up to date by notifying the Monitoring Officer of any changes to your interests referred to above within 28 days of the change occurring.

24.7 Publication of the Register of Interests

24.7.1 The Monitoring Officer will arrange for the Register of Interests to be published on the Authority's website.

24.7.2 Where the nature of one or more of your interests is such that you and the Authority's Monitoring Officer consider that disclosure of details of the interest could lead to you, or a person connected with you, being subject to violence or intimidation then copies of the Register available for inspection and any published version of the Register will not include details of the interest but may state that you have an interest, details of which have been withheld in accordance with this Code of Conduct.

24.7.3 You must notify the Authority's Monitoring Officer within 28 days of becoming aware of any change of circumstances which means that information excluded from the register under 24.7.1 is no longer sensitive information.

24.7.4 You must review your entry on the register of interests at least once in every calendar year and notify the Authority's Monitoring Officer of any changes.

24.8 Declaration of Interests at Meetings

24.8.1 For the purposes of this paragraph, a meeting means any meeting of the Authority including the Cabinet, any committee, sub-committee, joint committees, joint sub-committees or area panels.

24.8.2 Where any matter to be considered at a meeting of the Authority at which you are present relates to or may have an impact upon a body or matter in which you have a **Disclosable Pecuniary Interest** or a **Code interest**, you must disclose the existence and nature of that interest to the meeting.

24.8.3 In addition you must withdraw from the room during the consideration of an item of business and must not participate in any debate or vote on that item of business if:

(a) you have a **Disclosable Pecuniary Interest** in that business; or

(b) you have a **Code interest** which is one that a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

24.8.4 Paragraph 24.8.3 does not apply where:

- (a) a member has received a dispensation from the Monitoring Officer or the Audit, Governance and Standards Committee; or
- (b) a meeting is operating to a procedure which would permit a member of the public to address the committee whether on the invitation of the Chairman or otherwise, but this exemption only applies for as long as the Member is either addressing the committee or answering questions asked by any member of the committee.

24.8.5 When declaring an interest at a meeting you need not disclose the nature of the interest if you and the Monitoring Officer have agreed that it ought not appear on the public register of interests, but you must otherwise comply with the rules about declarations of interest.

24.9 Cabinet Member Decisions

24.9.1 Where a report is presented to you and you have an interest which would prevent you from participating in a meeting which was considering it, you must take no action in relation to the report unless you have first obtained a dispensation from the Monitoring Officer or the Audit, Governance and Standards Committee.

24.9.2 If a report is presented to you and you cannot take the decision because you have an interest you must notify the Monitoring Officer of the interest and that you were unable to act. The Monitoring Officer will arrange for this to be recorded with the decision.

24.10 Disclosure of Interests in Discussions and Correspondence

24.10.1 If you have an interest in any matter which you would be required to declare at a meeting, and that matter is raised in any discussion or correspondence, whether in person, by telephone or email or otherwise, with any member, employee, contractor or agent of the Authority you:

- (i) must make a full disclosure of that interest at the outset of any discussions or correspondence, or as soon as the matter is raised; and
- (ii) must not seek improperly to influence a decision about that matter.

24.11 Dispensations

24.11.1 The Authority's Monitoring Officer or the Audit, Governance and Standards Committee may, in the circumstances set out in 24.11.2, grant a dispensation which permits you to

- (i) remain in the room,
- (ii) speak,
- (iii) vote or make a decision

on a matter, notwithstanding that you have an interest in it. Any such dispensation must specify the period for which it has effect, which may not exceed four years.

24.11.2 A dispensation may be granted by the Monitoring Officer or the Audit, Governance and Standards Committee if the person with authority to grant the dispensation:

- (i) considers that without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
- (ii) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
- (iii) considers that granting the dispensation is in the interests of persons living in the Authority's area,
- (iv) considers that without the dispensation each member of the Authority's executive would be prohibited from participating in any particular business to be transacted by the Authority's executive, or
- (v) considers that it is otherwise appropriate to grant a dispensation.

24.12 Register of Gifts and Hospitality

24.12.1 You must, within 28 days of receipt, notify the Authority's Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £25 which you have accepted as a Member from any person or body other than the Authority.

24.11.2 The Monitoring Officer will place your notification on a public register of gifts and hospitality.

24.11.3 This duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose.

24.13 Definitions

24.13.1 In this Code the following phrases have the following meanings:

'body controlled by the Authority' means a company or similar organisation where the Authority owns a majority of the shares or the Authority is entitled to nominate a majority of the members or directors or any company owned by such a body.

'body in which the relevant person has a beneficial interest' means a firm in which you or your spouse or partner is a partner or a body corporate of which

the relevant person is a director (whether or not remunerated), or in the securities of which you or your spouse or partner have a beneficial interest

‘disclosable pecuniary interest’ is an interest defined as such by the Localism Act 2011 or regulations made thereunder.

24.13.2 You have a **‘Code interest’** in matters falling within any of the descriptions which are not a **disclosable pecuniary interest**:

- (i) Any contract for goods, services or works which has not been fully discharged between you, your spouse or partner or a body in which the relevant person has a beneficial interest and a **body controlled by the Authority**;
- (ii) Any contract with the Authority which has expired within the last 2 years and which was, when it was in force, a **disclosable pecuniary interest**.
- (iii) Any tender, bid or quotation submitted within the last 2 years to the Authority which would, if accepted, have amounted to a **disclosable pecuniary interest**. Tenders, bids or quotations are not required to be registered until 28 days after the last date for the submission of tenders, bids or quotations.
- (iv) Any body of which you are a member or in which you hold a position of general control or management and to which you have been appointed or nominated by the Authority;
- (v) Any other body of which you are a member or in which you hold a position of general control or management -
 - a. which exercises functions of a public nature;
 - b. which is directed to charitable purposes; or
 - c. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);
- (vi) Any matter which might reasonably be regarded as affecting the well-being or financial position of:
 - 1. yourself
 - 2. a body in which you have a **Disclosable Pecuniary Interest** or a **Code interest**,
 - 3. a friend, relative or close associate

to a greater extent than the majority of other council tax payers or inhabitants of the electoral division affected by the decision.

24.13.3 Notwithstanding 23.12.4, an interest which is a **Disclosable Pecuniary Interest** is not a **Code interest**.

For guidance the following note summarises the statutory definition at March 2016. The Monitoring Officer will notify all Members and update this part of the code if the law changes.

A member has a Disclosable Pecuniary Interest if they or their partner have an interest of a description set out in paragraphs (1) to (7) below

In this context 'partner' means spouse, civil partner or a person the member is living with as a spouse or civil partner. Members only have to declare interests of their partner to the extent that they know about them.

Disclosable Pecuniary Interests are:

- (1) Any employment, office, trade, profession or vocation carried on for profit or gain;
- (2) Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous twelve months in respect of any expenses incurred by the member in carrying out duties as a Member, or towards election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992;
- (3) Any contract for goods, services or works which has not been fully discharged between the relevant person (or a body in which the relevant person has a beneficial interest) and the Council;
- (4) Any beneficial interest in any land in the Council's area;
- (5) Any licence of any land in the Council's area (alone or jointly with others) to occupy land for a month or longer;
- (6) Any tenancy where to the Member's knowledge (a) the landlord is the Council and (b) the tenant is a body in which a relevant person has a beneficial interest;
- (7) Any beneficial interest in securities of a body where:
 1. that body (to the Member's knowledge) has a place of business or land in the area of the Council; and
 2. either:
 - (a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - (b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Note that the Audit, Governance and Standards Committee has a practice of granting dispensations to members with respect to their or their partner's role in another public body.

Code of Conduct for Members - Appendix

The Nolan Principles

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Local Government Association Model Member Code of Conduct

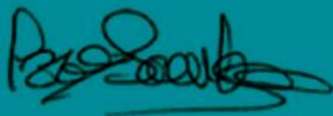
Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.



Councillor Izzi Seccombe OBE
Leader, LGA Conservative Group



Councillor Nick Forbes CBE
Leader, LGA Labour Group



Councillor Howard Sykes MBE
Leader, LGA Liberal Democrats Group



Councillor Marianne Overton MBE
Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

- 3. Not bullying or harassing any person.**

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Example

LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details www.gov.uk/government/news/the-principles-of-public-life-25-years
5. ACAS’s definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 .
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	



Local Government Association

18 Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Fax 020 7664 3030
Email info@local.gov.uk
www.local.gov.uk

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For a copy in Braille, larger print or audio,
please contact us on 020 7664 3000.
We consider requests on an individual basis.

LGA Consultation on Draft Model Member Code of Conduct

Thank you for taking the time to complete this consultation. This Model Member Code of Conduct [[Model Member Code of Conduct.pdf](#)] aims to be concise, written in plain English and be understandable to members, officers and the public. The Model Member Code is designed to aid members in all tiers of local government model the behaviours and high standards that anyone would expect from a person holding public office. Equally, it articulates behaviour which falls below the standards that would be expected of council members. It is designed to help set a framework for public and councillor interaction, emphasising the importance of civility and that councillors should be protected from bullying, intimidation and abuse.

The LGA has reviewed the existing Model Member Code of Conduct and updated it here incorporating the recommendations from the Committee on Standard's in Public Life's recommendations on Local Government Ethical Standards and the representation from its membership. Part of the Committee's recommendations were the introduction of sanctions for breaches of the code, alongside an appeals process. This aspect is out of scope of this consultation, as it requires legislative changes by Government, but the LGA has sought to reflect some of the possible changes by using square brackets where legal changes would be necessary. The LGA is continuing to take soundings from the sector on the issue of sanctions in anticipation of a Government response to the Committee's recommendations.

This consultation addresses key areas that the LGA would like a view on to help finalise the Code. It is aimed at councillors and officers from all tiers of local government. If you would like a wider discussion about the code, please do sign up to one of the forthcoming Webinars the LGA are holding as part of this consultation. Details will be posted on our [LGA events website](#).

Instructions and privacy notice

You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our [privacy policy](#). We are undertaking this consultation to aid the legitimate interests of the LGA in supporting and representing authorities.

Please complete your response in one go - if you exit before submitting your response your answers may be lost. If you would like to see an overview of the questions before completing the consultation online, you can access a PDF [here](#).

About you

Your name _____

Are you...

- ☐ A councillor
- ☐ An officer
- ☐ Answering on behalf of a whole council (Please provide council name below)
- _____
- ☐ Other (please specify below)
- _____

Please indicate your council type

- ☐ Community/Neighbourhood/Parish/Town
- ☐ District/Borough
- ☐ County
- ☐ Metropolitan/Unitary/London Borough
- ☐ Other (please specify below)
- _____

Application of the Code

Under the Localism Act 2012, the Code of Conduct applies to councillors only when they are acting in their capacity as a member. The LGA believes that because councillors are elected by the public and widely recognised by the public, it makes sense for them to continue to model these behaviours when they are making public comment, are identifying as a councillor and when it would be reasonable for the public to identify them as acting or speaking as a councillor. The Committee on Standards in Public Life supported this approach in their report into Local Government Ethical Standards. Whilst the LGA is waiting for Government's response to these recommendations the option has been added in square brackets as it would need changes in legislation.

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer please do so here:

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

- ☐ Yes
- ☐ No
- ☐ Don't know

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- ☐ Personal tense ("I will")
- ☐ Passive tense ("Councillors should")
- ☐ No preference

Specific obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.					
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.					
3. Not bullying or harassing any person.					
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.					
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.					
6. Not preventing anyone getting information that they are entitled to by law.					
7. Not bringing my role or council into disrepute.					
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.					

9. Not misusing council resources.					
10. Registering and declaring my interests.					
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.					
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.					

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

- ☐ As a list
- ☐ Each specific obligation followed by its relevant guidance
- ☐ No preference

Q7. To what extent to you think the concept of 'acting with civility' is sufficiently clear?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q8. To what extent do you think the concept of 'bringing the council into disrepute' is sufficiently clear?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

Q10. Is there sufficient reference to the use of social media?

- ☐ Yes
- ☐ No
- ☐ Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- ☐ Separate code
- ☐ Integrated into the code
- ☐ Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

Q11. To what extent to you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer please do so here:

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- ☐ In the main body of the code
- ☐ In the appendix
- ☐ Other (please specify below)
- ☐ Don't know/prefer not to say

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in **Table 2 of the Appendix** and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council					
Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management					
Any organisation, association, society or party directed to charitable purposes					
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)					

Q13a. If you would like to propose additional or alternative **categories** for registration, please provide them here:

Q14. To what extent to you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- ☐ Yes
- ☐ Yes, but the amount should be reviewed annually with the code's review
- ☐ No, it should be lower (please specify amount) _____
- ☐ No, it should be higher (please specify amount) _____
- ☐ Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

- _____ Regularly updated examples of case law
- _____ Explanatory guidance on the code
- _____ Case studies and examples of good practice
- _____ Supplementary guidance that focuses on specific areas, e.g., social media
- _____ Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

Q17. If you would like to make any further comments about the code please do so here:

Once you press the 'Submit' button below, you will have completed your response.

Many thanks for taking the time to respond to this consultation. You are in control of any personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#)

For information only - Do not complete

Report title: Members Gifts and Hospitality Register 2019-20	
Report to: Audit, Governance and Standards Committee	
Report author: Paul Turner, Director Legal and Assurance	
Date: 6 July 2020	For: Discussion
Enquiries to: paul.turner@essex.gov.uk	
County Divisions affected: 'All Essex'	

1. Purpose of Report

- 1.1 To inform members of the outcome of the review of the 2019-20 Member Gifts and Hospitality register.

2. Recommendations

- 2.1 Members of the Committee are asked to note the findings of the review and make any recommendations they may have.

3. Summary of issue

- 3.1 All Members must, within 28 days of receipt, notify the Authority's Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £25 which they have accepted as a Member from any person or body other than the Authority. The Monitoring Officer places the notification on a public register of gifts and hospitality. This duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose. This is set out in part 5 of the Constitution. Members are not required to register the value of the hospitality.
- 3.2 In the period 1 April 2019 to 31 March 2020 there were 12 instances of gifts or hospitality declared and these were logged on register of gifts and hospitality and published on the individual Councillor's profile on the Committee Management System. In the same period during 2018-19 there were 18 instances. 68 Members did not declare any gifts or hospitality in comparison to 65 in 2018-19.
- 3.3 An examination does not reveal any particular concerns relating to the acceptance of significant hospitality from ECC contractors or those seeking funding from ECC. The register does not demonstrate any trends in terms of those offering the gifts and hospitality. Nonetheless members may wish to consider whether or not they wish to express any view on any of the hospitality accepted.

4. Financial implications

4.1 This report has no financial implications

5. Legal implications

5.1 Registration of gifts and hospitality is required by the ECC Code of Conduct.

6. Equality and Diversity implications

- 6.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 6.3 This report simply presents the register of gifts and hospitality to the Committee.

7. List of appendices

Member gifts and hospitality register 2019-20.

Member Gifts and Hospitality April 2019-March 2020

Surname	Forename	District	Division	Return	Date	From	Description	Value
Abbott	James	Braintree	Witham Northern	Nil				
Aldridge	John	Chelmsford	Broomfield & Writtle		Fri, 8 Dec 2019	Tendring CVS	Supper x 2	>£25
Aspinell	Barry	Brentwood	Brentwood North	Nil				
Baker	John	Colchester	Parsons Heath and East Gates	Nil				
Ball	Tony	Basildon	<i>Wickford Crouch</i>		Fri, 19 Jul 2019	Manchester Airport Group	Hospitality at T20 Women's International Cricket match	Approx > £25
Barker	Susan	Uttlesford	Dunmow		Wed, 26 Feb 2020	Aviva	Meal and drinks at Carden Park conference	>£25
					Tue, 1 Oct 2019	Baillie Gifford	Baillie Gifford conference	>£25
Beavis	Jo	Braintree	Halstead	Nil				
Bentley	Kevin	Colchester	Stanway & Pyefleet		Thu, 9 May 2019	Local Government Association	Invitation to Lord Porter's leaving event at the LGA Offices in London	£25<
					Tue, 23 Jul 2019	Jiangsu Province	Silk Stamp Collection Album	>£25

Blackwell	Dave	Castle Point	<i>Canvey Island East</i>	Nil				
Brown	Anne	Colchester	Constable	Nil				
Buckley	Malcolm	Basildon	<i>Wickford Crouch</i>	Nil				
Butland	Graham	Braintree	Three Fields with Great Notley	Nil				
Canning	Stephen	Braintree	Bocking	Nil				
Chandler	Jenny	Chelmsford	Great Baddow	Nil				
Channer	Penny	Maldon	Maldon		Sat, 1 Jun 2019	Sam and Ross Lonergan	Two invitations for the Crouch Ridge Vine Yard Open Day and launch of new wine	>£25
Cutmore	Terry	Rochford	<i>Rochford North</i>	Nil				
Davies	Allan	Basildon	<i>Laindon Park and Fryerns</i>	Nil				
Deakin	Jude	Chelmsford	Chelmsford West	Nil				
Durham	Mark	Maldon	Heybridge and Tollesbury	Nil				
Egan	Beverley	Castle Point	Thundersley	Nil				
Erskine	Andrew	Tendring	Tendring Rural East	Nil				
Finch	David	Braintree	Hedingham	Nil				
Gadsby	Ricki	Epping Forest	Waltham Abbey	Nil				
Garnett	Mike	Harlow	Harlow North	Nil				
Goggin	Alan	Tendring	Brightlingsea	Nil				
Gooding	Ray	Uttlesford	Stansted	Nil				
Grundy	Ian	Chelmsford	Stock	Nil				
Guglielmi	Carlo	Tendring	Tendring Rural West	Nil				
Hardware	Michael	Harlow	<i>Harlow West</i>	Nil				

Harris	Dave	Colchester	Maypole	Nil				
Hedley	Tony	Basildon	<i>Billericay & Burstead</i>	Nil				
Henderson	Ivan	Tendring	Harwich	Nil				
Henry	Jeff	Basildon	<i>Laindon Park and Fryerns</i>	Nil				
Hillier	Stephen	Basildon	<i>Pitsea</i>	Nil				
Honeywood	Paul	Tendring	Clacton West	Nil				
Jackson	Anthony	Epping Forest	North Weald & Nazeing	Nil				
Johnson	Eddie	Harlow	Harlow South East	Nil				
Jowers	John	Colchester	Mersea & Tiptree	Nil				
Kendall	David	Brentwood	Brentwood South	Nil				
Lissimore	Sue	Colchester	Drury	Nil				
Louis	Derrick	Braintree	Witham Southern	Nil				
Lumley	June	Rochford	<i>Rayleigh South</i>	Nil				
Mackrory	Michael	Chelmsford	Springfield	Nil				
Madden	Richard	Chelmsford	Chelmsford Central	Nil				
Maddocks	Malcolm	Rochford	<i>Rayleigh North</i>		Wed, 9 Oct 2019	Baillie Gifford	Two nights accommodation and meals provided by Baillie Gifford to attend investment and pension conference	>£50
					Thu, 10 Oct 2019	Mark Stephens Independent Investment Advisor	Evening refreshment Presumed over £25	>£25
Massey	Bob	Chelmsford	South Woodham Ferrers	Nil				
May	Peter	Castle Point	<i>Canvey Island West</i>	Nil				

McEwen	Maggie	Epping Forest	Ongar & Rural	Nil				
McKinlay	Louise	Brentwood	Brentwood Hutton		Mon, 2 Mar 2020	PFCC- Violence and Vulnerability work	3 course meal.	>£25
Metcalfe	Valerie	Epping Forest	Buckhurst Hill & Loughton South	Nil				
Mitchell	Robert	Braintree	Braintree Eastern	Nil				
Mohindra	Gagan	Epping Forest	Chigwell and Loughton Broadway	Nil				
Moore	Richard	Basildon	<i>Billericay & Burstead</i>	Nil				
Moran	John	Uttlesford	Saffron Walden	Nil				
Platt	Mark	Tendring	Frinton and Waldon	Nil				
Pond	Christopher	Epping Forest	Loughton Central	Nil				
Pratt	Ron	Maldon	Southminster	Nil				
Reeves	Jillian	Castle Point	Hadleigh	Nil				
Reid	Patricia	Basildon	Pitsea	Nil				
Robinson	Stephen	Chelmsford	Chelmsford North	Nil				
Sargeant	Colin	Tendring	Clacton East	Nil				
Stephenson	Mark	Tendring	Clacton East	Nil				
Schmitt	Wendy	Braintree	Braintree Town	Nil				
Scordis	Lee	Colchester	<i>Abbey</i>	Nil				
Sheldon	Andrew	Castle Point	South Benfleet	Nil				
Smith	Kerry	Basildon	Westley Heights	Nil				

Souter	Clive	Harlow	<i>Harlow West</i>	Nil				
Spence	John	Chelmsford	Chelmer	Nil				
Steptoe	Mike	Rochford	<i>Rochford South</i>	Nil				
Turrell	Anne	Colchester	Mile End & Highwood	Nil				
Wagland	Lesley	Brentwood	Brentwood Rural		Tue, 23 Jul 2019	Jiangsu Province	Silk Stamp Collection Album	>£25
					Tue, 3 Sep 2019	Jiangsu Province - Chinese Delegation	Chinese Silk Scarf	>£20
Walsh	Simon	Uttlesford	Thaxted	Nil				
Weston	Carole	Rochford	Rochford West	Nil				
Whitbread	Christopher	Epping Forest	Epping and Theydon Bois	Nil				
Wood	Andy	Tendring	Clacton North		Fri, 13 Dec 2019	Mike Hardware of Chelgate Local	Meal with public engagement consultants	>£25
Young	Julie	Colchester	Wivenhoe St. Andrew	Nil				

Meeting	Topic	Author	Notes
28 September 2020	To Approve the Statement of Accounts 2019/2020 and the Annual Governance Statement	Nicole Wood, Executive Director, Finance and Technology and Christine Golding, Chief Accountant.	
	2019/2020 Audit Completion Report for the Essex Pension Fund (from external auditor)	Nicole Wood, Executive Director, Finance and Technology and Christine Golding, Chief Accountant.	Annual report
	2019/2020 Audit Completion Report for Essex County Council (from external auditor)	Nicole Wood, Executive Director, Finance and Technology and Christine Golding, Chief Accountant.	Annual report
	Internal Audit and Counter Fraud progress report	Paula Clowes, Head of Assurance	
	Annual Audit Letter – 2019/20 To formally present the External Auditor's Annual Audit Letter for the year ending 31 March 2020	From external auditors	Annual report

Updating of Risk Management Strategy 2017-2021	Paula Clowes, Head of Assurance	Annual report
Annual report on the work of the AGS committee	Paul Turner, Director, Legal and Assurance	To thereafter be reported to Council in October 2020
Report of the use of working groups To consider in-depth issues and report back to the AGS committee	Paul Turner, Director, Legal and Assurance (or other officers as appropriate)	To thereafter be reported to Council in October 2020

Meeting	Topic	Author	Notes
7 December 2020	Internal Audit and Counter Fraud progress report	Paula Clowes, Head of Assurance	
	Annual Audit Letter	Nicole Wood, Executive Director, Finance and Technology and Christine Golding, Chief Accountant	
	The co-opting of at least one independent member to the AGS Committee To provide expertise and steer the members to ask the challenging questions.	Paul Turner, Director, Legal and Assurance	Subject to Council approval July 2020
	To note the inclusion of an AGS Page on the ECC Internet To increase the committee's visibility with officers and members and provide guidance to auditees,	Paul Turner, Director, Legal and Assurance	The page to be on the Internet by the date of this meeting.

Meeting	Topic	Author	Notes
22 March 2021	Internal Audit and Counter Fraud progress report	Paula Clowes, Head of Assurance	
	Arrangements for the closure of the 2020/2021 Accounts	Nicole Wood, Executive Director, Finance and Technology and Christine Golding, Chief Accountant.	
	2020/21 Audit Plans for Essex County Council and the Essex Pension Fund	Nicole Wood, Executive Director, Finance and Technology	
	Regulation of Investigatory Powers Act 2000 - review of activity on use of Directed Surveillance and Covert Human Intelligence Sources (CHIS)	Paul Turner, Director, Legal and Assurance	
	Approval of annual Internal Audit and Counter Fraud Plan for 2021/22	Paula Clowes, Head of Assurance	
	Annual skills and knowledge self-assessment To determine where skills and knowledge need to be enhanced on an annual basis	Paul Turner, Director, Legal and Assurance	No later than this March meeting.