

Essex County Council

Auditor's Annual Report

Covering both the Administering
Authority and Pension Fund

Year ended 31 March 2024

7 March 2025



Audit Governance and Standards Committee
Essex County Council
County Hall
Duke Street
Chelmsford

7 March 2025

Dear Audit Governance & Standards Committee

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements Essex County Council. The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Essex County Council and the wider public relevant issues from our work including recommendations arising in the current year.

This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24 across both the Pension Fund and The Council audits.

This report is intended to draw to the attention of the Essex County Council's any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 March 2025.

Yours faithfully

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Governance & Standards Committee and management of Essex County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Governance & Standards Committee and management of Essex County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit Governance & Standards Committee and management of Essex County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Essex County Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Essex County Council Completion report that we issued on 11 February 2025 and the Pension Fund Audit Plan issued on 9 December 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- conclusions relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Essex County Council ;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Essex County Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Essex County Council

Essex County Council is responsible for preparing and publishing its Financial Statements, Narrative Statement and Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	<p>Essex County Council</p> <p>Disclaimed Audit Opinion Following our due consideration of an Independence matter, as part of our client acceptance procedures, we were unable to complete those procedures formally until January 2025. This meant that we did not have sufficient time to complete the audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on The Council's financial statements for the year ended 31 March 2024 by the legislative backstop date of the 28 February 2025.</p> <p>We therefore issued a disclaimed audit opinion on 25 February 2025.</p> <p>Pension Fund</p> <p>Unqualified - the financial statements give a true and fair view of the financial position of the Administering Authority's Pension Fund Account as at 31 March 2024 and of its expenditure and income for the year then ended. We issued an unqualified auditor opinion on the 25 February 2025.</p>
Going concern	Pension Fund - We concluded that the Director, Finance' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements was appropriate.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual Report was consistent with that published within The Council's audited Financial Statements.
Value for money (VFM)	We had no matters to report by exception on The Council's VFM arrangements.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of The Council.



Executive Summary (continued)

2023/24 Conclusions

Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of Government Accounts	<p>We have submitted the Assurance Statement to the NAO following completion of the audit on the 25 February 2025. However, we do not know whether we will be required to perform any further procedures, as the NAO have not yet confirmed whether any questions will be raised on individual returns or if any further procedures are required on sampled components.</p> <p>We cannot issue our Audit Certificate until these procedures are complete.</p>
Certificate	We will issue our certificate once we receive confirmation from the NAO on the Whole of Government Accounts procedures.



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Essex County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the Auditor's Opinion on the Financial Statements. In addition, auditor's provide an Annual Commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council Committee reports;
- meetings with Management and key officers:
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in Section 03. The commentary on these pages summarises our understanding of the arrangements at The Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendation we have agreed with The Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How The Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How The Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How The Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and The Council, and its members and senior management and its affiliates, including all services provided by us and our network to The Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for The Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 February 2025, we issued a disclaimed audit opinion on the Essex County Council financial statements and an unqualified opinion on the Pension Fund Accounts.

We reported our audit scope, risks identified and detailed findings to the 24 February 2025 Audit Committee meeting. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The detailed findings for each of the areas are set out in Audit Completion Report for The Council and the Audit Results Report for the Pension Fund.

Essex County Council

Significant risk	Conclusion
Misstatements due to fraud or error	We did not perform any detailed audit testing on these risk areas as set out in the basis of our audit opinion.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	
Valuation of Property, Plant, and Equipment and Investment Property	
Private Finance Initiative (PFI)	
Pension Valuation and Other Disclosures	
Group Accounts	

Audit of the financial statements

Pension Fund

Significant risk	Conclusion
Misstatements due to fraud or error	We did not identify any instances of inappropriate judgements being applied in the preparation of the financial statements. We did not identify any misstatements or material weaknesses in controls.
Management override and incorrect posting of investment income journals	We did not identify any misstatements relating to management override in the financial statements. We did not identify any misstatements or material weaknesses in controls.
Valuation of complex Level 3 investments	We identified audit differences above our threshold for reporting for Level 3 investments. This was as a result of Management using values from the latest available Custodian confirmations at 31 December 2023 when they prepared the draft Financial Statements and more up to date information became available during our audit for the actual position at the 31 March 2024. The net difference is a £11.96 million understatement of Level 3 Investment Assets and changes in market value. Management chose not to adjust the Financial Statements for this matter.
IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits	We had no matters to report from our procedures.



03 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How The Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

During the reporting period, Essex County Council has effectively managed its financial sustainability through comprehensive planning and resource allocation. The Council prepares an annual plan and budget, which is presented to the Cabinet and subsequently to the Full Council for approval. This structured approach ensures transparency and accountability in financial decision-making. The integration of the Medium-Term Resource Strategy (MTRS) into the Annual Plan allows The Council to adapt to changing financial pressures, ensuring that both short and medium-term challenges are addressed.

In response to significant financial pressures, including high inflation and the cost of living crisis, The Council has revisited its MTRS to identify potential savings and growth opportunities across various directorates. This proactive approach has enabled The Council to allocate resources efficiently in line with its strategic aims.

Essex County Council is addressing its projected funding gaps, which are forecasted to reach £22 million in 2025/26 and £51 million by 2027/28, through a comprehensive financial strategy. This includes a 4.99% increase in Council Tax for 2024/25, aimed at supporting essential services, particularly in Adult Social Care. The Council has identified new savings of £69 million over the medium term, facilitated by an ambitious Whole Council Transformation Programme designed to enhance service efficiency and redesign operations to better meet resident needs.

Additionally, The Council is leveraging its reserves, with a net underspend of £13.476 million from the previous year allocated to Earmarked Reserves for future investments. Collaboration with local authorities and health organizations through Integrated Care Systems (ICS) is also a key strategy, promoting resource sharing and streamlined service delivery. The capital programme for 2024/25, set at £320.1 million, focuses on infrastructure development to drive economic growth, further supporting The Council's long-term financial sustainability and commitment to delivering quality services to the community.

The recent Ofsted inspection conducted in June 2023 resulted in an "Outstanding" overall effectiveness rating for Essex County Council's Children's Services. This reflects The Council's commitment to identifying financial pressures and effectively addressing areas for improvement since the last inspection in 2018, ensuring that resources are allocated efficiently to safeguard children in need and support care leavers in their transition to adulthood.

Essex County Council has implemented a framework to manage its resources in response to the financial implications of addressing Reinforced Autoclaved Aerated Concrete (RAAC) issues in its properties. This framework includes an assessment of the costs associated with remediation efforts, enabling The Council to identify significant financial pressures and develop strategies to manage these challenges. By addressing funding gaps and aligning financial plans with The Council's strategic priorities for service delivery, The Council aims to maintain financial resilience while continuing to provide essential services to the community. This approach is intended to ensure the integrity of its assets and address emerging risks effectively.

The Council's commitment to financial sustainability is further demonstrated by its ongoing engagement with officers, members, and the public in the planning process. By prioritizing financial resilience, Essex County Council is well-positioned to continue delivering high-quality services to its residents, even amidst ongoing challenges.

Conclusion: Based on the work performed, The Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How The Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

Essex County Council has established a robust governance framework to ensure informed decision-making and effective risk management. The Council maintains comprehensive risk registers at corporate, departmental, and service levels, which are regularly reviewed and updated. These risk registers are essential for identifying potential challenges and mitigating risks that could impact financial resilience and service delivery. Regular reports on risk management activities are presented to the Audit Committee, promoting accountability and transparency.

Internal audits focus on high-risk areas, providing assurance over the effective operation of internal controls. Recent audits have identified potential risks in cybersecurity governance, prompting The Council to develop action plans to address these weaknesses. This proactive approach ensures preparedness for emerging threats, safeguarding resources and maintaining public trust.

The Local Government & Social Care Ombudsman identified significant delays in Essex County Council's processing of Education, Health, and Care (EHC) needs assessments, which resulted in a child not receiving suitable education. In response, The Council developed an action plan to improve communication between the education welfare and special educational needs teams, contracted an independent company to process 900 EHC needs assessments, and allocated additional staffing resources to address the backlog. In conclusion, these measures aim to ensure timely support for children and compliance with statutory requirements, demonstrating The Council's commitment to improving service delivery and preventing future delays.

These measures reflect The Council's commitment to transparency, accountability, and continuous improvement in service delivery.

Conclusion: Based on the work performed, The Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How The Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

Essex County Council actively utilizes financial and performance information to enhance economy, efficiency, and effectiveness in service delivery. The Council has established a performance framework that integrates financial metrics with non-financial indicators, allowing for a comprehensive evaluation of service effectiveness. Regular financial reports are reviewed by the Cabinet and relevant committees, enabling the identification of areas needing corrective action.

The Council's systematic approach to evaluating services includes establishing key performance indicators (KPIs) for various programs. Performance data indicates improvements in areas such as skills and employability programs, while challenges remain in meeting statutory deadlines for Education, Health, and Care Plans. The Council uses this performance information to inform decision-making and prioritize resources effectively.

Although there were no new SEND inspection reports issued in 2023/24, the previous inspection in May 2022 noted that the area had made sufficient progress in addressing significant weaknesses. This progress indicates that Essex County Council has effectively utilized financial and performance information to improve SEND services, thereby enhancing decision-making and accountability.

Feedback mechanisms, including Service Assurance Statements from Executive Directors, provide insights into service performance and highlight challenges. The Council engages with stakeholders to gather input on service effectiveness, ensuring alignment with community needs. By fostering a culture of continuous evaluation and improvement, Essex County Council is committed to enhancing service quality and responsiveness to residents' evolving needs.

Conclusion: Based on the work performed, The Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

An annual plan and budget is prepared and being presented to the Cabinet before presenting to the Full Council for approval. The medium term resource strategy (MTRS) is included within The Council's annual plan. The preparation of the 4-year MTRS is an ongoing process which engages officers, members and the public on a cyclical basis to continuously update the medium-term position of The Council once new information becomes available.

Each year, The Council will then consider the opportunities for savings and growth to the initial MTRS. This is broken down in the different Council directorates which guide the wider strategy in line with The Council's Strategic Aims.

In light of recent financial pressures and impacts of high inflation, cost of living crisis, war in Ukraine, and energy cost spike, The Council has revisited its MTRS . This was also demonstrated by revisions to short and medium term financial pressures during Covid and more recently inflationary pressures and the impact this has on both adult and children's services and home to school transport.

The Council has extensive business partnering in place, budgets are reviewed monthly with budget holders, working collaboratively with them to support and challenge and these are highlighted in monthly budget reports and then factored into the MTRS.

The recent Ofsted inspection conducted in June 2023 resulted in an "Outstanding" overall effectiveness rating for Essex County Council's Children's Services. This reflects The Council's commitment to identifying financial pressures and effectively addressing areas for improvement since the last inspection in 2018, ensuring that resources are allocated efficiently to safeguard children in need and support care leavers in their transition to adulthood.



Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans to bridge its funding gaps and identifies achievable savings	<p>Essex County Council is addressing its projected funding gaps, which are forecasted to reach £22 million in 2025/26 and £51 million by 2027/28, through a comprehensive financial strategy. This includes a 4.99% increase in Council Tax for 2024/25, aimed at supporting essential services, particularly in Adult Social Care. The Council has identified new savings of £69 million over the medium term, facilitated by an ambitious Whole Council Transformation Programme designed to enhance service efficiency and redesign operations to better meet resident needs.</p> <p>Additionally, The Council is leveraging its reserves, with a net under spend of £13.476 million from the previous year allocated to earmarked reserves for future investments. Collaboration with local authorities and health organizations through Integrated Care Systems (ICS) is also a key strategy, promoting resource sharing and streamlined service delivery. The capital programme for 2024/25, set at £320.1 million, focuses on infrastructure development to drive economic growth, further supporting The Council's long-term financial sustainability and commitment to delivering quality services to the community.</p> <p>The Council uses the follow key strategies to bridge funding gaps:</p> <ul style="list-style-type: none">• Implementing strategies to increase income through council tax adjustments and exploring additional revenue streams.• Identifying and implementing savings initiatives aimed at reducing operational costs and improving service delivery efficiency.• Engaging in transformation programs to redesign services for better alignment with community needs and to enhance overall effectiveness.• Utilizing reserves strategically to provide financial stability and mitigate unexpected costs.• Establishing robust performance monitoring and accountability mechanisms to ensure effective governance and financial management.• Fostering partnerships with other local authorities and organizations to share resources, knowledge, and best practices for improved service delivery.• Developing a capital investment strategy focused on infrastructure and community development to stimulate economic growth and enhance public services.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Essex County Council has established a comprehensive financial strategy to support the sustainable delivery of services aligned with its strategic and statutory priorities. The Council plans to enhance revenue generation through council tax adjustments and the identification of additional income streams, while also implementing cost efficiency measures to reduce operational expenses. A key component of this strategy is the Whole Council Transformation Programme, which focuses on redesigning services to better meet community needs and improve overall effectiveness.</p> <p>To ensure financial stability, the Council strategically utilizes reserves to mitigate unexpected costs and maintain service continuity. Robust performance monitoring and accountability mechanisms are in place to oversee financial management and governance, ensuring that resources are allocated effectively. Additionally, The Council fosters collaborative partnerships with local authorities and organizations to share resources and best practices, further enhancing service delivery. Through a well-structured capital investment strategy, The Council aims to stimulate economic growth and support community development, ensuring that its financial arrangements are sustainable and responsive to the needs of Essex residents.</p> <p>Essex County Council has implemented a framework to manage its resources in response to the financial implications of addressing Reinforced Autoclaved Aerated Concrete (RAAC) issues in its properties. This framework includes an assessment of the costs associated with remediation efforts, enabling The Council to identify significant financial pressures and develop strategies to manage these challenges. By addressing funding gaps and aligning financial plans with The Council's strategic priorities for service delivery, The Council aims to maintain financial resilience while continuing to provide essential services to the community. This approach is intended to ensure the integrity of its assets and address emerging risks effectively.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Essex County Council ensures that its financial plan is consistent with other strategic plans, through a cohesive and integrated approach. The Council's financial strategy is aligned with its overarching organizational strategy, "Everyone's Essex," which outlines key priorities and commitments for the county. This alignment is achieved by involving various stakeholders in the planning process, including senior officers and Cabinet members, who collaborate to ensure that financial resources are effectively allocated to support workforce development, capital projects, and service delivery.</p> <p>The Council also emphasizes collaboration with other local public bodies as part of a wider system to enhance service delivery and resource efficiency. By engaging in partnerships and joint initiatives, The Council can leverage shared resources and expertise, ensuring that its financial planning is responsive to the broader needs of the community. This collaborative approach extends to integrated care systems, where The Council works alongside health organizations to align financial and operational strategies.</p> <p>Regular reviews and assessments of financial and operational plans further ensure that all elements are synchronized. This ongoing evaluation enables The Council to adapt to changing circumstances while maintaining a focus on its strategic objectives. By fostering a culture of collaboration and continuous improvement, Essex County Council is well-positioned to deliver sustainable services that meet the needs of its residents.</p>



Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Essex County Council employs a comprehensive risk management framework to identify and manage risks to its financial resilience, particularly in the face of unplanned changes in demand. The Council recognizes that fluctuations in service demand, driven by factors such as demographic changes, economic conditions, and external events, can significantly impact its financial stability. To address these challenges, The Council conducts regular assessments of its financial plans, incorporating scenario analysis to evaluate the potential effects of varying demand levels on its budget and service delivery.</p> <p>The Council's Corporate Governance Steering Board and Audit, Governance and Standards Committee play crucial roles in overseeing risk management activities. These bodies review the Council's risk profile, including financial risks, and ensure that appropriate mitigation strategies are in place. Senior officers are responsible for maintaining the governance environment and providing assurance on the effectiveness of risk management processes. This includes the completion of Service Assurance Statements by Executive Directors, which highlight areas of weakness and outline actions to strengthen financial resilience.</p> <p>Additionally, the Council actively engages in stakeholder consultations and utilizes data analytics to inform its planning assumptions. By challenging the underlying assumptions of its financial plans, The Council can better anticipate changes in demand and adjust its strategies accordingly. This proactive approach to risk management not only enhances the Council's ability to respond to emerging challenges but also supports its commitment to maintaining financial sustainability and delivering high-quality services to residents.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Council maintains a corporate, departmental and service risk registers. Regular reports are taken to Audit, Governance & Standards Committee to consider and agree. Internal audit produce an Annual Plan which is risk focused. Conversations are undertaken with Executive/Assistant Directors and key senior managers to incorporate discussions on where current risks are within the Directorate's departments along with a review of the risk registers. These feed into the annual plan of audits undertaken by internal audit.

Reports are taken to the Audit, Governance and Standards Committee during the year for consideration along with an Annual Report by the Head of Assurance. Internal audits are how the Council gains assurance over the effective operation of internal control, which cover arrangements to prevent and detect fraud. They feed into the Annual Governance Statement which is prepared annually.

Internal Audit highlighted potential risks in cybersecurity governance. Key issues include unclear roles as well as the absence of a dedicated cybersecurity committee and effective training programs. While these findings do not indicate significant weaknesses and Essex has arrangements in place in the form of clear action plans to address recommendations, they require prompt attention to strengthen the Council's cybersecurity framework.

The Local Government & Social Care Ombudsman identified significant delays in the Council's processing of Education, Health, and Care (EHC) needs assessments, which resulted in a child not receiving suitable education. In response, The Council developed an action plan to improve communication between the education welfare and special educational needs teams, contracted an independent company to process 900 EHC needs assessments, and allocated additional staffing resources to address the backlog. In conclusion, these measures aim to ensure timely support for children and compliance with statutory requirements, demonstrating the Council's commitment to improving service delivery and preventing future delays.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body approaches and carries out its annual budget setting process	<p>The Council produce the Revenue and Capital Budget and Medium-Term Resource Strategy along with the Cabinet Report in February prior to the start of the financial year. A budget setting timetable is agreed by cabinet each year which follows the below process:</p> <ul style="list-style-type: none">• Cabinet report setting out budget process and timetable, agreeing allocation of savings required and framework for service planning• Budget challenge undertaken by the Corporate Board and service leads;• Financial strategy taken to Cabinet to review assumptions and proposed areas for savings• Select Committees consider proposed areas for savings• Review by Scrutiny Committee• Public consultation• Further budget challenge• Final settlement and then budget taken to Cabinet in February to recommend to Council• Scrutiny Committee to consider budget proposals, consultation and impact assessments• Budget taken to Full Council for approval. <p>The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers and senior managers.</p>



Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>Essex County Council has established robust processes and systems to ensure effective budgetary control and the timely communication of relevant, accurate management information. The Council's financial management framework is designed to provide comprehensive oversight of budget performance, enabling decision-makers to monitor expenditure against approved budgets closely. Each Executive Director is required to complete a Service Assurance Statement, which assesses financial performance and identifies any areas requiring corrective action. This systematic approach ensures that financial data is consistently reviewed and that any variances from the budget are promptly addressed.</p> <p>To support its statutory financial reporting requirements, the Council adheres to established accounting practices and standards, as outlined in the CIPFA Code of Practice. Regular financial reports are prepared for the Cabinet and relevant committees, providing insights into both financial and non-financial performance metrics. This transparency allows for informed decision-making and facilitates accountability across the organization. The Council also utilizes a web-based system to track internal audit recommendations, ensuring that any identified issues are addressed in a timely manner.</p> <p>In addition to financial data, the Council recognizes the importance of non-financial information in assessing overall performance. This includes metrics related to service delivery, community engagement, and operational efficiency. By integrating non-financial indicators into its reporting framework, The Council can gain a holistic view of its performance and make necessary adjustments to its strategies. Overall, these arrangements foster a culture of continuous improvement and accountability, ensuring that the Council remains responsive to the needs of its residents while maintaining sound financial management practices.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>Decision making set out within Constitution and financial decisions taken in accordance with Financial Regulations. The Scrutiny Committee has the opportunity to consider Cabinet decisions. Individual members can also raise questions to Cabinet on any reports presented, thus providing a further layer of challenge and review.</p> <p>All decision making reports to Cabinet include details of financial and other implications. In presenting key decisions to the Cabinet and Council for approval, the officers must complete equality and data protection impact assessments as well as provide confirmations that the legal and statutory requirements of each service/area continue to be met.</p>
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council has established robust monitoring arrangements to uphold high standards of conduct in compliance with legislative and regulatory requirements. The Council's governance framework includes a local code of governance that incorporates the principles of good governance outlined by CIPFA/SOLACE.</p> <p>All employees and members are required to adhere to established codes of conduct, with regular training and refresher briefings provided to ensure awareness of responsibilities regarding gifts, hospitality, and declarations of interests. The Audit, Governance and Standards Committee plays a crucial role in promoting ethical behaviour and addressing any complaints related to the code of conduct.</p> <p>To further reinforce transparency and accountability, the Council has implemented mechanisms for declaring interests, with annual completion rates monitored for compliance. The Whistle-Blowing Policy offers a confidential route for reporting concerns about potential wrongdoing, fostering a culture of openness. By actively overseeing these standards and ensuring adherence to established policies, Essex County Council demonstrates its commitment to ethical governance and the integrity of its operations.</p>



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council utilizes financial and performance information as critical tools for assessing overall performance and identifying areas for improvement. The Council has established a comprehensive performance framework that integrates both financial metrics and non-financial indicators, allowing for a holistic evaluation of service delivery.</p> <p>Regular financial reports are generated and reviewed by the Cabinet and relevant committees, providing insights into budget performance and highlighting any variances from planned expenditures. This ongoing analysis enables The Council to pinpoint specific areas where financial performance may be lacking and to implement corrective actions as needed.</p> <p>In addition to financial data, the Council monitors various performance indicators related to service outcomes, community engagement, and operational efficiency. The Organisational Leadership Team oversees the performance monitoring process, directing interventions where necessary to enhance service delivery.</p> <p>Feedback from Service Assurance Statements completed by Executive Directors further informs this assessment, ensuring that any weaknesses are addressed promptly. By leveraging this combination of financial and performance information, the Council fosters a culture of continuous improvement, ensuring that resources are allocated effectively to meet the needs of its residents and enhance the quality of services provided.</p> <p>Although there were no new SEND inspection reports issued in 2023/24, the previous inspection in May 2022 noted that the area had made sufficient progress in addressing significant weaknesses. This progress indicates that the Council has effectively utilized financial and performance information to improve SEND services, thereby enhancing decision-making and accountability.</p>



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council employs a systematic approach to evaluate the services it provides, ensuring that performance is assessed comprehensively to identify areas for improvement. The Council utilizes a performance framework that incorporates both quantitative and qualitative measures, allowing for a thorough analysis of service effectiveness. Regular performance reviews are conducted, with key performance indicators (KPIs) established for various services, enabling The Council to track progress against its strategic objectives.</p> <p>Performance data indicates that the Council has made strides in several areas, such as increasing the number of individuals benefiting from skills and employability programs and improving service delivery in children's services. However, challenges remain, particularly in meeting statutory deadlines for Education, Health, and Care Plans, where delays have been noted. The Council actively uses this performance information to inform decision-making, implement corrective actions, and prioritize resources to enhance service quality and meet the needs of its residents effectively. Overall, The Council's commitment to evaluating performance against KPIs supports its goal of continuous improvement and accountability in service delivery.</p> <p>Feedback mechanisms, including Service Assurance Statements from Executive Directors, play a crucial role in the evaluation process. These statements provide insights into service performance and highlight any challenges faced. Additionally, The Council engages with stakeholders and the community to gather input on service effectiveness, which informs decision-making and prioritization of improvements. By fostering a culture of continuous evaluation and improvement, the Council is committed to enhancing the quality of its services and ensuring they align with the strategic aims outlined in "Everyone's Essex."</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>Essex County Council is committed to effectively delivering its role within significant partnerships and engaging with identified stakeholders to enhance service delivery and community outcomes.</p> <p>The Council actively collaborates with various local authorities, health organizations, and community groups through established frameworks such as Integrated Care Systems (ICS) and the Essex Partners group. These partnerships are designed to facilitate joint decision-making, share resources, and align strategies to address common challenges and priorities within the community.</p> <p>To ensure accountability and performance monitoring, The Council has implemented mechanisms to track progress against partnership expectations. Regular performance reviews and strategic meetings are held to assess the effectiveness of collaborative initiatives and to identify areas for improvement. Feedback from stakeholders is actively sought and integrated into the Council's decision-making processes, allowing for responsive adjustments to strategies and actions.</p> <p>When performance does not meet established expectations, the Council takes corrective action, which may include revising partnership agreements, enhancing communication, or reallocating resources. This proactive approach ensures that Essex County Council remains accountable to its partners and stakeholders while continuously striving to improve service delivery and achieve shared goals.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>Essex County Council has established comprehensive arrangements to ensure that the commissioning and procurement of services are conducted in accordance with relevant legislation, professional standards, and internal policies.</p> <p>The Council adheres to the principles outlined in its Procurement Strategy, which emphasizes transparency, fairness, and value for money in all procurement activities. This strategy is regularly reviewed and updated to align with best practices and legislative requirements, ensuring compliance with the Public Contracts Regulations and other applicable laws.</p> <p>To assess whether the expected benefits of commissioned services are being realized, the Council employs a robust evaluation framework that includes performance monitoring and feedback mechanisms. Key performance indicators (KPIs) are established for each contract, allowing the Council to track service delivery against agreed outcomes.</p> <p>Regular reviews and audits are conducted to evaluate the effectiveness of the services procured, and stakeholder feedback is actively sought to inform this assessment. If the evaluation indicates that the expected benefits are not being achieved, the Council takes corrective actions, which may include renegotiating contract terms, implementing performance improvement plans, or exploring alternative service providers. This systematic approach ensures that Essex County Council maximizes the value of its procurement activities while maintaining high standards of service delivery.</p>

Appendix B – Audit Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Completion Report (Council) and Audit Plan (Pension Fund) the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment
- ▶ The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Authority are set out in the fee analysis on this page.

Essex County Council Audit Fees

Description	Current Year
	£'s
Total Fee - (Scale fee)	399,316
Total audit fees	399,316

All fees exclude VAT

(1) PSAA Ltd is responsible for the determination of the final audit fee in respect of 2023/24. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee. It is for PSAA Ltd to determine the final audit fee payable and we are awaiting guidance and instruction from them about the 2023/24 audit year.

Appendix B – Audit Fees

Pension Fund Audit Fees

Description	Current Year
	£'s
Total Fee - (Scale fee)	98,510
Proposed scale fee variation - Note 1	48,463
Total audit fees	146,973

All fees exclude VAT

(1) For 2023/24 the planned fee represents the base scale fee, i.e. not including any extended or unanticipated testing. At the conclusion of the many we performed an assessment of the work performed that was not included in the scale fee. We are in the process of following the PSAA scale fee variation process accordingly and are reporting the areas in which we are seeking a fee variation. Details of the components of the additional fee include:

- Pre-issuance reviews performed on the Financial Statements as an initial audit of a Major Local Audit body.
- Initial audit procedures including review of predecessor auditor's files and procedures on opening balances.
- Engagement of our Pension's specialist team for IAS 19 liabilities and evaluated actuary's work to address the audit risk.
- We faced challenges obtaining information from the Fund Manager regarding Level 2 Investments, leading to extra time and resources.
- Auditing directly held properties involved assessing management specialists' valuation methods as well as detail testing assumptions and inputs as well as increased efforts due to a change in fund manager during the financial year.
- The pension fund has a large number of Level 3 assets that required significant effort due to complexity.
- Additional time was required for procedures related to ISA315, including gaining the understanding over the Pension Administration System and Financial Reporting module.
- An additional fee of £4,772 in respect of our role in providing IAS19 assurance reports to LPFA Admitted body Auditor's in respect of their work on 2023/24 financial statements under the NAO Code of Audit Practice. This element of audit fee can be re-charged by the Pension Fund to the Admitted bodies.

It is for PSAA Ltd to determine the final audit fee payable once they have considered our submission as part of their determination process.

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