



Contents

Section	Content	Page
One	Explanatory Foreword	2
Two	Financial Statements	12
	• Introduction	14
	Statement of responsibilities	16
	Financial Statements	18
	 Notes to the Financial Statements 	23
	Group Accounts	119
	Pension Fund Accounts	132
	Glossary of terms	179
Three	Annual Governance Statement	184
Four	Independent Auditor's Report	201

Explanatory Foreword

1. Introduction

Our overarching ambition is to deliver the best quality of life in Britain which we seek to achieve by providing high quality, targeted services that are value for money.

We recognise the need for new thinking and innovation to ensure we can use our resources in the best possible way for the people of Essex and believe that our most important roles are to establish the conditions for innovation and prosperity in our economy, and to lead innovation in the public services. In order to succeed, we remain focussed on our core purpose to:

- Increase educational achievement and enhance skills;
- Develop and maintain the infrastructure that enables our residents to travel and our businesses to grow;
- Support employment and entrepreneurship across our economy;
- Improve public health and wellbeing across Essex;
- Safeguard vulnerable people of all ages;
- Keep our communities safe and build community resilience; and
- Respect Essex's environment.

These priorities are articulated in our <u>Vision for Essex 2013-17: Where innovation brings</u> <u>prosperity</u> and guide our work.

To achieve our vision we need to work with partners in the public, private, community and voluntary sectors, and with individuals, families and communities. Our focus is on what works best, rather than on who delivers particular services. We also seek to ensure the decisions we take have a meaningful impact on improving lives across Essex. We developed our **Corporate Outcomes Framework** to support this way of working.

Our <u>Corporate Outcomes Framework</u> sets out the seven high level outcomes that we want to achieve to ensure prosperity and wellbeing for our residents, as listed below:

- Children in Essex get the best start in life;
- People in Essex enjoy good health and wellbeing;
- People have aspirations and achieve their ambitions through education, training and lifelong-learning;
- People in Essex live in safe communities and are protected from harm;
- Sustainable economic growth for Essex communities and businesses;
- People in Essex experience a high quality and sustainable environment; and
- People in Essex can live independently and exercise control over their lives.

We believe that securing these outcomes will make Essex a more prosperous county – one where people can flourish, live well and achieve their ambitions.

Our <u>Vision for Essex 2013-17: Where innovation brings prosperity</u> and <u>Corporate Outcomes</u> <u>Framework</u> provide a consistent set of aspirations and they were used to inform and guide our budget setting for both 2014/15 and 2015/16.

2. Revenue Expenditure

2.1 Background to the 2014/15 Budget

Our budget for 2014/15 was set against a backdrop of considerable financial challenge, due to Government's on-going austerity programme of national reductions in public sector spending, compounded by inflationary pressures and an increasing demand for services. These factors combined to produce a reduction in our budget for 2014/15 (i.e. a £40m spending reduction on 2013/14, a substantial proportion of which resulted from a cut in the Revenue Support Grant (RSG) funding provided by the Government). However, we had sufficient resources, enabling us to fund critical services for a wide range of customers (e.g. social care, education, roads, waste disposal, libraries and infrastructure).

In total, we planned to spend some £1,855.9m on delivering services, of which £960.5m was to be financed from income, specific and general government grants and by a withdrawal of £2.5m from the Council's General Fund Balance. Budgeted net expenditure therefore originally amounted to £892.9m. The net budget was financed from Revenue Support Grant (£202.1m), non-domestic rates (including non domestic rates 'top up' grant) (£156.7m) and local taxpayers (£534.1m).

We recognised that households throughout Essex face similar challenges to those faced by the Council – often with real term reductions in their income, combined with increasing costs. We are therefore proud that we were able to keep our council tax low in 2014/15 – freezing it at £1,086.75 (band D equivalent) for the fourth year in succession - whilst delivering £364m of savings since 2010/11. As we did not increase council tax again this year, we received government funding equivalent to a 1% increase in Council Tax.

2.2 **2014/15** outturn position

The Revenue Budget for 2014/15 was aligned to the portfolios of the Council's Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet. Cabinet Members monitored actual spending against their approved budgets throughout the year, and Cabinet reviewed the overall position on a quarterly basis.

At the end of the third quarter of 2014/15 (December 2014), an over spend of £3.6m was forecast, mainly as a consequence of volatility in demand for Adult Social Care services. This

forecast assumed that the Emergency Contingency would be fully committed, recognising the risk for unforeseen events in the latter part of the financial year (such as winter pressures and extreme weather events).

The end of year position is set out within the following table. This compares actual net expenditure with the final approved budget for the Cabinet Members' portfolios, and shows how net expenditure was financed.

	Budge	et	Actual	(Under) / Over	spend
	Original	Final	net	against final es	timate
		Estimate	expenditure		
	£000	£000	£000	£000	%
Adult Social Care, Public Health and Wellbeing	395,719	394,986	397,117	2,131	0.54%
Children and Families	122,757	123,702	124,574	872	0.70%
Education and Lifelong Learning	41,815	45,504	44,344	(1,160)	2.55%
Economic Growth, Infrastructure, Waste and Recycling	72,696	72,270	72,608	338	0.47%
Highways and Transportation	93,273	104,572	101,490	(3,082)	2.95%
Libraries, Communities and Planning	24,435	25,203	26,157	954	3.79%
Finance	15,319	15,390	13,951	(1,439)	9.35%
Leader	6,785	6,321	4,964	(1,357)	21.47%
Communities and Healthy Living	1,456	(5,611)	(5,787)	(176)	3.14%
Transformation and Corporate Services	18,559	140	82	(58)	41.43%
Recharged strategic support services	72,939	114,982	104,332	(10,650)	9.26%
Net expenditure by Portfolios	865,753	897,459	883,832	(13,627)	1.52%
Other operating costs					
Emergency Contingency	8,000	8,000	-	(8,000)	100.00%
Interest, capital financing and dividends	39,688	38,312	38,931	619	1.62%
Appropriations to earmarked revenue reserves	18,316	(11,971)	11,493	23,464	196.01%
Total net expenditure	931,757	931,800	934,256	2,456	0.26%
General government grant (excl. Revenue Support Grant)	(36,348)	(39,097)	(42,578)	(3,481)	8.90%
General Balance - contribution / (withdrawal)	(2,500)	712	1,737	1,025	143.96%
Net Total	892,909	893,415	893,415	-	-
Financed by					
Revenue Support Grant	(202,109)	(202,155)	(202,155)	-	-
National non-domestic rates (incl. NDR top up grant)	(156,741)	(156,666)	(156,666)	-	-
Council taxpayers	(534,059)	(534,594)	(534,594)	-	-
Total Financing	(892,909)	(893,415)	(893,415)	-	-

The outturn position on the Revenue Budget shows:

- A net under spend by services of £13.627m (whilst this position differs from the third quarter forecast, the Adult Social Care portfolio, and several others, did end the year in an over spend position but this was mitigated by under spends in other areas);
- £8.0m of the budget set aside as an emergency contingency which, due to a benign winter, was not needed to support services' expenditure in 2014/15;
- A small over spend of £619,000 on interest, capital financing and dividends;
- An additional appropriation of £23.464m into various earmarked reserves, including £12.677m into the Carry Forwards reserve and an additional £6.477m into the Transformation Reserve in preparation for the next phase of the Council's Transformation Programme. The amount appropriated into the Carry Forwards reserve represents unspent

budget in 2014/15 that will be used to support expenditure in 2015/16, some of which was planned and the re-profiling endorsed in advance of the year end;

- The receipt of additional general government grants of £3.481m; and
- An additional contribution to the General Balance of £1.025m.

The presentation of services' expenditure in the above table differs from that provided in the Comprehensive Income and Expenditure Statement, which is shown according to the mandatory service headings specified within the CIPFA Service Reporting Code of Practice 2014/15. Note 29 to the Statement of Accounts, which commences on page 92, reconciles the above presentation to the position shown in the Comprehensive Income and Expenditure Statement.

2.3 Revenue investment plans for 2015/16

We will continue to face considerable financial challenge in 2015/16, and beyond, due to national reductions in public sector spending, compounded by expected inflation and an increasing demand for services.

Total funding in 2015/16 is £5.2m lower than that for 2014/15. This reduction reflects a decrease in Revenue Support Grant of £41.3m (represents a 21% reduction in this source of funding), partly offset by increases in:

- Council tax and business rates income of £18.6m (largely due to a reduction in the cost of providing council tax support, a reduction in the value of discounts granted and an increase in the number of households paying council tax);
- General government grant income of £16.5m; and
- The amount withdrawn from the General Fund Balance, which is £1m higher than the amount withdrawn to support the budget in 2014/15.

The budget requirement for 2015/16 is estimated at £870.338m, and reflects savings and efficiencies identified as part of our transformation programme. The Council Tax for band D amounts to £1,086.75, which is the same as that for the previous four financial years.

There are two significant legislative changes which take effect in 2015/16, as follows:

Better Care Fund

The Better Care Fund (BCF) will operate as 'a pooled budget' for health and social care services to work closely, based on a plan agreed between the NHS and local authorities.

The BCF will be £102.7m in 2015/16, providing a common fund to be spent on pooled functions or agreed NHS or health-related council services. The Council will act as the host for the pooled funds, with responsibility for the accounts.

The main implications for the Council's budget are that funding of £30.9m received from various NHS bodies in 2014/15 as specific grants will now be paid into the 'pool' and that

Council expenditure on Domiciliary Reablement, Home Support Services for the over 85s, and Carers Direct Payments will be paid for from the pooled funds.

Care Act

The Care Act consolidates a number of social care laws into a single statute. The key changes arising from the Care Act in 2015/16 include the introduction of National Eligibility Criteria for care and support and a Universal Deferred Payment Agreement scheme, specific duties to provide greater levels of information, advice and guidance and new rights for carers.

Further changes take effect in 2016/17, including the introduction of a Care Cap which limits the amount an individual has to contribute towards their eligible care costs, and revised financial eligibility thresholds which determine how much an individual is required to contribute towards their care costs.

Further details of the Council's revenue investment plans are included in the 2015/16 Revenue Budget, which is available on the Council's website.

3. Capital Expenditure

3.1 Background to the 2014/15 Capital Programme

Capital expenditure forms a large part of our spending on the provision of services and, in line with our revenue budget setting process, our capital programme for 2014/15 was compiled to maximise and make the best use of the available funding to deliver projects that represented the key priorities of the Council.

Capital expenditure was originally estimated to amount to £211.425m in 2014/15 and included funding to provide for:

- New school places and enhancements to existing schools;
- The enhancement to, and maintenance of, the County's road network;
- Improvements to the County's broadband access and upgrades to the Council's corporate systems; and
- Waste transfer stations.

Our capital programme was compiled following an assessment of schemes against relevant criteria, including for priorities derived from our <u>Vision for Essex 2013-17: Where innovation brings prosperity</u> and <u>Corporate Outcomes Framework</u>.

We determined that we would finance £92.605m of planned capital expenditure from borrowing in 2014/15. The remainder of the capital programme was to be financed from grants and contributions (£83.411m), capital receipts (£20.758m) and from reserves (£14.651m).

3.2 2014/15 Outturn position

The final approved capital payments budget amounted to £204.340m. In comparison, actual expenditure amounted to £196.678m, giving rise to an under spend of £7.662m.

The end of year position is set out in the following table, which compares actual expenditure with the final approved budget for each Cabinet Member's portfolio, and shows how the expenditure has been financed.

	Original approved expenditure	Final approved expenditure	Actual Capital Payments	Variance from approved expenditure over / (under)
	£000	£000	£000	£000
Capital payments				
Adult Social Care	5,483	2,153	2,675	522
Children's and Families	25	399	231	(168)
Communities and Healthy Living	1,500	827	1,130	303
Customer Services, Planning and Environment	6,123	6,115	5,575	(540)
Economic Growth, Infrastructure, Waste & Recycling	31,664	19,874	18,260	(1,614)
Education and Lifelong Learning	50,940	52,195	48,906	(3,289)
Highways and Transportation	91,084	98,645	98,332	(313)
Leader	750	514	500	(14)
Transformation and Support Services	23,856	23,618	21,069	(2,549)
Total of capital payments financed	211,425	204,340	196,678	(7,662)
Financed by				
Borrowing	92,605	64,874	34,999	29,875
Government grants and contributions	83,411	99,891	109,173	(9,282)
Capital receipts	20,758	21,474	30,437	(8,963)
Earmarked reserves applied	14,651	18,101	22,069	(3,968)
Total financing	211,425	204,340	196,678	7,662

In relation to the under spend against the final approved budget, £5.825m of the capital payments budget will be re-profiled for use in 2015/16.

There was significant focus on implementation of the capital programme this year, with considerable success being seen across all portfolios - that is, actual expenditure was **70%** higher than in 2013/14. The most significant of the capital projects undertaken during 2014/15 were as follows:

Major schemes	Capital payments (£000)
Highways and Transportation schemes	
 Highways maintenance (Countywide) 	
• Roads	41,955
• Footways	6,742

Major schemes	Capital payments (£000)
Street Lighting	3,182
 Colchester Northern Approach road 	10,176
 Colchester 'Park and Ride' 	5,598
Education and Lifelong Learning schemes	
 Schools' expansions (to increase the availability of school places) 	26,194
 Education capital maintenance (Countywide) 	9,898
Other schemes	
 Waste transfer stations 	12,336
 Property transformation (Countywide) 	7,437
 Transforming Corporate Systems 	4,779
Hadleigh Farm and Country Park legacy	3,990
 Superfast Broadband (Countywide) 	3,349

During 2014/15, we disposed of some of our land and buildings – the proceeds from which were used to partly fund our capital investment programme. The most significant asset disposals during 2014/15 were as follows:

Sig	nificant disposals	Capital receipts (£000)
•	Land at Maltings Lane (Witham)	2,316
•	Maynetrees (Former Judges' Lodgings) (Chelmsford)	1,260
•	Land at Chapel Hill (Braintree)	1,210
•	Former Children's Centre (Ongar)	458
•	Resource Centre, Brook Street (Colchester)	398

In addition to disposal of the above sites, the Council removed various locally maintained schools from its Balance Sheet during the financial year, upon their conversion to academy status.

3.3 Capital investment plans for 2015/16

Overall, the capital programme for 2015/16 has been set at £272.048m. This programme allows for:

- The provision of additional school places (primary and secondary) and education facilities (such as special schools);
- Investment in local roads and county routes and associated infrastructure;
- The maintenance and safe operation of our buildings;
- Investment in infrastructure to support the delivery of economic growth; and
- Facilities to support vulnerable and older people to live at home and maintain their independence.

It is intended to finance the capital programme from a combination of borrowing (£110.065m) and from grants, contributions and reserves (£161.983m).

From 2015/16, funding for major transport schemes is being allocated through the Local Growth Fund (LGF) deal managed by the South East Local Enterprise Partnership (SELEP) which covers Essex, Southend, Thurrock, Kent, Medway and East Sussex. Strategic Economic Plans are developed based on programmes that stimulate the local economy and create jobs. Following notification of successful bids to government for LGF, the allocation to Essex will be subject to competitive priorities across the partnership and determined by SELEP. The outcome of Growth Deal Round one for Essex is reflected in the capital programme and proposals are being developed for SELEP submission to government to inform the allocation of the second round of Growth Deals.

Further details of the Council's capital investment plans are included in the 2015/16 Capital Programme, which is available on the Council's web site.

4. Borrowing

We undertook some short term borrowing during 2014/15, in accordance with our agreement to temporarily borrow the surplus cash balances of Essex Cares Ltd, and expect to undertake short term borrowing for this purpose in 2015/16 too.

It did not prove necessary to undertake any long term borrowing during the year, despite a marginal increase our Capital Financing Requirement (CFR) (as detailed on page 68). Instead, we were able to use the cash we were holding for other purposes to temporarily defer the need for external borrowing.

We do expect to undertake external borrowing in 2015/16 (our borrowing requirement is currently estimated at **£84m**) as a consequence of the significant level of capital investment we have planned. We will keep this position under review though and will only borrow externally if

it is cost effective and prudent to do so. Any external borrowing that is undertaken will be secured in compliance with the parameters and limits we have set for 2015/16.

5. Investments

Any cash balances we hold are invested, in accordance with guidance issued by the Government, until they are required to meet our outgoings. Usually, this means that funds are invested on a short term basis (up to a maximum period of 364 days), but some funds may be invested for periods beyond 364 days.

Our primary objectives when investing our funds are:

- Firstly, to safeguard the principal sums invested;
- Secondly, to ensure adequate liquidity; and
- Thirdly, to consider investment returns or yield.

During 2014/15, the cash balances we held were mainly invested on a short term basis (up to a maximum period of 364 days), until the funds were next required. Funds were invested with other local authorities, money market funds and bodies with high credit ratings. We also lent funds to Essex Cares Ltd and Library Services (Slough) Ltd, as part of our agreement to provide treasury management support to these entities (both of whom are wholly owned subsidiaries of the Council). Interest was charged on amounts lent to these entities in accordance with the terms of formal agreements with these parties.

It is intended to take a longer term perspective to investing the Council's core / underlying balances (up to a maximum of £100m) in 2015/16. Investments will be required to be made with counterparties that have satisfied eligibility criteria which have been designed to provide a sound approach to investing in normal market conditions.

6. Conclusion

Through careful planning and management, Essex County Council has been able to close its 2014/15 accounts showing a robust position, which will support the Council in meeting the financial challenges of 2015/16 and beyond.

Margaret Lee

Magner le

Executive Director for Corporate and Customer Services 21st September 2015

2014/15 Financial Statement

Section Two – Financial Statements

Contents	Page
Introduction	14
Statement of Responsibilities	16
Financial Statements	18
Notes to the Financial Statements	23
Group Accounts	119
Pension Fund Accounts	132
Glossary of terms	179

Section Two - Introduction

1. Financial Statements

The Council's 'single entity' financial statements for 2014/15 are set out on pages 18 to 22, and comprise:

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

The single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

Supplementary information is set out within the notes to the accounts (see pages 23 to 118) to provide further information on the financial performance of the Council during 2014/15.

2. Group Accounts

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

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

These statements, together with explanatory notes and accounting policies, are set out on page 119 to 131.

3. 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.

They comprise:

Fund Account

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

Section Two - Introduction

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.

Further information is provided in the notes to the Pension Fund accounts (see pages 132 to 178).

4. Accounting policies

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 of the accounting policies adopted, that are material in the context of the Council's 2014/15 financial statements, are described in the Statement of Accounting Policies. The Statement of Accounting Policies is set out in Note 2 to the Accounts, which commences on page 25.

The Council has implemented a change to its policy for accounting for schools this year (the new policy is explained in Accounting Policy note 2.17, on page 36), as a consequence of a change to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The impacts of this change in accounting policy are that the Council:

- Now recognises the land and buildings of its locally maintained Foundation and Foundation
 Trust Schools, other than those owned by religious bodies, in its financial statements
 (previously, these assets were not recognised in the Council's Balance Sheet); and
- No longer recognises the land and building assets of its locally maintained voluntary controlled schools that are owned by religious bodies (previously these were recognised in the Council's Balance Sheet).

The accounting treatment of the Property, Plant and Equipment of other categories of local maintained schools remains unchanged.

The change in accounting policy has necessitated the restatement of comparative amounts for the prior period. Details of the restatement are provided in Note 7 to the Accounts (commencing on page 47).

5. Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 179 to 183.

Section Two - Statement of Responsibilities

1. 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 for Corporate and Customer Services.
- 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 Committee.

2. Executive Director for Corporate and Customer Services' responsibilities

The Executive Director for Corporate and Customer Services 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 for Corporate and Customer Services 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 for Corporate and Customer Services has also:

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

3. Executive Director for Corporate and Customer Services' 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 2015 and its expenditure and income for the year then ended.

Margaret Lee

Magner le

Executive Director for Corporate and Customer Services 21st September 2015

Section Two - Statement of Responsibilities

4. Chairman of the Audit Committee's certificate

I confirm that this Statement of Accounts was considered and approved by the Audit Committee at its meeting on 21st September 2015.

Cllr Terry Cutmore

Chairman of the Audit Committee

21st September 2015

Section Two - Financial Statements

Introduction

The financial statements comprise:

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 'Surplus / Deficit on the provision of services' line, which is taken from the Comprehensive Income and Expenditure Statement, is different from the statutory amounts required to be charged to the General Fund Balance. 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 undertaken by the Council.

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.

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.

Movement in Reserves Statement

For the years ended 31 March 2014 and 31 March 2015

	Notes		U	Jsable Reserves			Total	Total
		Earmarked	General	Usable	Capital	Total	Unusable	Council
		General	Fund	Capital	Grants	Usable	Reserves	Reserves
		Reserves	Balance	Receipts Reserve	Unapplied Account	Reserves		
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		(269,890)	(85,551)	(3,048)	(33,309)	(391,798)	(872,629)	(1,264,427)
Movement in Reserves during 2013/14								
Deficit on Provision of Services	7	-	105,522	-	-	105,522	-	105,522
Other Comprehensive Income & Expenditure	7	-	-	-	-	-	(217,747)	(217,747)
Total Comprehensive Income and Expenditure		-	105,522	-	-	105,522	(217,747)	(112,225)
Adjustments between accounting basis								
& funding under regulations	8	-	(125,252)	(18,228)	17,740	(125,740)	125,740	-
Net (increase)/decrease before								
transfers to earmarked reserves		-	(19,730)	(18,228)	17,740	(20,218)	(92,007)	(112,225)
Transfers to Earmarked Reserves		(47,918)	47,918	-	-	-	-	-
(Increase) / decrease in 2013/14		(47,918)	28,188	(18,228)	17,740	(20,218)	(92,007)	(112,225)
Balance at 31 March 2014		(317,808)	(57,363)	(21,276)	(15,569)	(412,016)	(964,636)	(1,376,652)
Movement in Reserves during 2014/15								
Deficit on Provision of Services		<u>-</u>	207,565	_	_	207,565	_	207,565
Other Comprehensive Income & Expenditure		-	-	-	-	-	(11,537)	(11,537)
Total Comprehensive Income and Expenditure		-	207,565	-	-	207,565	(11,537)	196,028
Adjustments between accounting basis								
& funding under regulations	8	-	(202,943)	21,276	12,841	(168,826)	168,826	_
Net (increase)/decrease before								
transfers to earmarked reserves		-	4,622	21,276	12,841	38,739	157,289	196,028
Transfers from Earmarked Reserves	9	6,359	(6,359)	-	-	-	-	-
(Increase) / decrease in 2014/15		6,359	(1,737)	21,276	12,841	38,739	157,289	196,028
Balance at 31 March 2015		(311,449)	(59,100)	-	(2,728)	(373,277)	(807,347)	(1,180,624)

Note: The prior year comparative figures have been restated – see note 7 (page 47) for details.

For year ended 31st March 2015

	2013/14 (F	Restated)		Note			201	4/15	
Gross	Government	Other	Net			Gross	Government	Other	Net
expenditure	grants	income	Expenditure			expenditure	grants	income	expenditure
£000	£000	£000	£000			£000	£000	£000	£000
523,098	(25,285)	(73,872)	423,941		Adult Social Care Central Services	548,983	(35,946)	(75,779)	437,258
9,481	_	(4,373)	5,108		Central services to the public	8,966	_	(4,145)	4,821
(13,823)	(72)	6	(13,889)		Non distributed costs	(15,058)	(60)	55	(15,063)
34,334	(744)	(1,297)	32,293		Corporate and democratic core	29,836	(1,086)	(1,145)	27,605
1,015,314	(669,806)	(62,113)	283,395		Children's and Education Services	946,086	(654,568)	(56,350)	235,168
29,615	(3,825)	(4,572)	21,218		Cultural and Related Services	37,587	(317)	(3,739)	33,531
75,360	(2,994)	(2,669)	69,697		Environmental and Regulatory Services	87,300	(2,945)	(2,509)	81,846
135,521	(1,020)	(21,605)	112,896		Highways and Transport Services	157,756	(3,641)	(18,308)	135,807
1,847	(1,020)	(661)	1,186		Housing Services	1,880	(41)	(667)	1,172
13,761	(544)	(1,088)	12,129		Planning Services	15,757	(1,271)	(1,660)	12,826
47,283	(45,065)	(1,234)	984		Public Health Services	49,786	(57,670)	(4)	(7,888)
							,		• • •
1,871,791	(749,355)	(173,478)	948,958		Cost of services - continuing operations	1,868,879	(757,545)	(164,251)	947,083
100,661	-	-	100,661	10	Other Operating Expenditure	220,427	-	-	220,427
130,232	-	(67,775)	62,457	11	Financing and Investment Income and Expenditure	133,463	-	(72,467)	60,996
-	(438,517)	(568,037)	(1,006,554)	13	Taxation and Non-Specific Grant Income	-	(441,416)	(579,525)	(1,020,941)
2,102,684	(1,187,872)	(809,290)	105,522		Deficit on Provision of Services	2,222,769	(1,198,961)	(816,243)	207,565
			(86,943)	27.2	Surplus arising on revaluation of non-current assets				(146,455)
-			664	27.2	Impairment losses on non-current assets charged to Revaluation Reserve				1,080
			(262)	27.5	Surplus arising on revaluation of available for sale financial assets				(329)
			(131,206)	27.6	Re-measurements of the net defined benefits pension liability				134,167
			(217,747)		Other Comprehensive Income and Expenditure				(11,537)
			(112,225)		Total Comprehensive Income and Expenditure				196,028

Notes:

The prior year comparative figures have been restated – see note 7 (page 47) for details.

Section Two - Financial Statements

Balance Sheet as at 31 March 2015

1 April 2013	31 March 2014 Restated	Note		31 Marc	ch 2015
Restated £000	£000			£000	£000
2000	2000		Property, Plant and Equipment	2000	2000
			Operational assets		
1.763.179	1,712,330		Land and buildings	1,655,215	
61,043	73,211		Vehicles, plant and equipment	23,829	
667,957	772,530		Infrastructure	822,963	
3,006	2,635		Community assets	2,272	
			Non operational assets		
140,050	61,746		Assets under construction	92,621	
17,257	16,056		Surplus assets held pending disposal	33,400	
2,652,492	2,638,508	16	Total Property, Plant and Equipment	2,630,300	
14,340	14,067	16	Heritage assets	14,368	
5,371	6,577	16	Investment property	6,674	
1,239	666	16	Intangible assets	251	
4,638	7,432	20	Long term investments	4,772	
20,885	17,768	21	Long term debtors	16,807	
2,698,965	2,685,018		Long term assets		2,673,172
184,837	146,317	20	Short term investments	122,277	
8,318	4,431	16	Assets held for sale	9,188	
270	39		Inventory	34	
45	-		Current intangible assets	-	
107,677	117,008	21	Short term debtors	127,997	
71,654	155,580	22	Cash and cash equivalents	137,193	
372,801	423,375		Current Assets		396,689
(23,788)	(25,502)	20	Short-term borrowing	(25,920)	
(230,258)	(223,775)	23	Creditors	(226,296)	
(6,971)	(9,869)	25	Provisions (current)	(15,193)	
(15,957)	(24,187)	24	Revenue grant receipts in advance	(15,902)	
(44,337)	(46,930)	24	Capital grant receipts in advance	(52,285)	
(3,283)	(4,872)	18	Finance Lease obligations (short term)	(7,105)	
(324,594)	(335,135)		Current liabilities		(342,701)
(222)	(30)	23	Long term creditors	(34)	
(25,560)	(24,403)	25	Provisions (non-current)	(22,476)	
(342,261)	(335,081)	20	Long term borrowing	(338,751)	
			Other long term liabilities		
(132,670)	(160,033)	18	Finance lease obligations	(154,459)	
(16,294)	(15,558)		Deferred credits	(14,792)	
(965,738)	(861,501)	32	Net Pensions Liability	(1,016,024)	
(1,482,745)	(1,396,606)		Long term liabilities		(1,546,536)
1,264,427	1,376,652		Net Assets		1,180,624
			Usable reserves		
(269,890)	(317,808)	9	Earmarked reserves	(311,449)	
(85,551)	(57,363)		General Fund Balance	(59,100)	
(3,048)	(21,276)		Usable capital receipts reserve	-	
(33,309)	(15,569)		Capital grants unapplied	(2,728)	
(391,798)	(412,016)				(373,277)
		27	Unusable reserves		
(344,910)	(392,474)		Revaluation reserve	(492,334)	
(1,503,798)	(1,439,616)		Capital Adjustments Account	(1,330,124)	
3,261	3,221		Financial Instruments Adjustment Account	3,181	
	(262)		Available for Sale Financial Instruments Reserve	(591)	
965,738	861,501		Pension reserve	1,016,024	
(3,221)	(44.007)		Deferred capital receipts	[AF C74]	
(6,242)	(11,987)	+	Collection Fund Adjustment Account	(15,671)	
	14,981 (964,636)		Accumulating Compensated Absences Adjustment Account	12,168	(807,347)
			Total Reserves		
(1,264,427)	(1,376,652)		i otal neselves		(1,180,624)

Note: The prior year comparative figures have been restated – see note 7 (page 47) for details

These financial statements replace the unaudited financial statements I certificated on 29 June 2015

Mayorer lee

Executive Director for Corporate and Customer Services - 21st September 2015

Section Two - Financial Statements

Cash Flow Statement

For year ended 31 March 2015

2013/14 £000	Notes		2014/15 £000
(116,407)	28	Operating activities	(34,221)
(20,157)		Investing activities	51,125
52,638	\downarrow	Financing activities	1,483
(83,926)		Net (increase) / decrease in cash and cash equivalents	18,387
71,654		Cash and cash equivalents at 1st April	155,580
155,580		Cash and cash equivalents at 31st March	137,193

1. Introduction

This section contains notes which are intended to aid interpretation of the financial statements (as set out on pages 18 to 22) and provide further information on the financial performance of the Council during 2014/15. The notes set out within this section are as follows:

Note		Page
2.	Accounting policies	25
3.	Accounting standards that have been issued but have not yet been adopted	41
4.	Critical judgements in applying accounting policies	42
5.	Changes in accounting estimates	44
6.	Assumptions made about the future and other major sources of estimation uncertainty	44
7.	Prior period adjustments	47
8.	Adjustments between Accounting Basis and Funding under Regulations	50
9.	Earmarked revenue reserves	55
10.	Other operating expenditure	58
11.	Financing and investment income and expenditure	58
12.	Trading operations	59
13.	Taxation and non-specific grant income	61
14.	Grant income	62
15.	Dedicated Schools Grant	64
16.	Property, plant and equipment	65
17.	Capital expenditure and capital financing	68
18.	Leases	69
19.	Private Finance Initiative and similar contracts	70
20.	Financial instruments	74
21.	Debtors	82
22.	Cash and cash equivalents	82
23.	Creditors	83
24.	Grant receipts in advance	83

Note		Page
25.	Provisions	84
26.	Usable reserves	85
27.	Unusable reserves	86
	27.1 Introduction	86
	27.2 Revaluation Reserve	86
	27.3 Capital Adjustment Account	87
	27.4 Financial Instruments Adjustment Account	88
	27.5 Available for Sale Financial Instruments Reserve	88
	27.6 Pension Reserve	89
	27.7 Collection Fund Adjustment Account	89
	27.8 Accumulated Absences Account	90
28.	Cash Flows from operating, investing and financing activities	90
29.	Amounts reported for resource allocation decisions	92
30.	Termination benefits	97
31.	Pension Schemes accounted for as Defined Contribution Schemes	98
32.	Defined Benefit Pension Schemes	99
33.	Audit costs	107
34.	Members' allowances and expenses	108
35.	Pooled budgets	108
36.	Officers' remuneration	109
37.	Senior officers' remuneration	111
38.	Related parties	113
39.	Partnership arrangements	116
40.	Accounting for schools	117
41.	Events after the Balance Sheet Date	118

2. Accounting policies

2.1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year, and its financial position as at 31 March 2015. 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 2014/15 Statement of Accounts, are set out within the following paragraphs.

2.2 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the fair valuation of certain categories of non-current assets and financial instruments.

2.3 Accruals of income and expenditure

The Council accounts for income and expenditure in the year that the effects of the transactions are experienced, not simply when the cash payments are made or received.

2.4 Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where 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 charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

2.5 Earmarked revenue reserves

The Council sets aside specific amounts as reserves for future contingency or policy purposes. Reserves are established by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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 score against the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. An amount is then appropriated in the Movement in Reserves Statement, from the Reserve and into the General Fund Balance, so that there is no net charge against Council Tax for the expenditure.

2.6 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:

- It will comply with any conditions attached to them; and
- The grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

Once the conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement as follows:

Specific revenue grants and contributions

Grants are credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Specific capital grants and contributions

Grants / contributions are credited to Taxation and Non-specific Grant income in the Comprehensive Income and Expenditure Statement.

Non Ring-Fenced Grants

Grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement when due.

Where 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, by an appropriation in the Movement in Reserves Statement from the General Fund to an Earmarked Revenue Reserve (i.e. in accordance with Accounting Policy 2.5). This reserve will be drawn upon in subsequent years, to be matched with the related expenditure.

Capital grants and contributions are then reversed out of the General Fund Balance in the Movement in Reserves Statement and are either transferred to the:

- Capital Adjustment Account if the grant eligible expenditure has been incurred; or
- Capital Grants Unapplied Account.

When the capital expenditure to be financed from the grant or contribution is eventually incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure.

2.7 Council Tax and Non-Domestic Rates

Council Tax and Non-Domestic Rates income included in the Comprehensive Income and Expenditure Statement is the total of the:

- Council tax precept on the Collection Funds of each billing authority;
- Council's share of estimated non-domestic rates income collectable by each billing authority;
 and
- The Council's share of the actual surplus / deficit for council tax and non-domestic rates on the Collection Funds of each billing authority at the end of the current year, adjusted for the Council's share of the surplus / deficit on the Funds at the preceding year end that has not been distributed or recovered in the current year.

This differs from the amounts required by Regulation to be credited to the General Fund, which requires a reconciling adjustment in the Movement in Reserves Statement which is taken to the Collection Fund Adjustment Account.

In addition, the Council's Balance Sheet includes:

- An attributable share of debtors for Council Tax and Non-Domestic Rate arrears;
- An attributable share of creditors for overpaid Council Tax and Non-Domestic Rates;
- A debtor for the billing authorities, for cash collected from Council Tax and Non-Domestic Rate payers but not paid across, or a creditor for the cash paid in advance of receipt from council taxpayers;
- An attributable share of provisions for Non-Domestic Rating appeals; and
- A Collection Fund Adjustment Account, which records 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.

2.8 Employee benefits

2.8.1 Benefits payable during employment

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

Where employees have earned entitlement to holiday and other forms of leave but not taken it before the year end and are carrying it forward into the next financial year, an accrual is raised against services in the Surplus or Deficit on the Provision of Services. This accrual is then

reversed out through the Movement in Reserves Statement to the Accumulating Compensated Absences Adjustment Account.

2.8.2 Termination benefits

Termination benefits are charged on an accruals basis to the appropriate service (or to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where they relate to pensions enhancements) 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.

2.8.3 Post-employment (retirement) benefits

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

- The Teachers' Pension Scheme, administered by Capita 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 following service lines within the Comprehensive Income and Expenditure Statement:

- Children and Education Services Teachers' Pension Scheme; and
- Public Health Services NHS Pensions.

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 pensions liability are analysed into the following components:
 - Service Costs these comprise:
 - Current service cost the increase in liabilities as a result of service earned during the year is charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked);
 - Past service cost the increase in liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years, is debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs; and
 - Gains/losses on settlements the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees are credited or debited to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Net interest expense 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 taking into account any changes in the net pension liability during the period as a result of contribution and benefit payments. It is 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 these are recognised as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement and are charged to the Pensions Reserve. They comprise:
 - Return on plan assets interest, dividends and other income derived from the 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.
 - Actuarial gains and losses changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.
 - Contributions paid to the LGPS cash paid as employer's contributions to the Pension Fund; these are not accounted for as an expense within the Comprehensive Income and Expenditure Statement.
- 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.

2.8.4 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 as a result 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.

2.9 Value added tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

2.10 Overheads and support services

The costs of overheads and support services 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 2014/15 (SeRCOP). The full cost of overhead and support services are shared between services on agreed bases of allocation, with the exception of:

- Corporate and democratic core costs, which relate to the Council's status as a multifunctional, democratic organisation.
- Non-distributed costs, which represent the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on unused, but unrealised, assets.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

2.11 Property, plant and equipment

2.11.1 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, provided that 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.

The Council does not capitalise expenditure on furniture and fittings.

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

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	 Fair value (this being the amount that would be paid for the asset in its existing use); or Depreciated replacement cost, if there is no market based evidence of fair value due to the specialist nature of the asset.
Vehicles and equipment	 Depreciated historical cost (as a proxy for fair value).
Infrastructure	 Depreciated historical cost.
Community assets	 Depreciated historical cost.
Assets under construction	 Depreciated historical cost.
Surplus assets not in use but not held for resale	• Fair value based on existing use (i.e. 'existing use' means use prior to the assets being classified as surplus).

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

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.

2.11.3 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the 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 bases		
Land	Land is not depreciated.		
Buildings	Buildings are depreciated, on a straight line basis, over a period commensurate with the useful economic life (UEL) of each asset. 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: the building's structure, its roof, the plant and machinery and the external works. The UELs for each of these significant components is re-assessed every time the assets are re-valued over the Council's five year rolling re-valuation programme; the UELs for each of the significant		
	components will not exceed:		
	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 5 and 20 years.		

Asset category	Depreciation bases		
Roads and other infrastructure	Depreciation on additions to assets since 2008/09 is provided on a straight-line basis over the following useful economic lives:		
	Road signage	30 years	
	Roads and highway lighting	40 years	
	Structures (eg: bridges)	120 years	
	Off-highways drainage	100 years	
	Other infrastructure	15 and 20 years	
	Additions prior to 2008/09	30 – 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, with the exception of 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.

2.11.4 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 receipt from 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 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.

2.12 Heritage Assets

Heritage assets are those held by the Council principally for their contribution to knowledge or culture.

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

Asset category	Measurement and depreciation bases
Buildings held for	Held at depreciated historical cost.
historical interest	 Depreciated over 60 years on a straight line basis.
Archives	 The value of these items is derived from the estimated costs of conservation and repair. These assets are not subject to depreciation.
Fine Art	 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 paragraph 2.11.2 on page 31).

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 paragraph 2.11.4).

2.13 Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited / debited with gains / losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds.

2.14 Charges to revenue for non-current assets

All services (including support services and trading activities) are charged with the following amounts to record the cost of holding non-current assets during the year:

Depreciation attributable to the assets held or occupied;

- Revaluation 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 depreciation, revaluation and impairment losses or amortisations. However, 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 for the difference between the two.

2.15 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.

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.

2.16 Private Finance Initiative (PFI) and similar contracts

Private Finance Initiative (PFI) and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services rests with the PFI contractor.

Where the Council is deemed to control the services that are provided under these schemes, and where ownership of the property, plant and equipment passes to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its own Balance Sheet as part of Property, Plant and Equipment.

PFI assets are recognised as Property, Plant and Equipment assets provided that 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. The assets are measured at fair value, which is kept up to date in accordance with the Council's approach for each relevant class of asset. A PFI liability is also recognised 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	Explanation	Accounting treatment
Services received	Services that the operator must provide with the property, plant and equipment.	Charged to relevant service in the Comprehensive Income and Expenditure Statement
Deferred income	Benefits that the Council is deemed to receive through its control of the services to be provided through the use of the property, plant and equipment.	Credited to the relevant service in the Comprehensive Income and Expenditure Statement.
Finance cost	Interest charge on outstanding Balance Sheet liability.	Debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
Contingent rent	Increases in the amount to be paid for the property arising during the contract.	Debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
Payment towards liability	Obligation to pay the operator the value of the fair value of property, plant and equipment.	Applied to write down the Balance Sheet liability towards the PFI operator.
Lifecycle replacement	Comprise the replacement of components of an asset as they wear out.	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.

2.17 Schools

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. For this reason, schools' transactions (i.e. income, expenditure, assets, liabilities, reserves and cash flows) that would be recognised by a 'school as an entity' are consolidated into the Council's single entity accounts. A 'school as an entity' should be understood to mean the management of the school (i.e. the governing body, including the head teacher, and the resources controlled by the school management).

This means that, for all locally maintained schools, the Council recognises:

- Their income and expenditure in its Comprehensive Income and Expenditure Statement (within the Children's and Education Services line) in accordance with accounting policy 2.3 on Accruals of income and expenditure;
- Any unspent resources held by Schools within an earmarked revenue reserve, in line with the Council's reserves policy; and
- Their current assets and liabilities within its Balance Sheet, under the appropriate heading and in accordance with the Council's accounting policies specific to that asset / liability.

With regard to property, plant and equipment, the Council recognises the assets of locally maintained schools in its financial statements if, and only if:

- As a result of a past event, it is probable that the future economic benefits or service
 potential associated with the items will flow to the Council and/or to a 'school as an entity';
 and
- The costs of the item can be measured reliably.

Assets provided to a school without the right to continuing use, such that they can be taken back by the owners at any point, are not considered to be assets of a 'school as an entity' and hence are not recognised in the Council's financial statements.

In accordance with the above principles, the Council recognises the Property, Plant and Equipment of the following categories of locally maintained schools in its financial statements:

- Community and community special schools; and
- Foundation and Foundation trust schools (other than those owned by religious bodies);

The Property, Plant and Equipment of voluntary aided, voluntary controlled and those foundation schools where the non-current assets are owned by religious bodies are not recognised in the Council's financial statements. This is because the respective Diocese (Chelmsford and Brentwood) retain their substantive rights to take back the school properties without causal action by the schools. In the majority of cases, the Council has ownership of the playing fields for these categories of school, and therefore only recognises these non-current assets in respect of these categories of school within its Financial Statements.

Because academy and free schools are independently managed, none of these schools' income, expenditure, assets, liabilities or reserves is included within the Council's Statement of Accounts.

Further details on Central Government funding received by schools, via the Council, is provided in note 15 on Dedicated Schools Grant, on page 64.

2.18 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.

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 the lease's 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 benefitting 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.

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 gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/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
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

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 to the Other Operating Expenditure line in 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 payments.

2.19 Interests in companies and other entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a number of companies. However, on the grounds of materiality, the Council has concluded that the requirement to produce Group Accounts applies only in relation to its interest in Essex Cares Ltd. In the Council's single entity accounts, the interest in Essex Cares Ltd is recorded at a financial asset at cost.

2.20 Jointly controlled operations and jointly controlled assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls, and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs, and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint arrangement does not involve the establishment of a separate entity. The Council accounts only for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangements and income that it earns from the arrangement.

2.21 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 from other cash and cash equivalent balances held at the year end.

2.22 Financial instruments

2.22.1 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. For most of the borrowing undertaken by the Council, 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.

2.22.2 Financial Assets - Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when it becomes a party to the contractual provisions of the financial instrument and it initially measures them at fair value. They are subsequently measured 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. For most of the loans that the Council has made, 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.

2.23 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively (i.e. in the

current and future years affected by the change and do not give rise to a prior period adjustment).

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

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

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

2.24 Events after the Balance Sheet date

Where events after the reporting period end date provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.

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

3. Accounting standards that have been issued but have not yet been adopted

A number of new or amended accounting standards have recently been issued but are not required to be adopted within the 2014/15 Statement of Accounts. Of these, only one is expected to have any practical implications for the Council, as detailed below.

With effect from 2015/16, the Council will be required to measure and disclose the value of those of its Property, Plant and Equipment assets that are categorised as 'surplus' in accordance with IFRS 13 *Fair Value Measurement*. Surplus assets are those which are non-operational but do not meet the definition of assets held for sale or for investment purposes.

Surplus assets are currently valued based on their existing use value, applying the same assumptions relating to the level of usage etc. as those of the most recent valuations as an operational asset (i.e. in accordance with Accounting Policy Note 2.11.2).

A 'fair value' measurement will provide a better indication of the financial capacity and the opportunity cost of holding these assets as it will provide the 'exit value' for these assets at their highest and best use.

The Council will be required to apply **IFRS 13** *Fair Value Measurement* prospectively with effect from 2015/16, but has estimated that the new measurement basis would have reduced the carrying value of its surplus assets held as at 31st March 2015 from £33.4m to £29.363m, had 'fair value' measurement been applied in 2014/15.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out within Note 2, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the 2014/15 Statement of Accounts are as follows:

Future funding for local government

Whilst there is a high degree of uncertainty about future levels of funding for local government, there is no evidence to indicate that the assets of the Council might be impaired due to the need to reduce service provision.

The Council has embarked on a major transformation programme to mitigate the impact of reducing levels of government funding which has already enabled the Council to make significant savings, and it maintains reserves and balances to help ensure its financial resilience too.

Property, Plant and Equipment

Property, Plant and Equipment assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but, as a minimum, 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 fair value. At 31 March 2015, there was evidence to suggest that the carrying amount of schools' land and buildings were materially different from their fair value. The carrying amount of school land was therefore uplifted by applying an indexation increase of 4% and school buildings were uplifted by 0.81%. The impact of applying these indexation increases was to increase the carrying value of schools' land and buildings by £28.470m.

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 2015, land and buildings for **61** voluntary controlled, **60** voluntary aided and **5** foundation schools 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 new 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 71 for further details). The Council has therefore determined that the asset under construction and the associated PFI liability should not be recognised within its financial statements for 2014/15.

Leases

The Council has acquired the use of Property, Plant and Equipment by entering into leases, and into arrangements that have the substance of a lease. The Council has examined its leases, 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 and legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases, experience in previous years or in other local authorities.

Collaborative arrangements

Whilst the Council is involved in a number of 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 virtually all 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 to provide a full picture of the Council's economic activities and financial position.

5. Changes in accounting estimates

The Council values some of its land and buildings on a 'depreciated replacement cost' basis (see Accounting Policy Note 2.11.2 on page 31), most notably its schools' land and buildings.

Depreciated replacement cost (DRC) provides a measure of 'the current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation'. This means that it involves imagining what the current asset would need to be substituted with in order to deliver the same level and quality of service currently being delivered (i.e. assuming that the current asset needed to be replaced). This is often referred to as the 'service potential' of the Modern Equivalent Asset.

Prior to 2014/15, DRC valuations of schools were undertaken assuming a 'modern equivalent asset' of the same size as the subject school, irrespective of whether the school was operating at its published net capacity or not. That is, no adjustment was made for the 'service potential' of the subject school.

With effect from 2014/15, 'service potential' has been reflected as an adjustment to the standard DRC valuation of all schools recognised in the Council's financial statements (i.e. in accordance with accounting policy 2.17) where the number of pupils on their school roll is less than the published net capacity of the school. The effect of this change has been to reduce the carrying value of Property, Plant and Equipment by £44.246m in 2014/15. Moving forwards, the DRC valuation of all schools' land and buildings will be re-assessed taking service potential into account.

6. 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 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 Balance Sheet at 31 March 2015 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Property, plant and equipment

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Assets are depreciated over	If the useful economic life (UEL)	The Useful Economic Lives (UELs)
useful lives that are	of assets is reduced, depreciation	of buildings are reassessed at
dependent on assumptions	will increase and the carrying	each formal re-valuation (i.e.
about the level of repairs and		once every five years, as a

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
maintenance that will be incurred for each asset. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	value of assets will decrease. Had the Council assumed a UEL of one year less in 2014/15 for those assets with a longer UEL (i.e. of 20 years or more), depreciation charges would have been £2.258m higher. Details of the carrying values and depreciation are detailed in Note 16 (which commences on page 65).	minimum). As a result, the potential for the UELs of our buildings to get out of kilter is limited.

Provisions

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
The estimate of the provision made for insurance claims depends on a number of complex actuarial assumptions and judgements which are used to forecast losses under claims. These include: The loss development factors to predict ultimate losses;	At 31 March 2015, the insurance provision amounted to £21.125m. Further details are provided in Note 25 which commences on page 84.	A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Hence, although a number of subjective or complex judgements are made in order to estimate this provision, the potential for future material adjustments is considered remote.
 The dates of historical claims data provided; The basis on which historical years have been re-valued for inflation; and 		Historical experience shows that this provision has moved by less than £5m per annum in recent years.
 That the profile of the body of claims is consistent. In addition, it is not certain that all valid claims have been received by the Council. 		

Pensions liability

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Estimation of the net pension liability to pay pensions depends on a number of complex actuarial assumptions / judgements relating to: the discount rate used; salary increases; changes in retirement ages; mortality rates; and expected return on assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The net pension liability in the accounts amounts to £1.016bn at 31st March 2015. 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 104.	The analysis in note 32.4 (which commences on page 104) suggests that individual changes to the assumptions could change the pension obligations in the scheme by between £63.502m and £67.984m (i.e. depending on which assumption changes, and assuming that only that assumption changes). For 2014/15, the pensions liability increased by £154.523m as a consequence of changes in demographic, financial and other assumptions. Adjustments are likely to arise in relation to the Pensions Liability due to the difficult, subjective and complex nature of the judgements made to estimate the liability.

Non domestic rates – provision for appeals

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Non Domestic Rates (NDR) income has been reduced by a £5.4m allowance for appeals against valuation decisions.	Every 10% increase in the value of appeals that is provided for would reduce the Council's share of NDR income by a further £540,000.	The Council's provision is based on a 10% share of the total income lost on successful appeals.
This allowance has been calculated by billing authorities, using information from the Valuation Office on outstanding appeals and		
experience of successful appeal rates.		

Debtors

Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
At 31 st March 2015, the Council had a balance of sundry debtors of £68.383m and made an allowance for doubtful debts of £9.193m.	Every 1% deterioration in collection rates would require an additional allowance for doubtful debts to be made of £686,000.	A review of significant balances suggests that the allowance for doubtful debts is appropriate. However, in the current economic climate, it is not certain that such an allowance will be sufficient.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

7. Prior period adjustments

The Council has made some prior period adjustments to comparative figures as a result of a change in accounting policy. The change in accounting policy and the impacts of this change are explained in the following paragraphs.

7.1 Explanation of prior period adjustments

In accordance with the CIPFA Code of Practice on Local Authority Accounting 2014/15, the Council has amended its policy for accounting for schools (see accounting policy note 2.17, on page 36), such that it now only recognises the property, plant and equipment assets of its local maintained schools in its financial statements if:

- As a result of a past event, it is probable that the future economic benefits or service potential associated with the items will flow to the Council and/or to a 'school as an entity'; and
- The costs of the item can be measured reliably.

Assets provided to a school 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.

The impacts of this change are that the Council:

- Now recognises the Property, Plant and Equipment assets of its locally maintained Foundation and Foundation Trust Schools (other than those owned by religious bodies) in its financial statements (previously, these were not recognised in the Council's Balance Sheet); and
- No longer recognises those Property, Plant and Equipment assets of its locally maintained voluntary controlled schools which are owned by religious bodies (*previously these were recognised in the Council's Balance Sheet*).

The accounting treatment of the Property, Plant and Equipment of other categories of local maintained schools remains unchanged such that:

- Community and community special school Property, Plant and Equipment assets, and the school playing fields of voluntary schools owned by the Council, continue to be recognised in the Council's financial statements; and
- Voluntary aided schools' Property, Plant and Equipment assets owned by religious bodies remain off the Council's Balance Sheet.

Comparative amounts for the prior period have been restated to apply the change in accounting policy for the Property, Plant and Equipment of locally maintained schools retrospectively. The impact of these changes on the 2013/14 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and on the Balance Sheet as at 1 April 2013 and 31 March 2014, are shown below. These changes have no impact on the Cash Flow Statement for 2013/14.

7.2 Restatement of the 2013/14 Comprehensive Income and Expenditure Statement

	2013/14	Prior period a		2013/14
	Statement	Voluntary	Foundation	Restated
	of Accounts	Controlled	Schools	
		Schools		
	£000	£000	£000	£000
Adult Social Care	423,941	-	-	423,941
Children's and Education Services	291,308	(4,216)	(3,697)	283,395
Cultural and Related Services	21,218	-	-	21,218
Environmental and Regulatory Services	69,697	-	-	69,697
Highways and Transport Services	112,896	-	-	112,896
Housing Services	1,186	-	-	1,186
Public Health	984	-	-	984
Planning Services	12,129	-	-	12,129
Central Services				
Central services to the public	5,108	-	-	5,108
Non distributed costs	(13,889)	-	-	(13,889)
Corporate and democratic core	32,293	-	-	32,293
Exceptional Items	-	-	-	-
Cost of services	956,871	(4,216)	(3,697)	948,958
Other Operating Expenditure	124,912	(24,251)	-	100,661
Financing and Investment Income and Expenditure	62,457	-	-	62,457
Taxation and Non-Specific Grant Income	(1,026,960)	20,406	-	(1,006,554)
Deficit on Provision of Services	117,280	(8,061)	(3,697)	105,522
Surplus arising on revaluation of non-current assets	(84,578)	2,451	(4,816)	(86,943)
Impairment losses on non-current assets charged to Revaluation Reserve	664	-	, , -,	664
Surplus arising on revaluation of available for sale financial assets	(262)	-		(262)
Re-measurements of the net pension liability	(131,206)	-		(131,206)
Other Comprehensive Income and Expenditure	(215,382)	2,451	(4,816)	(217,747)
Total Comprehensive Income and Expenditure	(98,102)	(5,610)	(8,513)	(112,225)

7.3 Restatement of the 2013/14 Movement in Reserves Statement

	2013/14 Statement of Accounts	Prior period a Voluntary controlled Schools	Foundation schools	2013/14 Restated
Balance at 31 March 2013	£000 (1,118,280)	£000 176,996	£000 (323,143)	£000 (1,264,427)
Movement in Reserves during 2013/14	(1,110,200)	170,330	(323,143)	(1,204,427)
Surplus on Provision of Services Other Comprehensive Income and Expenditure	117,280 (215,382)	(8,061) 2,451	(3,697) (4,816)	105,522 (217,747)
Total Comprehensive Income and Expenditure	(98,102)	(5,610)	(8,513)	(112,225)
Adjustments between accounting basis and funding under regulations	-			-
Net increase / decrease before transfers to earmarked reserves	(98,102)	(5,610)	(8,513)	(112,225)
Transfers to Earmarked Reserves	-	-	-	-
Increase in 2013/14	(98,102)	(5,610)	(8,513)	(112,225)
Balance at 31 March 2014	(1,216,382)	171,386	(331,656)	(1,376,652)

7.4 Restatement of the Balance Sheet as at 1 April 2013

	1 April 2013	Prior period a	djustments	1 April 2013
	Per 2013/14	Voluntary	Foundation	Restated
	Statement	Controlled	schools	
	of Accounts	schools		
Property, Plant and Equipment	£000	£000	£000	£000
Operational assets				
Land and buildings	1,608,850	(168,814)	323,143	1,763,179
Vehicles, plant and equipment	68,140	(7,097)	-	61,043
Infrastructure	667,957	-	-	667,957
Community assets	3,006	-	-	3,006
Non operational assets				
Assets under construction	141,135	(1,085)	-	140,050
Surplus assets held pending disposal	17,257	-	-	17,257
Total Property, Plant and Equipment	2,506,345	(176,996)	323,143	2,652,492
Other long term assets	46,473	-	-	46,473
Current Assets	372,801	-	-	372,801
Current liabilities	(324,594)	-	-	(324,594)
Long term liabilities	(1,482,745)	-	-	(1,482,745)
Net Assets	1,118,280	(176,996)	323,143	1,264,427
Usable reserves	(391,798)	-	-	(391,798)
Unusable reserves				
Revaluation reserve	(370,904)	25,994	-	(344,910)
Capital Adjustments Account	(1,331,657)	151,002	(323,143)	(1,503,798)
Other unusable reserves	976,079	-	-	976,079
Total Equity	(1,118,280)	176,996	(323,143)	(1,264,427)

7.5 Restatement of the Balance Sheet as at 31 March 2014

	31 March 2014	Prior period a	31 March 2014	
	Per 2013/14	Voluntary	Foundation	Restated
	Statement	Controlled	schools	
	of Accounts	schools		
Property, Plant and Equipment	£000	£000	£000	£000
Operational assets				
Land and buildings	1,540,924	(159,622)	331,028	1,712,330
Vehicles, plant and equipment	84,556	(11,345)	-	73,211
Infrastructure	772,530	-	-	772,530
Community assets	2,635	-	-	2,635
Non operational assets				
Assets under construction	61,537	(419)	628	61,746
Surplus assets held pending disposal	16,056	-	-	16,056
Total Property, Plant and Equipment	2,478,238	(171,386)	331,656	2,638,508
Other long term assets	46,510	-	-	46,510
Current Assets	423,375	-	-	423,375
Current liabilities	(335,135)	-	-	(335,135)
Long term liabilities	(1,396,606)	-	-	(1,396,606)
Net Assets	1,216,382	(171,386)	331,656	1,376,652
Usable reserves	(412,016)	-	-	(412,016)
Unusable reserves				
Revaluation reserve	(415,094)	27,436	(4,816)	(392,474)
Capital Adjustments Account	(1,256,726)	143,950	(326,840)	(1,439,616)
Other unusable reserves	867,454	-	-	867,454
Total Equity	(1,216,382)	171,386	(331,656)	(1,376,652)

8. 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.

Some of the prior year comparative balances have been restated as a result of the amendment to the Council's policy on accounting for schools. The new accounting policy is described in Note 2.17 (see page 36) and the impacts of this change on comparative amounts for the prior period are explained in Note 7 (which commences on page 47).

Adjustments between accounting basis and funding under Regulations – 2013/14 (part one)

2013/14	Notes			Usable Reserve	.s		Total
		Earmarked	General	Usable	Capital	Total	Unusable
		General	Fund	Capital	Grants	Usable	Reserves
		Reserves	Balance	Receipts	Unapplied	Reserves	
				Reserve	Account		
		£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment							
Account (CAA)	27.3						
Reversal of items debited or credited to the							
Comprehensive Income and Expenditure Statement							
Depreciation and impairment of non current assets		-	(123,097)	-	-	(123,097)	123,097
Revaluation losses on property, plant and equipment		-	-	-	-	-	-
Movement in market value of investment properties		-	998	-	-	998	(998)
Amortisation of intangible assets		-	(573)	-	-	(573)	573
Capital grants and contributions applied		-	62,147	-	-	62,147	(62,147)
Donated assets		-	-	-	-	-	-
Exchange of assets (recognition of new assets)		-	-	-	-	-	-
Revenue expenditure funded from capital under statute		-	(18,333)	-	-	(18,333)	18,333
Value of assets disposed of during the year		-	(111,937)	-	-	(111,937)	111,937
Insertion of items not debited or credited to the Comprehensive							
Income and expenditure Statement							
Statutory provision for the financing of capital investment		-	34,051	-	-	34,051	(34,051)
Capital expenditure charged against the General Fund		-	21,789	-	-	21,789	(21,789)
Adjustments involving the Capital Adjustment Account		-	(134,955)	-	-	(134,955)	134,955
Adjustments involving the Capital Grants Unapplied Account							
Grants applied to financing (transferred to the CAA)		_	_	_	32,058	32,058	(32,058)
Grants and contributions unapplied		_	14,318	-	(14,318)	-	(32,000)
						22.050	(22.050)
Adjustments involving the Capital Grants Unapplied A/C		-	14,318	-	17,740	32,058	(32,058)
Adjustments involving the Capital Receipts Reserve							
Sale proceeds (part of gain/loss on disposal)		-	15,007	(15,007)	-	-	-
Transfer from Deferred Capital Receipts Reserve		-	-	(3,221)	-	(3,221)	3,221
Use of reserve to finance new capital expenditure		-	-	-	-		-
Adjustments involving the Capital Receipts Reserve		-	15,007	(18,228)	-	(3,221)	3,221

Adjustments between accounting basis and funding under Regulations – 2013/14 (part two)

2013/14	Notes			Jsable Reserve	c		Total
2013/14	Notes	Earmarked General Reserves	General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves
		£000	£000	£000	£000	£000	£000
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			40				(40)
chargeable in accordance with statutory requirements		-	40	-	-	40	(40)
Adjustments involving the FIAA		-	40	-	-	40	(40)
Adjustments involving the Pensions Reserve	27.6						
Reversal of items debited/credited to the CIES		-	(85,879)	-	-	(85,879)	85,879
Employers' pension contributions payable in the year		-	58,910	-	-	58,910	(58,910)
Adjustments involving the Pensions Reserve		-	(26,969)	-	-	(26,969)	26,969
Adjustments involving the Collection Fund Adjustment Account	27.7						
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		-	5,745	-	-	5,745	(5,745)
Adjustments involving the Collection Fund Adj Account		-	5,745	-	-	5,745	(5,745)
Adjustments involving the Accumulated Absences Account	27.8						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with							
statutory requirements			1,562	-	-	1,562	(1,562)
Adjustments involving the Accumulated Absences Account		-	1,562	-	-	1,562	(1,562)
Total adjustments		-	(125,252)	(18,228)	17,740	(125,740)	125,740

Adjustments between accounting basis and funding under Regulations – 2014/15 (part one)

2014/15	Notes		L	Jsable Reserve	s		Total
		Earmarked General Reserves	General Fund Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves
		£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (CAA)	27.3						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation and impairment of non current assets Revaluation losses on property, plant and equipment		-	(96,713)	-	-	(96,713)	96,713
Movement in market value of investment properties Amortisation of intangible assets		-	1,273 (401)	-	-	1,273 (401)	(1,273) 401
Capital grants and contributions applied Donated assets		-	96,150	-	-	96,150	(96,150)
Exchange of assets (recognition of new assets) Revenue expenditure funded from capital under statute		-	- (27,975)	-	-	(27,975)	- 27,975
Value of assets disposed of during the year		-	(226,029)	-	-	(226,029)	226,029
Insertion of items not debited or credited to the Comprehensive Income and expenditure Statement							
Statutory provision for the financing of capital investment		-	33,159	-	-	33,159	(33,159)
Capital expenditure charged against the General Fund Adjustments involving the Capital Adjustment Account		-	22,069 (198,467)	-	-	(198,467)	198,467
Adjustments involving the Capital Grants Unapplied Account							
Grants applied to financing (transferred to the CAA)		-	-	-	13,023	13,023	(13,023)
Grants and contributions unapplied		-	182	-	(182)	-	- (40,000)
Adjustments involving the Capital Grants Unapplied A/C		-	182	-	12,841	13,023	(13,023)
Adjustments involving the Capital Receipts Reserve							
Sale proceeds (part of gain/loss on disposal)		-	9,161	(9,161)	-	-	-
Transfer from Deferred Capital Receipts Reserve Use of reserve to finance new capital expenditure		-	-	30,437	-	30,437	(30,437)
Adjustments involving the Capital Receipts Reserve		-	9,161	21,276	-	30,437	(30,437)

Adjustments between accounting basis and funding under Regulations – 2014/15 (part two)

2014/15	Notes			lachia Dasamia			Total
2014/15	Notes	Earmarked General Reserves	General Fund Balance	Usable Reserve Usable Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves
		£000	£000	£000	£000	£000	£000
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			40			40	(40)
Adjustments involving the FIAA			40			40	(40)
Adjustments involving the Pensions Reserve	27.6					40	(40)
Reversal of items debited/credited to the CIES Employers' pension contributions payable in the year		- -	(76,728) 56,372	-	-	(76,728) 56,372	76,728 (56,372)
Adjustments involving the Pensions Reserve		-	(20,356)	_	_	(20,356)	20,356
Adjustments involving the Collection Fund Adjustment Account	27.7						
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		-	3,684	-	-	3,684	(3,684)
Adjustments involving the Collection Fund Adj Account		-	3,684	-	-	3,684	(3,684)
Adjustments involving the Accumulated Compensated Absences Adjustment Account	27.8						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs							
from remuneration chargeable in accordance with statutory requirements		-	2,813	-	-	2,813	(2,813)
Adjustments involving the Accumulated Absences Account		-	2,813	-	-	2,813	(2,813)
Total adjustments		-	(202,943)	21,276	12,841	(168,826)	168,826

9. Earmarked revenue reserves

The Council maintains a number of earmarked revenue reserves, which are amounts that have been set aside for specific policy purposes. Details of the most significant reserves are as follows:

Reserves	Purpose and usage	Timescale for usage
Carry Forwards	Used to carry under spends in the current financial year forward to support expenditure plans in the forthcoming financial year.	It is anticipated that this reserve will be fully utilised in 2015/16.
Grant equalisation reserve	Equalise the timing differences between the recognition of grant income in the Comprehensive Income and Expenditure Statement (in accordance with Accounting Policy 2.6) and incurring the grant eligible expenditure.	There are no time constraints placed upon the usage of this reserve.
PFI equalisation reserves	Equalise the timing differences between expenditure and government grant over the life of the PFI contracts.	To be utilised over the life of the PFI contracts.
Waste reserve	To smooth the effects of future increases in the costs of waste disposal.	It is anticipated that this reserve will be utilised by 2040/41.
Future capital funding	Comprises revenue contributions to be used to supplement the resources available to finance future capital expenditure.	No time constraints have been placed upon the usage of this reserve.
Partnerships	To retain unspent contributions from partners and apply them in subsequent years.	Usage of these reserves is determined by the individual partnerships.
Schools	Schools are permitted to retain unspent resources (whether planned or unplanned), which are held in the Schools Reserves. The statutory authority to commit such resources rests with school governors.	No time constraints have been placed upon the usage of this reserve.
Trading activities	Surpluses generated by trading activities, to be applied by these activities in subsequent years.	No time constraints have been placed upon the usage of this reserve.
Capital receipts pump priming	Used to meet costs associated with bringing properties into readiness for disposal.	There are no time constraints placed upon the usage of this reserve.

Reserves	Purpose and usage	Timescale for usage
Carbon reduction	Used to finance measures aimed at reducing the Council's carbon footprint.	No time constraints have been placed upon the usage of this reserve.
Collection Fund investment risk	Established to mitigate the risks of falling collection rates for council tax and non-domestic rates.	No time constraints have been placed upon the usage of this reserve.
Consultation	This reserve is to provide one-off flexibility in the light of a number of public consultations in progress or planned.	No time constraints have been placed upon the usage of this reserve.
Flood and Waste Management	To recognise the possibility of extreme weather events and the need for investment in flood and water alleviation schemes.	No time constraints have been placed upon the usage of this reserve.
Insurance	Provides for future potential and contingent liabilities for insurance claims.	There are no time constraints placed upon the usage of this reserve.
Redundancy	Used to meet the cost of redundancies arising from transformation of services.	There are no time constraints placed upon the usage of this reserve.
Transformation	Used to meet costs associated with project management and change management aspects of the Council's ambitious programme of transformation.	There are no time constraints placed upon the usage of this reserve.

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

	Balance	20	14/15 movement	ts	Balance
	31 March	Contributions	Withdrawals	Net	31 March
	2014			Movement	2015
				(to) / from	
				reserves	
	£000	£000	£000	£000	£000
Carry forwards reserve	(15,250)	(12,677)	15,250	2,573	(12,677)
Equalisation reserves					
Grants equalisation	(13,817)	(10,996)	6,226	(4,770)	(18,587)
PFI equalisation reserves	(66,503)	(1,731)	1,700	(31)	(66,534)
Waste Reserve	(60,984)	(17,335)	20,708	3,373	(57,611)
	(141,304)	(30,062)	28,634	(1,428)	(142,732)
Future capital funding	(25,519)	(17,726)	22,069	4,343	(21,176)
Partnerships reserve	(2,657)	(281)	926	645	(2,012)
Schools	(51,690)	(13,414)	11,283	(2,131)	(53,821)
Trading activities	(5,006)	(649)	504	(145)	(5,151)
Other reserves					
Capital receipts pump priming	(1,821)	(1,000)	600	(400)	(2,221)
Carbon reduction	(2,961)	(529)	415	(114)	(3,075)
Collection Fund investment risk	(4,265)	(5,800)	293	(5,507)	(9,772)
Consultation	(5,896)	-	222	222	(5,674)
Flood and Waste Management	-	(3,000)	-	(3,000)	(3,000)
Insurance	(9,732)	-	985	985	(8,747)
Pension Deficit	(5,000)	-	1,012	1,012	(3,988)
Redundancy	(9,344)	-	3,294	3,294	(6,050)
Transformation	(30,994)	(20,725)	22,979	2,254	(28,740)
Other reserves	(6,369)	(966)	4,722	3,756	(2,613)
	(76,382)	(32,020)	34,522	2,502	(73,880)
Total	(317,808)	(106,829)	113,188	6,359	(311,449)

10. Other operating expenditure

Other operating expenditure comprises of the following:

2013/14 Restated		2014/15
£000		£000
3,289	Precepts and levies	3,301
97,372	Losses on disposal of non-current assets	217,126
100,661	Total Other Operating Expenditure	220,427

Note:

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

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.

11. Financing and investment income and expenditure

Financing and investment income and expenditure comprises of the following:

2013/14 £000		2014/15 £000
	Net interest on the net defined benefit liability	
100,986	Interest cost	102,413
(60,823)	Interest on assets	(65,607)
40,163		36,806
30,244	Interest payable and similar charges	32,323
(3,079)	Interest receivable and similar income	(2,854)
	Income and expenditure in relation to investment	
(1,053)	properties and changes in their value	(1,365)
(3,818)	Net surplus on trading activities	(3,914)
62,457	Financing and Investment income & expenditure	60,996

12. Trading operations

The Council has a number of 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:

Tra	ading activity	Purpose
•	School improvement and advisory service	Delivers advisory and inspection, governor, music and library services to schools.
•	School support (finance)	Delivers financial management support to schools.
•	School staffing insurance scheme	A self-insurance scheme for schools, supporting sickness and relocation expenses.
•	Smarte East	Procures framework arrangements for construction projects.
•	Information Services infrastructure	Monitors the decommissioning and refresh of IT equipment within the County Council.
•	Legal Services	Provides legal services to a wide range of public sector organisations.
	Library Services	Delivers a library service on behalf of Slough Borough Council. The County Council has established a company (Library Services (Slough) Ltd), through which the library service is delivered to Slough Borough Council; all costs incurred by Library Services (Slough) Ltd are reimbursed by the County Council. All direct, service management and support service costs incurred by the County Council in relation to the delivery of a library service to Slough Borough Council are included within the Library Services trading account, together with the income received under contract from the Borough Council.
•	Place Services	Provides environmental planning support and arboriculture services.

The net surplus or deficit 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		Movem	nents		Balance
	at 1 April	Income	Expend- iture	Net (Surplus) / deficit	Approp- riations	at 31 March
	£000	£000	£000	£000	£000	£000
2013/14						
School improvement and advisory service	(748)	(11,436)	9,947	(1,489)	305	(1,932)
School Support (Finance)	(334)	(1,211)	1,144	(67)	59	(342)
School staffing insurance scheme	(1,454)	(4,591)	4,954	363	-	(1,091)
Smarte East	(92)	(271)	149	(122)	-	(214)
Information Services infrastructure	(15)	(6,355)	6,206	(149)	-	(164)
Legal Services Trading	(516)	(9,539)	7,940	(1,599)	1,426	(689)
Library Services	-	(2,608)	1,889	(719)	450	(269)
Place Services	-	(1,590)	1,554	(36)	(269)	(305)
	(3,159)	(37,601)	33,783	(3,818)	1,971	(5,006)
2014/15						
School improvement and advisory service	(1,932)	(12,572)	10,973	(1,599)	1,390	(2,141)
School Support (Finance)	(342)	(1,303)	947	(356)	83	(615)
School staffing insurance scheme	(1,091)	(4,642)	4,558	(84)	-	(1,175)
Smarte East	(214)	(147)	116	(31)	_	(245)
Information Services infrastructure	(164)	(3,508)	3,464	(44)	-	(208)
Legal Services	(689)	(9,466)	7,852	(1,614)	2,003	(300)
Library Services	(269)	(2,142)	1,889	(253)	245	(277)
Place Services	(305)	(1,803)	1,870	67	48	(190)
	(5,006)	(35,583)	31,669	(3,914)	3,769	(5,151)

13. Taxation and non-specific grant income

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

2013/14		2014/15
(Restated) £000		£000
	Taxation	
(528,694)	Council tax	(539,800)
(39,343)	Non domestic rates (see note (i) below)	(39,725)
(568,037)	Total income from taxation	(579,525)
	Non specific grant income	
(380,175)	Non ring-fenced government grants (see note (i) below)	(360,152)
(58,342)	Capital grants and contributions	(81,264)
(438,517)	Sub total - Non specific government grants	(441,416)
-	Exchange of assets - recognition of new assets (see note (ii) below)	-
(438,517)	Total non specific grant income	(441,416)
(1,006,554)	Taxation and non specific grant income	(1,020,941)

Notes:

- (i) The comparative amounts have been restated on a basis consistent with 2014/15 that is, to include the 'top up' grant received from the Government in respect of non domestic rates as part of 'non ring-fenced' government grants.
- (ii) The Council acquired property, plant and equipment related to a voluntary controlled school from an exchange transaction in 2013/14. However, as explained in Note 7, one of the impacts of the change in the Council's policy for accounting for schools this year is that the comparative amounts for the prior period have been restated to de-recognise voluntary controlled schools' property, plant and equipment from the Council's financial statements.

14. Grant income

14.1 Amounts credited to Taxation and Non-Specific Grant income

The following amounts have been credited to Taxation and Non-Specific Grant income:

2013/14 £000		2014/15 £000
	Non ring-fenced grants	
231,945	Revenue Support Grant	202,155
113,213	Non Domestic Rates - Top up grant	115,418
20,089	Private Finance Initiative Grant	26,298
5,823	Council Tax Freeze Grant	5,911
4,806	New Homes Bonus / New Homes Bonus Adjustment Grant	5,271
944	Business Rates (Section 31 Grants)	3,712
3,355	Other non ring-fenced grants	1,387
380,175		360,152
	Capital grants and contributions	
	Department for Transport grants	
19,712	Direct funding	22,451
9,357	Integrated transport grant	13,618
1,525	Other	4,738
	Department for Education	
15,630	Standards Fund	18,843
2,128	Other	9,801
9,990	Other grants and contributions	11,813
58,342		81,264
438,517		441,416

Comparative figures for the prior year have been restated on a basis consistent with 2014/15 (as explained in Note 13). In addition, some of the grants received in the prior year have been grouped together where the amounts are minor and/or where no similar amounts have been received in 2014/15.

14.2 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:

	2013/14				2014/15	
Capital	Specific	Total		Capital	Specific	Total
grants	revenue			grants	revenue	
	grants				grants	
£000	£000	£000		£000	£000	£000
			Department for Education (incl. Education Funding Agency)			
12,661	5,842	18,503	Department for Education grants	8,226	5,063	13,289
			Education Funding Agency grants			
-	584,870	584,870	Dedicated Schools grant	-	559,305	559,305
-	22,820	22,820	Pupil Premium grant	-	29,313	29,313
-	16,286	16,286	Education Services Grant	-	15,045	15,045
-	-	-	Universal Infants Free School Meals	-	8,139	8,139
-	8,107	8,107	Other Education Funding Agency grants	-	8,406	8,406
12,661	637,925	650,586		8,226	625,271	633,497
			Department of Health			
-	43,563	43,563	Public Health Grant	-	55,552	55,552
-	23,294	23,294	Reablement and Social Care Discharge Management	-	34,533	34,533
830	2,372	3,202	Other Department of Health grants	1,409	3,085	4,494
830	69,229	70,059		1,409	93,170	94,579
			Grants awarded by other bodies			
-	10,139	10,139	Skills Funding Agency	-	9,016	9,016
2,770	260	3,030	Department for Transport	-	3,043	3,043
-	3,582	3,582	Department of Communities & Local Government	-	3,530	3,530
-	11,959	11,959	Other grants	3,352	10,528	13,880
2,770	25,940	28,710		3,352	26,117	29,469
16,261	733,094	749,355		12,987	744,558	757,545

Note:

Prior year comparatives are consistent with the figures presented in the 2013/14 Statement of Accounts, but some grants have been grouped together where the amounts are minor and no similar amounts have been received in 2014/15.

15. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by a grant awarded by the Department for Education, the Dedicated Schools Grant (DSG). An element of the DSG is recouped by the Department to fund academy schools in the Council's area.

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for 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 2014/15 are provided in the following table.

2013/14		2014/15	Deployment in	n 2014/15
		Total	Central	Individual
			Expenditure	Schools
				Budget
£000		£000	£000	£000
(958,278)	Final DSG for the year (before Academy recoupment)	(969,244)		
373,181	Academy figure recouped	407,868		
(585,097)	Total DSG after Academy recoupment	(561,376)		
(5,845)	Brought forward from previous year	(5,581)		
(590,942)	Agreed initial budgeted distribution	(566,957)	(75,322)	(491,635)
-	In year adjustments	-	16,249	(16,249)
(590,942)	Final budgeted distribution	(566,957)	(59,073)	(507,884)
585,361	Actual central expenditure / ISB deployed	559,849	51,965	507,884
-	Council's contribution for year	-		
(5,581)	Carry forward to next year	(7,108)	(7,108)	-

5

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

16.1 Movement in balances – 2013/14

		Prope	rty, plant and e	quipment (Res	tated)		Intangible	Investment	Heritage	Assets
	Land and buildings	Vehicles and equipment	Infra- structure Assets	Community Assets	Assets under construction	Surplus Assets	Assets	Property	Assets	held for sale
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2013	1,766,569	80,595	881,376	3,085	140,050	17,283	4,483	5,371	14,359	8,318
Additions	35,320	2,066	44		93,391		-	-	-	
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	84,559	631	-	165	-	106	-	-	-	
Surplus/Deficit on the provision of services	(65,668)	(2,466)	-	(345)	-	(161)	-	998	-	
Disposals	(99,196)	(4,742)	-	(1)	-	(686)	-	(296)	(270)	(8,257
Reclassification of assets to / (from) other categories	(23,693)	19,740	-	(455)	-	(466)	-	504	-	4,37
Transfers to / (from) assets under construction	38,484	2,916	129,999	266	(171,695)	30	-	-	-	
As at 31 March 2014	1,736,375	98,740	1,011,419	2,715	61,746	16,106	4,483	6,577	14,089	4,43
Depreciation / Amortisation										
As at 1 April 2013	(3,390)	(19,552)	(213,419)	(79)	-	(26)	(3,244)	-	(19)	
Revaluations and restatements	1,104	(302)	-	16	-		-	-	-	
Depreciation / amortisation on impairments	803	323	-	19	-	8	-	-	-	
Depreciation / amortisation for the year	(23,404)	(6,667)	(25,470)	(36)	-	(32)	(573)	-	(3)	
Depreciation / amortisation on assets sold	842	669	-	-	-	-	-	-	-	
As at 31 March 2014	(24,045)	(25,529)	(238,889)	(80)	-	(50)	(3,817)	-	(22)	
Net book value at 31 March 2013	1,763,179	61,043	667,957	3,006	140,050	17,257	1,239	5,371	14,340	8,31
Net book value at 31 March 2014	1,712,330	73,211	772,530	2,635	61,746	16,056	666	6,577	14,067	4,43

Note:

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

16.2 Movement in balances – 2014/15

		F	roperty, plant	and equipment	it		Intangible	Investment	Heritage	Assets
	Land	Vehicles	Infra-	Community	Assets	Surplus	Assets	Property	Assets	held fo
	and	and	structure	Assets		Assets				sale
	buildings	equipment	Assets		construction					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2014	1,736,375	98,740	1,011,419	2,715	61,746	16,106	4,483	6,577	14,089	4,431
Additions	4,444	3,474	55		165,053		2	-	-	
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	113,526	(2,730)	-	(56)	-	(8)	-	-	262	
Surplus/Deficit on the provision of services	(32,645)	(2,195)	-	-	-	(148)	-	1,273	-	
Disposals	(226,585)	(1,708)	-	(248)	-	(380)	(16)	(218)	-	(2,720
Reclassification of assets to / (from) other categories	39,355	(63,906)	5	(164)	-	18,168	-	(958)	23	7,47
Transfers to / (from) assets under construction	40,238	14,108	79,646	119	(134,178)	48	-	-	19	
As at 31 March 2015	1,674,708	45,783	1,091,125	2,366	92,621	33,786	4,469	6,674	14,393	9,188
Depreciation / Amortisation										
As at 1 April 2014	(24,045)	(25,529)	(238,889)	(80)	-	(50)	(3,817)	-	(22)	
Revaluations and restatements	32,945	1,400	-	1	-	35	-	-	-	
Depreciation / amortisation on impairments	7,807	2,321		4	-	-	-	-	-	
Depreciation / amortisation for the year	(36,368)	(6,057)	(29,273)	(38)	-	(107)	(413)	-	(3)	
Depreciation / amortisation on assets sold	4,773	1,021	-	19	-	21	12	-	-	
Other movements in depreciation / impairment	(4,605)	4,890	-	-	-	(285)	-	-	-	
As at 31 March 2015	(19,493)	(21,954)	(268,162)	(94)	-	(386)	(4,218)	-	(25)	
Net book value at 31 March 2014	1,712,330	73,211	772,530	2,635	61,746	16,056	666	6,577	14,067	4,43
Net book value at 31 March 2015	1,655,215	23,829	822,963	2,272	92,621	33,400	251	6,674	14,368	9,1

16.3 Capital commitments

At 31st March 2015, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16. The commitments are summarised as follows:

2014 £000		2015 £000
6,792	Highways and Transportation	1,238
7,111	Education (schools)	20,896
-	Information Services	14,751
13,022	Other	6,021
26,925		42,906

16.4 Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair 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 Institute of Chartered Surveyors (RICS).

The timing and amounts of the valuations of those classes of asset held at fair value are summarised in the following table:

		Valued	at Fair Value a	ıs at		Total
	31 March	31 March	31 March	31 March	31 March	cost or
	2011	2012	2013	2014	2015	valuation
	£000	£000	£000	£000	£000	£000
Operational Assets						
Land and buildings	178,783	217,669	356,024	333,471	588,761	1,674,708
Non-Operational Assets						
Surplus Assets	3,702	6,424	-	17,270	6,390	33,786

Infrastructure, community assets and assets under construction are held at historical value and have not been formally re-valued.

17. 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase to the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

2013/14		2014/	15
Restated £000		£000	£000
834,689	Opening Capital Financing Requirement		834,795
	Capital investment		
130,818	Property, plant and equipment	173,025	
18,333	Revenue expenditure funded from capital under statute	27,975	
1,000	Long term debtor - Local Authority Mortgage Scheme	-	
150,151	Total capital investment	201,002	
	Sources of finance		
-	Capital receipts	(30,437)	
(94,205)	Government grants & contributions	(109,173)	
(21,789)	Earmarked revenue reserves applied	(22,069)	
(34,051)	Revenue provision for the repayment of debt	(33,159)	
(150,045)	Total sources of finance	(194,838)	
106	Increase in the Capital Financing Requirement		6,164
834,795	Closing Capital Financing Requirement	_	840,959
	Explanation of movements in year		
(33,049)	Increase / (decrease) in underlying need to borrow		3,820
27,155	Assets acquired under PFI contracts		_
6,000	Increase / (decrease) for assets acquired under finance lease		2,344
106	Increase in the Capital Financing Requirement		6,164

Note:

Whilst there is no overall change in the Capital Financing Requirement for 2013/14 from the position previously reported, the analysis of the movement has been restated as a consequence of the change in the policy on accounting for schools. Further details of this restatement are provided in Note 7 (see page 47).

18. Leases

18.1 Council as Lessee – Finance leases

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

31st March 2014			31st Marc	h 2015
Short	Long		Short	Long
Term	Term		Term	Term
£000	£000		£000	£000
8	837	Property	8	829
886	4,336	Vehicles, plant and equipment	1,248	4,967
3,978	154,860	Private Finance Initiatives	5,849	148,663
4,872	160,033		7,105	154,459

Further detail on the liabilities related to Private Finance Initiative schemes is provided in Note 19, which commences on page 70.

18.2 Council as Lessee – Operating leases

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

31 March 2014				31	March 2015	
Property	Other	Total		Property	Other	Т
£000	£000	£000		£000	£000	£
			_			
3,657	3,070	6,727	One year	4,790	3,256	8,
12,179	3,115	15,294	Two to five years	14,329	3,308	17,
53,740	68	53,808	Over five years	52,881	51	52,
69,576	6,253	75,829	Total lease rentals	72,000	6,615	78,

19. Private Finance Initiative and similar contracts

19.1 Nature and significant terms of PFI arrangements

The Council has entered into several Private Finance Initiative (PFI) and Public Private Partnership (PPP) schemes, as detailed within accounting policy note 2.16, which commences on page 35. The nature and significant terms of these arrangements are as follows:

Scheme	Nature and significant terms
A130 Bypass	This contract was entered into in October 1999 for the design, construction and maintenance of the A130 Bypass and associated off-site facilities.
	Construction was completed in two phases; the Northern section was completed in 2002 and the Southern section in 2003. No payments were made until the road was constructed. Construction costs were estimated at £80m (including construction and land costs, but excluding maintenance costs).
	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 or traffic flow is affected by road works.
	The road will be passed to Council in a repaired/neutral state at the end of the arrangements in 2030.
Debden Park School	Under this arrangement, the Operator was firstly responsible for construction of the school and subsequently for the running of the School. Initial construction costs were in the region of £15m.
	The operator is operating and maintaining the school facilities for a contract term of 25 years (i.e. until 2026).
	The amounts paid to the Operator vary according to inflation, the proportion of time that the facilities are made available to the Council and according to the achievement of performance goals.
Clacton Secondary Schools	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.
	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).
	In return for these services, the Operator is paid an annual unitary charge, whose amounts vary according to inflation, the proportion of the time that the facilities are made available to the Council, and the extent to which the Operator meets agreed performance goals.

Scheme	Nature and significant terms
Tendring Primary Schools	This contract was entered into 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 is operating and maintaining the schools' facilities for the contract term of 32 years (i.e. until 2033).
	The unitary charges paid to the Operator each year vary according to inflation, the proportion of the required time that the facilities are available to the Council and the extent to which performance goals are met.
Castleview, Cornelius Vermuyden and Columbus	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.
schools	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.
	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.
	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.
Woodlands School	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.
	Construction costs for this school amounted to £27m . The school became operational in January 2014.
	Unitary payments, which include payment for services provided, financing charges and repayment of this liability, will be in the region of £4m per annum.
Waste Treatment	This contract was entered into in May 2012 and provides for the design, construction and operation of a waste treatment plant in Basildon.
Plant - Basildon	Construction environmental planning and permitting application work commenced in June 2012. Work on the physical construction commenced in February 2013 and was completed in June 2014. Construction costs were in

Scheme	Nature and significant terms
	the region of £107m.
	A period of commissioning is now underway. This involves testing the plant with low levels of waste, which will gradually be increased, to ensure that machinery and infrastructure can cope without failure / breakdown and that the conditions needed to ensure that waste can be broken down, and fuel produced, can be maintained on a sustained basis.
	Once the commissioning has been completed, an Acceptance Test Certificate will be issued for the Plant (currently expected to be in March 2016), and it will become fully operational. The Council will then begin making unitary payments of around £22m per annum, which will include payment for services provided, financing charges and repayment of this liability.
	The Waste Treatment Plant, and associated PFI liability, will not be recognised in the Council's Balance Sheet until the Acceptance Test Certification is issued for the Plant. Prior to this, the construction risk sits with the contractor, and the Council cannot demonstrate that the economic benefits and service potential associated with the Waste Treatment Plant will flow to it.
	The operational term for the PFI contract is 25 years (excluding the construction and commissioning period).
	Upon expiry of the contract, it is intended that any property interest will revert back to the Council for nil consideration.

19.2 Details of payments to be made under PFI contracts

The Council makes agreed payments under the schemes detailed in note 19.1 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	2 - 5	6 - 10	11 - 15	16 - 20	21 - 25	Total	
	one year	years	years	years	years	years		
	£000	£000	£000	£000	£000	£000	£000	
Service charges	6,525	27,886	39,225	42,002	35,459	6,797	157,894	
Interest and similar charges	19,971	76,574	98,047	46,519	22,515	2,938	266,564	
Repayment of liability	5,849	21,731	56,358	30,568	29,528	10,478	154,512	
Lifecycle replacement	1,567	11,257	17,104	18,640	8,891	1,246	58,705	
Total	33,912	137,448	210,734	137,729	96,393	21,459	637,675	

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.

19.3 Property, plant and equipment

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		31st March
2014		2015
(Restated)		
£000		£000
	Gross Book Value	
137,952	As at 1 April	161,940
27,155	Additions	-
	Revaluation increases / (decreases) recognised in:	
462	Revaluation Reserve	1,296
(3,629)	Surplus/Deficit on the provision of services	590
-	Disposals	(27,359)
	5.5p034.3	
161,940	As at 31 March	136,467
	Depreciation / Amortisation	
(22,475)	As at 1 April	(24,884)
-	Revaluations and restatements	1,011
-	Depreciation / amortisation on impairments	262
(2,409)	Depreciation / amortisation for the year	(2,745)
-	Depreciation / amortisation on assets sold	79
(24,884)	As at 31 March	(26,277)
(= :,55 :)		(,)
115,477	Net book value at 1 April	137,056
137,056	Net book value at 31 March	110,190

Comparative figures for the prior year have been restated as a consequence of the change in policy on accounting for schools, as detailed in accounting policy note 2.17 on page 36. The impact of the change in the accounting policy is explained in note 7 which commences on page 47.

19.4 Value of liabilities resulting from PFI

The payments made under the schemes detailed in note 19.1 are calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

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

2013/14		2014/15
£000		£000
(134,962)	Balance as at 1 April	(158,837)
3,280 (27,155) (158,837)	Liabilities repaid Liabilities arising	4,325
(158,837)	Balance as at 31 March	(154,512)

20. Financial instruments

20.1 Categories of Financial Instruments

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

31 Marc	ch 2014		31 Marc	h 2015
Long	Short		Long	Short
term	term		term	term
£000	£000		£000	£000
		Financial assets - Loans and receivables		
4.670	446 247	Investments	4.604	422.27
4,670	146,317	Loans and receivables	1,681	122,27
2,762	-	Available for sale financial assets	3,091	
17,768	86,360	Debtors (contractual)	16,807	90,663
-	155,580	Cash and cash equivalents	-	137,193
25,200	388,257	Total	21,579	350,131
		Financial liabilities at amortised cost		
(335,081)	(25,502)	Borrowing	(338,751)	(25,920
(160,033)	(4,872)	PFI / Finance lease liabilities	(154,459)	(7,105
(30)	(210,948)	Creditors (contractual)	(34)	(214,909
(495,144)	(241,322)	Total	(493,244)	(247,934

Notes:

- (i) Cash and cash equivalents is a financial instrument which is 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 82.
- (ii) Not all short term debtors and creditors are classified as financial instruments, which is why the totals in the above table differ from the values in the Balance Sheet. Only those debtors and creditors which arise from contracts are financial instruments. Those debtors and creditors related to statutory debts such as council tax and non-domestic rates are not classified as financial instruments.

20.2 Income, expense, gains and losses

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

	2013/	14				2014/	15	
Financial A	Assets	Financial	Total		Financial	Assets	Financial	Total
Loans and	Available	liabilities			Loans and	Available	liabilities	
receivables	for sale				receivables	for sale		
£000	£000	£000	£000		£000	£000	£000	£000
-	-	30,214	30,214	Interest expense	-	-	32,304	32,304
-	-	30	30	Fee expense	-	-	19	19
				Expenses in surplus / deficit on the				
	-	30,244	30,244	provision of services	_	-	32,323	32,323
(2,963)	(116)	-	(3,079)	Interest income	(2,705)	(149)	-	(2,854)
				Income in surplus / deficit on the				
(2,963)	(116)	-	(3,079)	provision of services	(2,705)	(149)	-	(2,854)
-	(262)	-	(262)	Gains on revaluation	-	(329)	-	(329)
				Other Comprehensive Income and				
	(262)	-	(262)	Expenditure	-	(329)	-	(329)
(2,963)	(378)	30,244	26,903	Net (gain) / loss for the year	(2,705)	(478)	32,323	29,140

20.3 Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost, this being the difference between the amounts at which the financial assets and financial liabilities were measured at initial recognition and the maturity amount. The 'fair value' (i.e. the price that would be paid to transfer a liability, or received to sell an asset, in an orderly transaction between market participants) of these financial liabilities and financial assets is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The following table compares the carrying and fair value of the financial instruments held:

31 Marcl	ո 2014		31 March	n 201 5
Carrying amount £000	Fair Value £000		Carrying amount £000	Fa Val £0
		Financial liabilities at amortised cost		
(210,978)	(210,978)	Creditors (contractual)	(214,943)	(214,94
(360,583)	(405,889)	Borrowing	(364,671)	(513,05
(164,905)	(164,905)	PFI / finance lease liabilities	(161,564)	(161,56
(736,466)	(781,772)		(741,178)	(889,56
		Financial Assets - loans and receivables		
153,749	153,712	Investments	127,049	127,0
155,580	155,580	Cash	137,193	137,1
104,128	104,128	Debtors (contractual)	107,468	107,4
413,457	413,420		371,710	371,6

Comments and explanation of 'fair values' are as follows:

Borrowing

- The fair value of borrowing from the Public Works Loan Board (PWLB) has been determined with reference to the 'premature repayment' set of PWLB rates in force at 31 March 2015. This shows that, if the Council had wished to do so, it would have cost £409.407m to buy itself out of these loans prematurely on 31 March 2015. In comparison, had the 'new loan' rate been used, the fair value of the Council's PWLB loans would have been lower, at £344.940m. However, whilst the 'new loan' rate gives a measure of the additional interest the Council might pay over the remaining term of its existing loans when compared with prevailing interest rates at 31 March 2015, the Council would not be able to swap its existing portfolio of PWLB loans for equivalent loans at the 'new rate'.
- The fair value of borrowing from the Money Markets has also been determined with reference to the 'premature repayment' method, and shows that a premium of £18.184m that would have been payable had the Council decided to exit from these loans prematurely on 31 March 2015. The 'fair value' of these loans does not take account of the cost of buying out the bank's embedded swap options had these been reflected, the premium payable to exit these loans would have been £28.985m higher.
- Whilst the 'fair value' measurements provide an indication of the cost of prematurely repaying existing PWLB and Money Market loans at 31st March 2015, the Council has a Capital Financing Requirement (see note 17 on page 68) well in excess of these loans, and so does not therefore foresee the need to prematurely repay these loans.

Investments and cash

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

- The fair value of investments varies from the carrying amount because the Council's portfolio of investments includes some fixed rate investments where the interest rate earned is higher than the rates available for similar loans at the balance sheet date.
- Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Other

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

20.4 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 as a result of changes in such measures as interest rates and stock market movements.

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 its annual **Treasury Management Strategy**. In addition, the Council provides 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 is updated annually (as a minimum) and 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 2014/15 if they had acceptable credit ratings in each 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.
- **Viability rating** provides a measure of the likelihood that a bank will require financial assistance from third parties such as its owners, its industry group or official institutions. It also considers how a bank would be viewed if it were entirely independent and could not rely upon external support.
- Support rating provides an assessment of a potential supporter's (either a sovereign state or an institutional owner) propensity to support the bank or of its ability to support it.

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.

Application of the credit rating criteria set out within the Annual Investment Strategy meant that the maximum amount invested in 2014/15 by the Council with any financial institution, at any point in time, ranged from between £35m and £70m (i.e. the limit varied within this range, depending on the relative strength of the financial institution's 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 to changes in credit risks quickly.

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 2014/15, this limit was £100m (2013/14: £50m).

No credit limits were exceeded during 2014/15 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.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collectability over the last five years:

	Amount at 31 March 2015	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£000	%	£000
Deposits with banks and other financial institutions			
AAA rated	10,900	0.037%	4
AA rated	155,000	0.007%	11
A rated	103,000	0.062%	64
	268,900		79
Debtors (contractual)	107,468	8.553%	9,192
Potential maximum exposure to credit risk	376,368		9,271

Of the total amount of debtors at 31 March 2015, the following amounts (analysed by age) are past their due date for payment:

201	3/14		201	4/15
Debtors past	Allowance for		Debtors past	Allowance
due date	doubtful debts		due date	doubtful debts
£000	£000		£000	£000
10,349	474	Less than three months	6,775	388
1,947	174	Three to six months	1,994	190
4,473	1,175	Six months to one year	4,291	1,120
11,628	6,082	More than one year	11,453	7,494
28,397	7,905	Total	24,513	9,192

The above table also shows the allowance the Council has made for non-recovery of those debts past their due date; this allowance does not constitute intent to write these debts off, but does recognise the risk that some amounts might not be recovered.

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there are no significant risks that it 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 financial liabilities is as follows:

31 March 2014			Repayment period		31 Marcl	h 2015		
PWLB	Money Market	Other	Total		PWLB	Money Market	Other	Total
£000	£000	£000	£000		£000	£000	£000	£000
4,412	20,926	164	25,502	Less than one year	4,447	15,926	5,547	25,920
4,412	20,926	164	25,502	Short term borrowing	4,447	15,926	5,547	25,920
1,261	47,000	2,050	50,311	Between 1 and 2 years	1,312	22,000	800	24,112
4,098	10,000	-	14,098	Between 2 - 5 years	4,265	40,000	1,200	45,465
38,023	-	-	38,023	Between 5 - 10 years	38,350	-	-	38,350
36,019	-	-	36,019	Between 10 - 25 years	44,213	-	-	44,213
89,271	-	-	89,271	Between 25 - 40 years	108,611	-	-	108,611
107,359	-	-	107,359	Between 40 - 50 years	78,000	-	-	78,000
276,031	57,000	2,050	335,081	Long term borrowing	274,751	62,000	2,000	338,751
280,443	77,926	2,214	360,583	Total borrowing	279,198	77,926	7,547	364,671

The maturity analysis of money market loans shown above assumes that these loans will be repaid in full at the next opportunity the lender has to vary the loan terms. In reality, these loans may run for many years beyond these dates.

Market risk

Interest rate 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.

Borrowing and investments are not carried at fair value, so 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 a number of strategies for managing interest rate risk. The overall policy is to aim to keep a maximum of **30%** of borrowings in variable rate loans (2013/14: 30%). During periods of falling interest rates, and where economic circumstances are favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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 fixed or variable.

If interest rates had been 1% higher throughout 2014/15 (with all other variables held constant) the Council's net interest burden would have been lower than that shown in Note 20.2, as follows:

2013/14 £000		2014/15 £000
	Impact on the Comprehensive Income and Expenditure Statement	
386	Interest payable on variable rate borrowing	503
(2,012)	Interest receivable on variable rate investments	(1,969)
(1,626)	Net (gain) / loss	(1,466)

Price risk

The Council does not invest in equity shares and is therefore not exposed to gains or losses arising from movements in the prices of shares except where this impacts on its share of the liability of the Pension Fund. It has however made a modest investment in a pooled property fund which is classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. In 2014/15, a gain was recognised in 'Other Comprehensive Income and Expenditure' (see note 20.2, on page 75).

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies, thus it does not have exposure to loss arising from movements in exchange rates.

21. Debtors

The following table analyses short and long term debtors by counter party grouping:

:	31 March 2014			31 March 2015		
Short term	Long term	Total		Short term	Long term	Total
£000	£000	£000		£000	£000	£000
			Public sector bodies			
18,034	-	18,034	Central government bodies	21,373	-	21,373
18,725	14,656	33,381	Other local authorities	19,544	14,007	33,551
4,890	-	4,890	NHS bodies	2,547	-	2,547
1	-	1	Public corporations	-	-	-
41,650	14,656	56,306		43,464	14,007	57,471
75,358	3,112	78,470	Other entities	84,533	2,800	87,333
117,008	17,768	134,776	Total	127,997	16,807	144,804

22. Cash and cash equivalents

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

31st March 2014 £000		31st March 2015 £000
	Amounts that form an integral part of the Council's cash management	
147,520	Cash repayable on demand	95,961
10,012	Cash equivalents	51,025
(48,867)	Bank overdraft	(55,207)
325	Petty cash balances	259
108,990		92,038
46,590	Cash held by schools	45,155
155,580	Total of cash and cash equivalents	137,193

The Council holds a number of 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 by counter party grouping:

1st March 2014			31st March 2015		
Long term	Total		Short term	Long term	Total
£000	£000		£000	£000	£000
		Public sector bodies			
-	4,527	Central government bodies	8,605	-	8,605
22	25,442	Other local authorities	21,676	-	21,676
-	3,846	NHS bodies	5,648	-	5,648
-	10	Public corporations	11	-	11
22	33,825		35,940	-	35,940
8	189,980	Other entities	190,356	34	190,390
30	223,805	Total	226,296	34	226,330
	Long term £000	£000 £000 - 4,527 22 25,442 - 3,846 - 10 22 33,825 8 189,980	Long term £000 Public sector bodies - 4,527 22 25,442 - 3,846 - 10 Public sector bodies Central government bodies Other local authorities NHS bodies Public corporations 22 33,825 8 189,980 Other entities	Long term £000 Total £000 Short term £000 - 4,527 Central government bodies Other local authorities Other local authori	Long term £000 Total £000 Short term £000 Long term £000 - 4,527 Central government bodies 8,605 - 22 25,442 Other local authorities 21,676 - - 3,846 NHS bodies 5,648 - - 10 Public corporations 11 - 22 33,825 35,940 - 8 189,980 Other entities 190,356 34

24. Grant receipts in advance

Where grants or contributions have been received, but the conditions attached to the funding are not 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 2014			31st March	2015
Revenue	Capital	•	Revenue	Capita
£000	£000		£000	£000
		Department for Education (incl. Education Funding	Agency)	
		Education Funding Agency		
5,581	-	Dedicated Schools Grant	7,108	
397	-	Other Education Funding Agency grants	855	
220	6,010	Department for Education grants	601	7,43
6,198	6,010		8,564	7,43
		Other grants		
10,445	8	Department of Health grants	1,797	
1,709	1,011	Department for Transport grants	=	2,08
1,582	2,258	Other grants	941	5
13,736	3,277		2,738	2,140
19,934	9,287	Total of grant receipts in advance	11,302	9,58
4,253	37,643	Developer contributions (S106)	4,600	42,70
24,187	46,930	Total	15,902	52,28

Note:

Whilst comparative figures for the prior year are consistent overall with the figures presented in the 2013/14 Statement of Accounts, some grants have been grouped together where the amounts are minor and/or where there are no similar amounts were received in 2014/15.

25. 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. An explanation of each provision is as follows:

Provision	Purpose
Insurance	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 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.
	MMI insured the Council's liability risks from 1977, until they ceased trading in 1992. Since ceasing trading, MMI has been dealing 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 in the event that it has insufficient funds itself to pay remaining claims.
	The Scheme was triggered, and therefore came into effect, on 13th November 2012 and, as a result the Council was required to make an initial levy payment to the Scheme Administrator of 15% of all claims for which it had received settlements since 1993. This resulted in a payment of £1.149m during 2013/14.
	Under the Scheme arrangements, the Council is also now required to meet a percentage (currently 15%) of any future claims made. The Insurance Provision therefore includes an allowance for this liability.
	Independent Insurance was the Council's insurer for the liability classes of business from 1st April 1993 to 31st March 2001, and went into provisional liquidation on 17th June 2001. It is currently not expected that any payments will be received from Independent Insurance.
Landfill aftercare	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.
	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.
Non-domestic rating appeals	Under the legislative framework for the Collection Fund, billing and precepting authorities share proportionately the risks that the amount of non-domestic rates collectible could be affected by the requirement to make backdated refunds to non-

Provision	Purpose
	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.
Restructuring	This provision represents the best estimate of the amount the Council is committed to pay as a consequence of formal plans for the restructuring of certain services, where these plans are likely to result in the termination of a number of employees' employment before their normal retirement date.
Carbon reduction commitment	This provision represents the Council's liability to purchase and surrender Carbon Reduction Commitment (CRC) carbon allowances, in accordance with the requirements of the CRC Energy Efficiency Scheme, in respect of CO ² emissions.
Other	Provisions have been established for various matters.

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

	Insurance Provision	Landfill aftercare	Non-domestic rating appeals	Restructuring	Carbon Reduction Commitment	Other provisions	Total
	£000	£000	£000	£000	£000	£000	£000
Current provisions							
Balance at 31st March 2014	(5,000)	(302)	(2,604)	(449)	(1,300)	(214)	(9,869)
Amounts arising	=	-	(4,441)	(1,131)	(1,043)	(1,615)	(8,230)
Provisions reversed	-	-	-	84	62	98	244
Provisions utilised	7,147	386	1,645	365	1,238	1,400	12,181
Unwinding of discount	-	(9)	-	-	-	-	(9)
Amounts reclassified as current	(9,147)	(363)	-	-	-	-	(9,510)
Balance at 31st March 2015	(7,000)	(288)	(5,400)	(1,131)	(1,043)	(331)	(15,193)
Non-current provisions							
Balance at 31st March 2014	(17,669)	(6,734)				-	(24,403)
Amounts arising	(5,603)	(1,980)	-	-	-	-	(7,583
Provisions reversed	-	-	-	-	-	-	
Provisions utilised	-	-	-	-	-	-	
Amounts reclassified as current	9,147	363	-	-	-	-	9,510
Balance at 31st March 2015	(14,125)	(8,351)	-	-	-	-	(22,476)
Total current and non-current provisions							
31st March 2014	(22,669)	(7,036)	(2,604)	(449)	(1,300)	(214)	(34,272)
31st March 2015	(21,125)	(8,639)	(5,400)	(1,131)	(1,043)	(331)	(37,669)

26. Usable reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, which is shown on page 19.

27. Unusable reserves

27.1 Introduction

The Council maintains a number of unusable reserves which are held for statutory reasons or to comply with property accounting practice. The Council is not able to use these reserves to provide services. Notes 27.2 to 27.8 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.

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

2013/14		2014/	15
Restated £000		£000	£000
(344,910)	Balance as at 1 April		(392,474)
(106,839)	Revaluation of non current assets (increases)	(184,344)	
19,896	Revaluation of non current assets (subsequent decreases)	37,889	
664	Impairment of non-current assets	1,080	
(86,279)	Surplus on revaluations		(145,375)
11,363	Depreciation on revaluation gains	13,287	
27,352	Accumulated gains on assets sold or scrapped	32,228	
38,715	Amounts written off to the Capital Adjustment Account		45,515
(392,474)	Balance as at 31 March		(492,334)

Note

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

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.

2013/14		20	14/15
Restated £000		£000	£000
(1,503,798)	Balance as at 1 April		(1,439,616)
(2)303), 30)	•		(=):00)0=0)
	Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
56,185	Depreciation	72,257	
67,485	Impairment of non-current assets	24,857	
· -	Donated assets	-	
-	Exchange of assts (recognition of new asset)	-	
18,333	Revenue expenditure financed from capital under statute	27,975	
111,937	Cost / value of assets disposed of during the year	226,029	
253,940			351,118
233,310			331,113
	Adjusting amounts written out of the Revaluation Reserve		
(11,363)	Difference between fair value and historical cost depreciation	(13,287)	
(27,352)	Revaluation gains outstanding for assets upon disposal	(32,228)	
(38,715)			(45,515)
215,225	Net written out amount of the cost of non current assets consumed in the year		305,603
	Capital financing applied in the year		
(21,789)	Revenue reserves applied	(22,069)	
(34,051)	Statutory provision for the financing of capital investment	(33,159)	
-	Capital receipts applied	(30,437)	
	Capital grants and contributions applied to finance:		
(44,026)	Capital Expenditure	(80,980)	
(18,121)	Revenue expenditure funded from capital	(15,170)	
(32,058)	Application of grants from the Capital Grants Unapplied Account	(13,023)	
(150,045)			(194,838)
(998)	Movement in market value of investment properties		(1,273)
(1,439,616)	Balance as at 31 March		(1,330,124)

Note:

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

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.

	2013/14				2014/15	
Premiums	Discounts	Total		Premiums	Discounts	Total
£000	£000	£000		£000	£000	£000
7,680	(4,419)	3,261	Balance as at 1 April	7,457	(4,236)	3,221
(127)	19	(108)	Amortisation of premiums / discounts to the General Fund	(127)	19	(108)
(96)	164	68	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	(95)	163	68
7,457	(4,236)	3,221	Balance as at 31 March	7,235	(4,054)	3,181

27.5 Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost; or
- Disposed of and the gains are realised.

2013/14		2014/15	
£000		£000	£000
-	Balance as at 1 April		(262)
(262)	Upward revaluation of investments	(329)	
(262)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(329)
(262)	Balance as at 31 March		(591)

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.

	2013/14				2014/15	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
918,700	47,038	965,738	Balance as at 1 April	818,740	42,761	861,501
			Pension Reserve appropriation to / (from) the General Fund for:			
84,474	1,405	85,879	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	75,162	1,566	76,728
(55,431)	(3,479)	(58,910)	Council contributions to the schemes	(53,244)	(3,128)	(56,372)
29,043	(2,074)	26,969	Total appropriation from Pension Reserve	21,918	(1,562)	20,356
(129,003)	(2,203)	(131,206)	Remeasurements of the net pension liability	131,098	3,069	134,167
818,740	42,761	861,501	Balance as at 31 March	971,756	44,268	1,016,024

The debit balance on the Pensions Reserve shows a 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.

27.7 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.

	2013/14				2014/15	
Council	Non-domestic	Total		Council	Non-domestic	Tota
Tax	rates			Тах	rates	
£000	£000	£000		£000	£000	£000
(6,242)	-	(6,242)	Balance at 1 April	(13,657)	1,670	(11,987
			Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with			
(7,415)	1,670	(5,745)	statutory requirements	(5,206)	1,522	(3,684
(13,657)	1,670	(11,987)	Balance as at 31 March	(18,863)	3,192	(15,67

27.8 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 31st March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14		2014/15
£000		£000 £000
16,543	Balance as at 1 April	14,981
(16,543)	Settlement or cancellation of accrual made at the end of the preceding year	(14,981)
14,981	Amounts accrued for at the end of the current year	12,168
(1,562)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,813)
14,981	Balance as at 31 March	12,168

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.

The cash flows from operating, investing and financing activities include the following items:

2013/14		2014	4/15
Restated		5000	
£000		£000	£000
	Cash flows from operating activities		
	Cash inflows		
(562,292)	Taxation	(575,841)	
(1,124,947)	Grants	(1,095,012)	
(201,567)	Sales of goods and rendering of services	(193,755)	
(4,112)	Interest received	(3,138)	
(1,892,918)			(1,867,746)
	Cash outflows		
572,991	Cash paid to and on behalf of employees	562,753	
31,046	Interest paid	33,057	
1,043,352	Cash paid to suppliers of goods and services	1,113,754	
129,122	Other payments for operating activities	123,961	
1,776,511			1,833,525
(116,407)	Net inflow of cash from operating activities		(34,221)
(220)-107)	recention of cash from operating activities		(5-1)
	Cash flows from investing activities		
	Cash inflows		
	Proceeds from the sale of property, plant and equipment,		
(19,903)	investment property and intangible asssets	(9,161)	
(38,000)	Proceeds from short and long term investments	(27,000)	
(79,610)	Other receipts from investing activities	(102,647)	
(137,513)			(138,808)
	Cash outflows		
	Purchase of property, plant and equipment, investment		
95,188	property and intangible assets	161,572	
2,500	Purchase of short and long term investments	-	
19,668	Other payments for investing activities	28,361	
117,356			189,933
(20,157)	Net (inflow) / outflow of cash from investing activities		51,125
(20,137)	Net (innow) / outnow of cash from investing activities		51,125
	Cash flows generated from financing activities		
	Cash inflows		
-	Cash receipts of short and long term borrowing	(4,120)	
(114)	Other receipts from financing activities	(114)	
(114)			(4,234)
	Cash outflows		
	Cash payments for the reduction of liabilities related to		
4,203	Finance Leases (incl. PFI contracts)	5,685	
5,466	Repayment of short and long term borrowing	32	
43,083	Other payments for financing activities	-	
52,752			5,717
52,638	Net outflow of cash from financing activities		1,483
(83,926)	Net (increase) / decrease in cash and cash equivalents		18,387

Note: Whilst the comparative figures for the prior year are consistent with those shown in the 2013/14 Statement of Accounts, cash outflows from investing activities have been reclassified as a consequence of the change in the policy

on accounting for schools. In addition, comparative figures for cash inflows from operating activities have been reclassified to include non-domestic rates' 'top up' grant within 'grants' rather than 'taxation'.

29. Amounts reported for resource allocation decisions

29.1 Analysis of income and expenditure

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice 2014/15. However, decisions about resource allocation are taken by the Council on the basis of Cabinet Members' respective responsibilities for service delivery. Cabinet reports are prepared on a different basis to that applied in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- The cost of retirement benefits is based upon payment of employer's pension contributions rather than current service cost of benefits accrued in the year; and
- Expenditure on support services is accounted for centrally, whereas they are charged to services in the Comprehensive Income and Expenditure Statement.

The income and expenditure of each of the Cabinet members' portfolios is shown in the following table.

Prior year comparatives have been restated in accordance with the respective responsibilities of Cabinet Members throughout 2014/15. The comparative figures for the prior year have also been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

Analysis of amounts reported for resource allocation

2013/14	Grants		Other income				Expendi	ture			Controllable
		Fees, charges	Interest and	Corporate	Employee	Other	Interest	Precepts	Gain or loss	Corporate	Net
		and other	investment	amounts	expenses	Service	payable and	& levies	on disposal	amounts	Expenditure
		service income	income			expenses	similar charges		of fixed assets		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	(27,436)	(73,643)	-	-	42,193	442,106	-	-	-	-	383,220
Education and Lifelong Learning	(648,102)	(55,014)	-	-	467,709	272,302	7,762	-	-	1,406	46,063
Children and Families	(9,817)	(5,891)	-	-	55,001	78,067	-	-	-	-	117,360
Highways and Transportation	(296)	(21,522)	-	-	11,098	85,342	7,901	-	-	2,815	85,338
Economic Growth, Infrasatructure, Waste and Recycling	(597)	(3,373)	-	-	5,988	66,821	12	-	-	322	69,173
Communities & Healthy Living	(45,394)	(1,434)	-	-	2,681	47,220	-	-	-	-	3,073
Finance	(291)	(746)	-	-	14,392	1,590	-	1,725	-	-	16,670
Leader	(160)	(593)	-	-	5,036	5,229	-	-	-	-	9,512
Customer Services, Planning and the Environment	(965)	(9,353)	-	-	22,146	12,462	30	1,564	-	16	25,900
Transformation and Support Services	(36)	(49)	-	(55)	19,015	1,544	-	-	-	-	20,419
	(733,094)	(171,618)	-	(55)	645,259	1,012,683	15,705	3,289	-	4,559	776,728
Recharged Support Services											
Business Support	-	-	-	-	-	83	-	-	-	-	83
Facilities Management Service	-	-	-	-	-	25,082	-	-	-	-	25,082
Finance	-	-	-	-	-	11,845	-	-	-	-	11,845
Human Resources	-	-	-	-	-	5,767	-	-	-	-	5,767
Information Services	-	-	-	-	-	16,944	-	-	-	-	16,944
Procurement	-	-	-	-	-	2,248	-	-	-	-	2,248
Transformation Support Unit	-	-	-	-	-	6,922	-	-	-	-	6,922
Other Recharged Strategic Support Services	-	-	-	-	-	17,768	-	-	442	-	18,210
Operating costs	-	-	(3,079)	(62,738)	-	-	14,579	-	-	158,065	106,827
Net cost of services (portfolios)	(733,094)	(171,618)	(3,079)	(62,793)	645,259	1,099,342	30,284	3,289	442	162,624	970,656

2014/15	Grants		Income				Expendit	ture			Controllable
		Fees, charges	Interest and	Corporate	Employee	Other	Interest	Precepts	Gain or loss	Corporate	Net
		and other	investment	amounts	expenses	Service	payable and	& levies	on disposal	amounts	Expenditure
		service income	income			expenses	similar charges		of fixed assets		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	(37,923)	(75,779)	-	-	45,424	465,396	-	-	-	-	397,118
Education and Lifelong Learning	(634,218)	(51,323)	-	-	455,787	262,422	9,635	-	-	2,041	44,344
Children andf Families	(7,707)	(2,835)	-	-	58,128	76,988	-	-	-	-	124,574
Highways and Transportation	(3,036)	(18,148)	-	-	10,767	99,893	8,224	-	-	3,789	101,489
Economic Growth, Infrastructure, Waste and Recycling	(880)	(3,604)	-	-	4,427	72,279	9	-	-	377	72,608
Communities & Healthy Living	(58,873)	(11)	-	-	2,582	50,516	-	-	-	-	(5,786
Finance	(292)	(732)	-	-	10,226	2,980	-	1,769	-	-	13,951
Leader	(503)	(503)	-	-	2,274	3,696	-	-	-	-	4,964
Customer Services, Planning and the Environment	(1,071)	(9,290)	-	-	21,860	13,117	1	1,532	-	8	26,157
Transformation and Support Services	(54)	54	-	(92)	162	12	-	-	-	-	82
Sub total	(744,557)	(162,171)	-	(92)	611,637	1,047,299	17,869	3,301	-	6,215	779,501
Recharged Support Services											
Business Support	-	-	-	-	-	10,174	-	-	-		10,174
Facilities Management Service	-	-	-	-	-	24,297	-	-	-	-	24,29
Finance	-	-	-	-	-	13,942	-	-	-	-	13,942
Human Resources	-	-	-	-	-	6,675	-	-	-	-	6,675
Information Services	-	-	-	-	-	20,360	-	-	-	-	20,360
Procurement	-	-	-	-	-	5,356	-	-	-		5,356
Transformation Support Unit	-	-	-	-	-	6,220	-	-	-	-	6,220
Other Recharged Strategic Support Services	-	-	-	-	-	17,049	-	-	258	-	17,30
Operating costs	-	-	(2,854)	(94,100)	-	-	14,494	-	-	132,883	50,423
Net cost of services (portfolios)	(744,557)	(162,171)	(2,854)	(94,192)	611,637	1,151,372	32,363	3,301	258	139,098	934,25

29.2 Reconciliation to the Cost of Services

The following table provides a reconciliation of the 'Cabinet' analysis to the amounts included in the Comprehensive Income and Expenditure Statement:

2013/14 £000		2014/15 £000
970,656	Net expenditure in the Portfolio Analysis	934,255
207,161	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	182,624
(228,859)	Amounts included in the Analysis but not included in the Cost of Services in the Comprehensive Income and Expenditure Statement	(169,796)
948,958	Cost of Services in the Comprehensive Income & Expenditure Statement	947,083

Note:

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

29.3 Reconciliation to Subjective Analysis

The following reconciliation shows how the figures in the analysis of Cabinet Members' income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis - 2013/14

2013/14	Portfolio Analysis	Amounts not reported to management for decision making	Amounts not included in the Cost of Services	Cost of Services	Corporate amounts	(Surplus) / deficit on the provision of services
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income Interest and investment income Corporate amounts Income from council tax Income from non domestic rates	(171,618) (3,079) (62,793) -	(1,860) - - - -	3,079 62,793 - -	(173,478) - - - -	(3,079) (64,696) (528,694) (39,343)	(173,478) (3,079) (64,696) (528,694) (39,343)
Total income	(237,490)	(1,860)	65,872	(173,478)	(635,812)	(809,290)
Total Government Grants	(733,094)	(16,261)	-	(749,355)	(438,517)	(1,187,872)
Employee expenses Other service expenditure Depreciation, amortisation and impairment Donated assets Interest payable and similar charges Precepts and levies Gain or loss on disposal of fixed assets Corporate amounts Total gross expenditure	645,259 1,099,342 - - - 30,284 3,289 442 162,624	84,317 18,333 123,670 - (40) - (998)	(99,130) (30,244) (3,289) (442) (161,626)	630,446 1,117,675 123,670 - - - - - 1,871,791	30,244 3,289 97,372 99,988	630,446 1,117,675 123,670 - 30,244 3,289 97,372 99,988 2,102,684
Total gross expenditure	1,941,240	225,282	(294,731)	1,8/1,/91	230,893	2,102,684
Deficit on the provision of services	970,656	207,161	(228,859)	948,958	(843,436)	105,522

Section Two - Notes to the Financial Statements

Note:

The comparative figures for the prior year have been restated as a consequence of the change in the policy on accounting for schools. Further details are provided in Note 7 (see page 47).

Reconciliation to Subjective Analysis - 2014/15

2014/15	Portfolio Analysis	Amounts not reported to management for decision making	Amounts not included in the Cost of Services	Cost of Services	Corporate amounts	(Surplus) / deficit on the provision of services
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income Interest and investment income Corporate amounts Income from council tax Income from non domestic rates	(162,171) (2,854) (94,192) - -	(2,080) - - - -	- 2,854 94,192 - -	(164,251) - - - -	(2,854) (69,613) (539,800) (39,725)	(164,251) (2,854) (69,613) (539,800) (39,725)
Total income	(259,217)	(2,080)	97,046	(164,251)	(651,992)	(816,243)
Total Government Grants	(744,557)	(12,988)	-	(757,545)	(441,416)	(1,198,961)
Employee expenses Other service expenditure Depreciation, amortisation and impairment Interest payable and similar charges Precepts and levies Gain or loss on disposal of fixed assets Corporate amounts Total gross expenditure	611,637 1,151,372 - 32,363 3,301 258 139,098	73,915 27,975 97,115 (40) - - (1,273)	(93,135) - - (32,323) (3,301) (258) (137,825) (266,842)	592,417 1,179,347 97,115 - - - 1,868,879	32,323 3,301 217,126 101,140	592,417 1,179,347 97,115 32,323 3,301 217,126 101,140 2,222,769
Deficit on the provision of services	934,255	182,624	(169,796)	947,083	(739,518)	207,565

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 transformation programme includes projects aimed at modernising working practices and utilising mobile technology and will reshape the Council into a smaller core organisation.

An unavoidable consequence of this programme is that a number of employees were made redundant during 2013/14 and 2014/15. The liabilities were recognised in the Cost of Services, in the Comprehensive Income and Expenditure Statement, as follows:

2013/14 £000		2014/15 £000
2,113	Adult Social Care	318
2,251	Children's and Education Services	3,680
297	Cultural and Related Services	863
133	Environmental and Regulatory Services	60
518	Highways and Transport Services	66
208	Planning Services	78
81	Central Services to the public	37
799	Corporate and democratic core	-
32	Trading activities	624
6,432	Total	5,726

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 each 31st March. Provision is raised on the basis of the best estimate of costs.

The numbers of exit packages agreed in each year are set out in the table below:

	2013/	/14				2014/15						
No. package	No. packages agreed in the year Total cost of		Value of exit packages	No. package	No. packages agreed in the year							
Compulsory	Other	Total	packages £000		Compulsory	Other	Total	packages £000				
112	105	217	1,569	Less than £20,000	172	123	295	2,029				
20	25	45	1,254	£20,000 to £39,999	22	37	59	1,814				
2	12	14	683	£40,000 to £59,999	3	6	9	462				
6	12	18	1,416	£60,000 to £99,999	3	3	6	414				
3	5	8	1,141	£100,000 to £299,999	2	-	2	251				
143	159	302	6,063	Total no. of agreed packages	202	169	371	4,970				
			369	Other termination benefits				756				
			6,432					5,726				

The packages included above are those that have been agreed by the Council. The agreement may be legal, contractual or constructive at the end of the financial year in question. 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 and when the Council recognises costs for restructuring (that are in accordance with proper accounting practice) involving the payment of termination 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 **6,100** 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 in excess of **9,000** participating employers.

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 sufficient 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:

	2013/14				2014/15	
Teachers	NHS	Total		Teachers	NHS	Total
£000	£000	£000		£000	£000	£000
29,597	223	29,820	Employer's contributions	27,536	152	27,688
18,620	165	18,785	Employee contributions	18,559	130	18,689
48,217	388	48,605	Total	46,095	282	46,377

In relation to both schemes, 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:

	Teac	chers	NHS		
	2013/14	2014/15	2013/14	2014/15	
Employer's contribution rate	14.1%	14.1%	14%	14%	
Employee contribution rate	6.4% to 11.2%	6.4% to 12.4%	5.0% to 13.3%	5.0% to 14.5%	

There were no contributions remaining payable as at 31 March 2015 (31 March 2014: Nil).

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.

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, which means that the Council and employees pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Administering Authority for the Fund is Essex County Council. The Fund is administered in accordance with the Local Government Pension Scheme Regulations 2014. The LGPS is contracted out of the State Second Pension and provides benefits based on career average re-valued salary and length of service on retirement.

The LGPS is operated under the regulatory framework and the governance of the scheme is the responsibility of the Essex Pension Fund Committee. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

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 and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

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 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. 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 Employer is exposed to a number of risks:

- Investment risk the Fund holds investment 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.

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 the risks above may also benefit the Employer (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 accounting policy note 2.8.3.

 Award of 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 has to 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.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	2013/14				2014/15	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
60,942	-	60,942	Current service cost	56,020	-	56,020
2,600	-	2,600	Past service cost	1,447	-	1,447
(17,826)	-	(17,826)	Gain / loss on settlement	(17,545)	-	(17,545)
45,716	-	45,716		39,922	-	39,922
			Financing and Investment Income and Expenditure			
38,758	1,405	40,163	Net interest expense	35,240	1,566	36,806
84,474	1,405	85,879	Total charged to the Surplus / Deficit on Provision of Services	75,162	1,566	76,728
			Re-measurements of the net pensions liability			
(60,650)	-	(60,650)	Return on scheme assets	(141,403)	-	(141,403)
			Actuarial (gains) / losses arising from changes in:			
65,414	(2,373)	63,041	Financial assumptions	255,183	3,069	258,252
(134,779)	(2,708)	(137,487)	Demographic assumptions	-	-	-
16,601	2,878	19,479	Experience (gain) / loss on defined benefit obligation	17,318	-	17,318
(15,589)	-	(15,589)	Other	-	-	-
(129,003)	(2,203)	(131,206)	Total charged to Other Comprehensive Income and Expenditure	131,098	3,069	134,167
(44,529)	(798)	(45,327)	Total charged to Comprehensive Income and Expenditure Statement	206,260	4,635	210,895
			Movement in Reserves Statement			
(84,474)	(1,405)	(85,879)	Reversal of net charges made to the Surplus / Deficit on the Provision of Services	(75,162)	(1,566)	(76,728)
55,431	3,479	58,910	Actual amount charged against the General Fund Balance for pensions in the year	53,244	3,128	56,372
(29,043)	2,074	(26,969)		(21,918)	1,562	(20,356)

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:

	2013/14				2014/15	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
2,330,568	42,761	2,373,329	Present value of the defined benefit obligation	2,679,567	44,268	2,723,835
(1,511,828)	-	(1,511,828)	Fair value of plan assets	(1,707,811)	-	(1,707,811)
818,740	42,761	861,501	Net liablity arising from defined benefit obligations	971,756	44,268	1,016,024

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 £1.016bn (2013/14: £861.501m) 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.

Scheme Liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

	2013/14				2014/15	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
2,309,937	47,038	2,356,975	Balance as at 1 April	2,330,568	42,761	2,373,329
60,942	-	60,942	Current service cost	56,020	-	56,020
99,581	1,405	100,986	Interest cost	100,847	1,566	102,413
16,526	-	16,526	Contributions by scheme participants	16,567		16,567
			Remeasurement (gains)/losses:			
(134,779)	(2,708)	(137,487)	Actuarial (gains) / losses arising from changes in demographic assumptions	-	-	-
65,414	(2,373)	63,041	Actuarial (gains) / losses arising from changes in financial assumptions	255,183	3,069	258,252
16,601	2,878	19,479	Other	17,318	-	17,318
2,600	-	2,600	Past service costs	1,447	-	1,447
(74,616)	(3,479)	(78,095)	Benefits paid	(76,593)	(3,128)	(79,721)
(31,638)	-	(31,638)	Liabilities extinguished on settlements	(21,790)	-	(21,790)
2,330,568	42,761	2,373,329	Balance as at 31 March	2,679,567	44,268	2,723,835

Scheme Assets

The following table provides a reconciliation of the fair value of scheme assets:

	2013/14				2014/15	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
1,391,237	-	1,391,237	Balance as at 1 April	1,511,828	-	1,511,828
60,823	-	60,823	Interest income	65,607	-	65,607
60,650 15,589	-	60,650 15,589	Remeasurement gain/(loss) Return on plan assets (excl. amount incl in net interest expense) Other	141,403	- -	141,403
55,431	3,479	58,910	Contributions by the Council	53,244	3,128	56,372
16,526	-	16,526	Contributions from employees into the scheme	16,567	-	16,567
(74,616)	(3,479)	(78,095)	Benefits paid	(76,593)	(3,128)	(79,721)
(13,812)		(13,812)	Amounts made for settlements	(4,245)		(4,245)
1,511,828	-	1,511,828	Balance as at 31 March	1,707,811	-	1,707,811

Local Government Pension Scheme assets comprised:

31 March 2014			31 March 2015		
£000	%		£000	%	
1,007,987	66.7%	Equities	1,148,863	67.3%	
120,356	7.9%	Gilts	75,034	4.4%	
120,356	8.0%	Other bonds	163,460	9.6%	
172,862	11.4%	Property	185,495	10.9%	
30,089	2.0%	Cash and cash equivalents	37,442	2.1%	
60,178	4.0%	Alternative assets	97,517	5.7%	
1,511,828	100.0%	Total assets	1,707,811	100.0%	

The percentages of the total Fund held in each asset class were as follows:

	3:	1 March 20	14				3	1 March 20)15	
UI	(Overs	seas	Total		U	K	Over	Overseas	
Quoted	Unquoted	Quoted	Unquoted			Quoted	Unquoted	Quoted	Unquoted	
13.7%	1.0%	48.3%	3.7%	66.7%	Equities	15.3%	0.1%	47.1%	4.8%	67.3%
7.9%	-	-	-	7.9%	Gilts	4.4%	-	-	-	4.4%
8.0%	-	-	-	8.0%	Other bonds	9.6%	-	-	-	9.6%
5.6%	5.8%	-	-	11.4%	Property	4.4%	6.5%	-	-	10.9%
2.0%	-	-	-	2.0%	Cash and cash equivalents	2.1%	-	-	-	2.1%
-	2.7%	-	1.3%	4.0%	Alternative assets	-	3.2%	-	2.5%	5.7%
37.2%	9.5%	48.3%	5.0%	100.0%	Total assets	35.8%	9.8%	47.1%	7.3%	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 Public Sector Consulting**, an independent firm of actuaries. The liabilities have been estimated, based upon the latest full valuation of the scheme as at **31st March 2013**.

The significant assumptions used by the Actuary in its calculations for the Local Government Pension Scheme have been:

Ass	sumptions	2013/14	2014/15
•	Rate of inflation		
	- RPI	3.6%	3.2%
	- CPI	2.8%	2.3%
•	Rate of increase in salaries	4.6%	4.1%
•	Rate of increase in pensions	2.8%	2.3%
•	Discount rate	4.4%	3.3%
•	Mortality assumptions for members retiring in normal health:		
	- Life expectancy for future pensioners retiring in 20 years' time	ne at 65:	
	 Male 	24.9 years	25.1 years
	 Female 	27.4 years	27.6 years
	- Life expectancy of current pensioners retiring today aged 65		
	 Male 	22.7 years	22.8 years
	 Female 	25.1 years	25.2 years
•	Long term expected rate of return on assets in the scheme	8.0%	14%

The actuarial assumptions used in the calculations of the year-end balance sheet liabilities for Teachers' additional unfunded pensions are based on the above assumptions with the following exceptions:

As	sumptions	2013/14	2014/15
•	Rate of inflation		
	- RPI	3.2%	2.7%
	- CPI	2.4%	1.8%
•	Rate of increase in pensions	2.4%	1.8%
•	Discount rate	3.8%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period. It assumes for each change that the assumption analysed changes, whilst all the other assumptions remain constant. The assumptions on longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the

scheme (i.e. on an actuarial basis using the projected unit credit method). The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme	Effect of c	hange in assum	ptions
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	2,634,491	2,679,567	2,725,458
Projected Service Cost	64,283	65,733	67,217
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	2,683,700	2,679,567	2,675,451
Projected Service Cost	65,765	65,733	65,701
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	2,721,732	2,679,567	2,638,126
Projected Service Cost	67,199	65,733	64,299
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	2,585,951	2,679,567	2,774,025
Projected Service Cost	63,502	65,733	67,984

Unfunded Teachers' Pensions	Effect of c	Effect of change in assumptions			
	£000	£000	£000		
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%		
Present value of total obligation	43,867	44,268	44,673		
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%		
Present value of total obligation	44,675	44,268	43,864		
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year		
Present value of total obligation	42,670	44,268	45,881		

32.5 Impact on the Authority'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 due to be carried out as at **31 March 2016** and will set the contributions for the period 1 April 2017 to 31 March 2020.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £44.362m. 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 £3.184m for the year to 31 March 2016.

The weighted average duration of the pension obligation for the Local Government Pension Scheme members is **18** years. For the Teachers awards it is **9** years.

33. Audit costs

The following costs were in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's External Auditor:

2013/14 £000		2014/15 £000
	Audit fees payable to the appointed auditor	
219	External audit services carried out by appointed auditor	219
11	Certification of grant claims and returns	-
57	Other services carried out by appointed auditor	15
287		234
	Rebates received in respect of fees paid in previous years	
-	Rebates received from the Audit Commission	(52)
-	Rebates received in relation to grant fees	(20)
		(72)
287	Net total	162

Notes:

- The fee for 'other services carried out by the appointed auditor' in 2014/15 relates to the
 certification of the Teachers Pensions grant claim, which is no longer covered by the Audit
 Commission's certification arrangements but external audit certification is nevertheless
 required by the grant awarding body.
- The fee for 'other services carried out by appointed auditor' in 2013/14 relates to the running of a workshop on behalf of the Council and the Clinical Commissioning Groups within Essex on the integration of health and social care services; the fee was funded from S256 grant provided by NHS England.
- The rebate received from the Audit Commission in 2014/15 represents the re-distribution of retained earnings to audited bodies in the run up to its closure in March 2015. Any further surpluses remaining after the Commission's closure are expected to be distributed to audited bodies in 2015/16.
- The rebates received in relation to grant fees relates to two claims that were expected to be audited under the Audit Commission's grant certification arrangements, but this did not prove to be necessary.

34. Members' allowances and expenses

The total of allowances and expenses paid to Members of the Council during the year amounted to:

2013/14 £000		2014/15 £000
	Members allowances	
863	Basic allowances	856
611	Special responsibility allowances	643
1,474		1,499
74	Members expenses	57
1,548		1,556

35. Pooled budgets

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 pooled budget agreement is for a three year period, with the option to extend the arrangement for up to two more years. 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 2014/15 were as follows:

		2014/15	
	Contributions	Expenditure	Net
			(surplus) /
			deficit
	£000	£000	£000
Local authorities			
Essex County Council	(8,705)	8,705	-
Thurrock Council	(515)	495	(20)
Clinical Commissioning Groups			
North East Essex	(1,864)	1,864	-
Mid Essex	(2,368)	2,368	-
NHS Trusts			
Colchester University Hospital Foundation Trust	(798)	763	(35)
Mid Essex Hospital Service NHS Trust	(81)	70	(11)
South Essex Partnership University NHS Foundation Trust	(215)	201	(14)
North East London Foundation Trust	(1,995)	1,928	(67)
Total	(16,541)	16,394	(147)

Some partners chose to retain their share of the surplus in the 'pool', to be carried forward for use in 2015/16, whilst others elected to have their surplus repaid.

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.

	2014/15		Remuneration band			2013/14 (restated)			
Tota	Schools	Non-schools				Total	Schools	Non-schools	
294	159	135	£54,999	to	£50,000	302	173	129	
188	105	83	£59,999	to	£55,000	223	130	93	
156	88	68	£64,999	to	£60,000	138	94	44	
87	55	32	£69,999	to	£65,000	84	44	40	
50	18	32	£74,999	to	£70,000	68	27	41	
32	12	20	£79,999	to	£75,000	28	13	15	
20	4	16	£84,999	to	£80,000	25	3	22	
20	4	16	£89,999	to	£85,000	17	3	14	
11	4	7	£94,999	to	£90,000	12	3	9	
9	3	6	£99,999	to	£95,000	7	2	5	
9	2	7	£104,999	to	£100,000	14	4	10	
4	-	4	£109,999	to	£105,000	5	-	5	
7	1	6	£114,999	to	£110,000	4	-	4	
3	-	3	£119,999	to	£115,000	3	-	3	
2	-	2	£124,999	to	£120,000	3	-	3	
2	-	2	£129,999	to	£125,000	2	-	2	
2	-	2	£134,999	to	£130,000	3	-	3	
1	-	1	£139,999	to	£135,000	2	-	2	
	-	-	£144,999	to	£140,000	2	1	1	
897	455	442			Total	942	497	445	

Notes:

Senior officers whose individual remuneration is disclosed in note 37 (page 111) are excluded from the remuneration bandings shown in the above analysis. Prior year comparative figures have been restated on this basis.

37. Senior officers' remuneration

Senior officers include all members of the Council's Corporate Management Board and other statutory officers. Remuneration of senior officers was as follows:

	Notes				Remunerati	on		
	Notes	Salaries,	Bonus	Expense	Compensation	Total	Employer's	Total
		fees and	payments	allowances /	for loss of	remuneration	contribution	remuneration
		allowances		benefits	employment	Excl pension	to pension	Incl. pension
						contributions		contributions
		£	£	£	£	£	£	£
2013/14								
Chief Executive - Ms Joanna Killian		205,972	-	899	=	206,871	25,830	232,701
Executive Director for Schools Children & Families - Mr David Hill		182,000	-	1,199	-	183,199	21,525	204,724
Executive Director - Environment, Sustainability & Highways								
- Mr Robert Overall	(iv)	172,275	-	1,199	-	173,474	20,329	193,803
Director of Transformation - Mr Keir Lynch		157,250	1,500	1,199	-	159,949	18,665	178,614
Executive Director for Corporate Services and								
Customer Operations - Mrs Margaret Lee		157,250	1,500	1,199	=	159,949	18,665	178,614
Executive Director - Family Operations	(vi)	146,500	4,095	1,199	-	151,794	17,801	169,595
Assistant Chief Executive	(vii)	30,675	1,200	300	-	32,175	3,733	35,908
Director - Corporate Law and Assurance	(viii)	121,300	3,436	1,199		125,935	15,342	141,277
Director of Commissioning - Healthy Lifestyles Dr Michael Gogarty	(ix)	159,904	-	1,608	-	161,512	20,031	181,543

					Remunerati			
		Salaries,	Bonus	Expense	Compensation	Total	Employer's	Total
		fees or	payments	allowances	for loss of	remuneration	contribution	remuneration
		allowances			employment	Excl pension contributions	to pension	Incl. pension contributions
		£	£	£	£	£	£	£
2014/15								
Chief Executive - Ms Joanna Killian		205,972	-	1,437	-	207,409	29,089	236,498
Executive Director - People Commissioning Mr David Hill		182,000	7,000	1,293	-	190,293	25,662	215,955
Deputy Chief Executive and Executive Director - Place Commissioning - Mr Robert Overall	(iv)	28,667	-	252	116,663	145,582	8,342	153,924
Executive Director - Place Commissioning Mrs Sonia Davidson-Grant	(v)	48,292	-	-	-	48,292	6,532	54,824
Executive Director - Strategy, Transformation and Commissioning Support - Mr Keir Lynch		157,000	7,500	1,293	-	165,793	22,208	188,001
Executive Director for Corporate and Customer Services - Mrs Margaret Lee		157,000	7,500	1,293	-	165,793	22,208	188,001
Executive Director - People Operations	(vi)	152,500	5,680	1,293	-	159,473	21,316	180,789
Director of Corporate Law and Assurance	(viii)	121,300	2,426	1,447	-	125,173	17,445	142,618
Director of Commissioning - Healthy Lifestyles								
Dr Michael Gogarty	(ix)	166,545	1,917	1,195	-	169,657	21,082	190,739

Notes:

- (i) 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.
- (ii) 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.
- (iii) Bonus payments have been disclosed in the year of payment, but relate to performance in the preceding financial year.
- (iv) The **Deputy Chief Executive and Executive Director Place Commissioning** left the Council on 1st June 2014.
- (v) The **Executive Director Place Commissioning** was initially appointed on an interim basis, taking up the role substantively with effect from December 2014.
- (vi) The **Executive Director People Operations** was appointed to the role in May 2013 (initially as with the role title 'Executive Director Family Operations').
- (vii) The **Assistant Chief Executive** was a member of the Corporate Management Board until 1 July 2013. The figures included in the above table for 2013/14 therefore reflect the remuneration for this officer until this date.
- (viii) The Council's **Director of Corporate Law and Assurance** fulfils the statutory role of Monitoring Officer.
- (ix) The Council's **Director of Commissioning Healthy Lifestyles** fulfils the statutory role of Director of Public Health.
- (x) The services of several of the Council's Corporate Management Board were secured on an interim basis. The amounts disclosed below in respect of these individuals are the <u>costs incurred by the Council</u> to secure their services on this basis, and <u>not</u> the amounts these individuals actually received (which will have been lower):
 - Mr Peter Tempest, who split his time between two roles until September 2014, including the role of Executive Director Adult Operations, which he filled jointly with Mr Mike Boyle. For the remainder of the year, Mr Tempest fulfilled the role of Commissioning and Delivery Director on a full time basis. The total cost to the Council in 2014/15 was £175,113 (2013/14: £192,568);
 - Mr Mike Boyle, who split his time between two roles until September 2014, including the role
 of Executive Director Adult Operations, which he filled jointly with Mr Peter Tempest. For
 the remainder of the year, Mr Boyle fulfilled the role of Commissioning and Delivery Director
 on a full time basis. The total cost to the Council in 2014/15 was £179,434 (2013/14:
 £160,769);
 - Mrs Sonia Davidson-Grant, who fulfilled the role of Executive Director Place Commissioning
 on an interim basis during the period July to December 2014 (before taking up the post on a
 substantive basis) was employed at a cost to the Council in 2014/15 of £109,111.

- The **Executive Director Customer Operations** (between August 2013 and February 2014) was employed at a cost to the Council in 2013/14 of £78,832.
- (xi) The Council also secured services from various other individuals on an interim basis during 2013/14 and 2014/15. The fee charged to the Council in respect of some of these individuals amounted to £150,000 or more, in 2013/14 and/or 2014/15, as follows:
 - Mr Chris Hannan, who held the position of **Interim Programme Director Adults** at a cost to the Council in 2014/15 of **£203,781**.
 - Ms Jo Twine, who held the position of **People Commissioning Capital Programme Manager** at a cost to the Council in 2014/15 of **£214,978** (2013/14: 199,466).
 - Mr Christopher Vaughan, who held the position **Business Incubator Contractor** at a cost to the Council in 2014/15 of £179,884.
 - Mr Christopher Kiernan, who held the position of **Interim Director for Education and Lifelong Learning** at a cost to the Council in 2014/15 of £169,530.
 - Mrs Suzie Goodman, who held the position of Interim Head of Externally Commissioned
 Placements and Family Support at a cost to the Council of £150,577 in 2013/14;
 - Ms Sally Thornton, who held the position of Senior Financial Analyst: Corporate Systems at a cost to the Council of £156,828 in 2013/14.

As noted in paragraph (x) above, the amounts disclosed in respect of these individuals are the <u>costs incurred by the Council</u> to secure their services on an interim basis, and <u>not</u> the amounts these individuals actually received (which will have been lower).

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 the majority 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 13 and 14.
Elected members	Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown in note 34.

Related party	Declaration
	During both 2013/14 and 2014/15, works and services were commissioned from companies in which certain members had an interest. Contracts were entered into in full compliance with the Council's Standing Orders and procurement rules, and were minor in nature and value.
	Cllr Michael Page is a trustee of the Rural Community Council of Essex (RCCE). The Council provided £849,000 to the charity during 2014/15 (2013/14: £385,000).
	Cllr Michael Page is also a member of the Executive Committee of the Essex Association of Local Councils. The Council provided £53,000 to this organisation in 2014/15.
	Cllr Anthony Jackson was the Chairman of Essex Cares Ltd until July 2014. He received £9,500 from Essex Cares Ltd in respect of this role in 2014/15. In addition, Cllr John Spence and Cllr Roger Walters were non-executive directors of the company during 2014/15 (Cllr Spence held this position until 1 December 2014, and Cllr Walters assumed the role thereafter) - each received an allowance of £6,000 from Essex Cares in 2014/15. Further details of the Council's relationship and transactions with Essex Cares Ltd are provided on page 115. Cllr Derrick Louis is a non-executive director and vice chair of Provide (formally known as Central Essex Community Services). The Council made payments totalling £6.045m to this organisation during 2014/15 (2013/14: £4.032m). The decisions to provide funding to, or to transact with, these organisations were made with proper consideration of members' declarations of interest,
	and none of the above members took part in any discussions or decisions relating to the giving of these amounts.
Officers	Members of the Council's Corporate Management Board, and other officers with independent statutory powers, can influence significantly the policies of the authority. The Council's Director of Traded Development was a non-executive director of Essex Cares Ltd until 2 nd January 2015 . Thereafter, the role was fulfilled by Mr Keir Lynch , the Executive Director for Strategy, Transformation and Commissioning Support. Neither officer was remunerated for this role.
Essex Pension Fund	The Council administers the Essex Pension Fund on behalf of its employees and those of the Essex district councils and other admitted bodies. The Council charged £1.702m for administering the Fund during 2014/15, of which £373,000 was outstanding at 31st March 2015 (2013/14: £1.686m, of which £123,000 was outstanding at 31st March 2014).
Essex Fire Authority	The Council's Monitoring Officer is also employed as the Monitoring Officer for the Essex Fire Authority. In addition, the Council provides a pensions'

Related party	Declaration
	service to the Authority.
	The total value of these services in 2014/15 was £156,000, of which £18,000 was outstanding at 31 March 2015 (2013/14: £225,000, of which £79,000 was outstanding at 31 March 2014).
Essex Cares Ltd	Essex Cares Ltd is a 100% 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 119 to 131. The Council commissioned services from Essex Cares Ltd to the value of £32.8m in 2014/15 (2013/14: £31.1m). The Council provided financial, internal audit and other support services to Essex Cares Ltd during 2014/15; the value of these services in 2014/15 was £321,000 (2013/14: £273,000). In addition, the Council's Director for Traded Development provided support to Essex Cares Ltd during 2014/15 in respect of the Company's change programme, at a cost to Essex Cares of £40,000. The Council also provided cash management support to Essex Cares Ltd. The Council paid interest of £7,000 (net) on the amounts it borrowed from Essex Cares Ltd; £1,000 of this total was outstanding at 31st March 2015 (2013/14: paid interest of £4,000 (net) on amounts it borrowed; no amounts outstanding at 31st March 2014). As noted on page 114, three County Councillors and two officers held
	positions on Essex Cares' Board of Directors during 2014/15.
South East Local Enterprise Partnership	The Local Enterprise Partnership has a range of members (including 19 businesses, 19 local authorities, 3 higher / further education representatives and a chairperson). The Council is a partner and the 'accountable body' for the partnership and for the Growing Places grant, which was awarded to the partnership by the Department for Communities and Local Government (CLG).
	The strategic aims of this partnership are to:
	Secure the growth of the Thames Gateway;
	Promote investment in coastal communities;
	Strengthen the rural economy; and
	• Strengthen the competitive advantage of strategic growth locations.
	The Growing Places grant is used to establish and manage a recyclable fund to support economic growth, new enterprise and employment opportunities through the use of this fund.
	As 'accountable body', the Council is responsible for the proper administration and financial probity of the external funds received and it has responsibility for the funding received and its application. Any inappropriate

Related party	Declaration
	use of grant funding, or failure to meet funding regulations, may result in the repayment of grant funding to CLG.
	Grant awarded and received from CLG to date amounts to £49.210m; the unapplied balance, at 31st March 2015, was £32.340m.
	From 2015/16, funding for major transport schemes is being allocated through the Local Growth Fund (LGF) deal managed by the South East Local Enterprise Partnership (SELEP) which covers Essex, Southend, Thurrock, Kent, Medway and East Sussex. Strategic Economic Plans are developed based on programmes that stimulate the local economy and create jobs. Following notification of successful bids to government for LGF, the allocation to the Council will be subject to competitive priorities across the partnership and determined by SELEP. The outcome of Growth Deal Round one for Essex is reflected in the capital programme and proposals are being developed for
	SELEP submission to government to inform the allocation of the second round of Growth Deals.

39. Partnership arrangements

The Council is involved in the following partnership scheme under Section 75 of the National Health Service Act 2006:

Partnership	Nature of partnership
Essex Drug and Alcohol partnership (EDAP)	This partnership aims to reduce and prevent usage of illegal drugs and alcohol, minimise their harm, treat and rehabilitate users, reduce related offending and crime, and thereby make a contribution to community well-being. The partners comprise the County Council, the County's Clinical Commissioning Groups, Essex Police, Essex Probation Service and HMP Chelmsford. The County Council receives funding from Public Health England (i.e. Public Health Grant), NHS England (Section 75 funding) and the Police and Crime Commissioner. These funds are managed by the Council, as lead commissioner, to support substance misuse services within Essex under the terms of the partnership. The Council accounts for the receipt of funding and related expenditure within its Statement of Accounts. Gross expenditure amounted to £13.603m in 2014/15, of which £2.042m was financed from partnership contributions and the remainder from Public Health Grant (2013/14: Gross expenditure amounted to £12.145m in 2014/15, of which £2.713m was financed from partnership contributions and Public Health Grant).

40. Accounting for schools

As noted in accounting policy note **2.17** (which commences on page 36), 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:

2013/14								2014/15	5	
Nursery schools	Primary S schools	Secondary schools	Special schools	Total		Nursery schools	Primary schools	Secondary schools	Special schools	Tota
2	216	3	14	235	Community schools	1	193	2	13	209
-	44	6	2	52	Foundation schools	-	40	2	2	4
-	5	-	-	5	Foundation schools (C of E)	-	5	-	-	
-	62	1	-	63	Voluntary controlled schools	-	60	1	-	6
-	59	3	-	62	Voluntary aided schools	-	57	3	-	6
2	386	13	16	417	Total	1	355	8	15	37

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 Schools Forum.

Note **15** on the Dedicated Schools Grant (see page 64) shows the total of the Individual Schools budget, which is divided into a budget share for each maintained school.

The reduction in the number of local maintained schools between 2013/14 and 2014/15 shown in the above table mainly results from schools converting to academy status during the year. Academy schools are publically 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 has to 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').

41. Events after the Balance Sheet Date

The Statement of Accounts was certified by the Executive Director for Corporate and Customer Services on **21st September 2015**. Events taking place after this date were not reflected in the financial statements or notes.

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

These statements (the purposes of which are explained on page 18), 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.

	Page
Group Movement in Reserves Statement	120
Group Comprehensive Income and Expenditure Statement	121
Group Balance Sheet	122
Group Cash Flow Statement	123
Notes to the Group Accounts	124

Group Movement in Reserves Statement

For the year ended 31 March 2015

	Notes			U	sable Reserves				Total	Total	Analysis of	Reserves
		Earmarked General Reserves £000	General Fund Balance £000	Authority share of Profit and Loss Reserve of Subsidiary £000	Authority share of Pension Reserve of Subsidiary £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Reserves	Total Authority Reserves	Authority Share of Reserves of Subsidiary £000
Balance at 31 March 2013		(269,890)	(85,551)	(3,278)	(384)	(3,048)	(33,309)	(395,460)	(872,629)	(1,268,089)	(1,264,427)	(3,662)
Movement in Reserves during 2013/14												
Deficit on Provision of Services Other Comprehensive Expenditure & Income	3	-	105,522	176 -	- (6,090)	-	-	105,698 (6,090)	(217,747)	105,698 (223,837)	105,522 (217,747)	176 (6,090)
Total Comprehensive Expenditure and Income		-	105,522	176	(6,090)	-	-	99,608	(217,747)	(118,139)	(112,225)	(5,914)
Adjustments between accounting basis & funding under regulations		-	(125,252)	(888)	888	(18,228)	17,740	(125,740)	125,740	-	-	-
Net (increase)/decrease before transfers to earmarked reserves		-	(19,730)	(712)	(5,202)	(18,228)	17,740	(26,132)	(92,007)	(118,139)	(112,225)	(5,914)
Transfers to Earmarked Reserves		(47,918)	47,918	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2013/14		(47,918)	28,188	(712)	(5,202)	(18,228)	17,740	(26,132)	(92,007)	(118,139)	(112,225)	(5,914)
Balance at 31 March 2014		(317,808)	(57,363)	(3,990)	(5,586)	(21,276)	(15,569)	(421,592)	(964,636)	(1,386,228)	(1,376,652)	(9,576)
Movement in Reserves during 2014/15												
Deficit on Provision of Services		-	207,565	768	-	-	-	208,333	-	208,333	207,565	768
Other Comprehensive Expenditure & Income		-	-	-	3,232	-	-	3,232	(11,537)	(8,305)	(11,537)	3,232
Total Comprehensive Expenditure and Income		-	207,565	768	3,232	-	-	211,565	(11,537)	200,028	196,028	4,000
Adjustments between accounting basis & funding under regulations		-	(202,943)	(596)	596	21,276	12,841	(168,826)	168,826	-	-	-
Net (increase)/decrease before transfers to earmarked reserves			4,622	172	3,828	21,276	12,841	42,739	157,289	200,028	196,028	4,000
Transfers from Earmarked Reserves		6,359	(6,359)	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2014/15		6,359	(1,737)	172	3,828	21,276	12,841	42,739	157,289	200,028	196,028	4,000
Balance at 31 March 2015		(311,449)	(59,100)	(3,818)	(1,758)	-	(2,728)	(378,853)	(807,347)	(1,186,200)	(1,180,624)	(5,576)

Note:

Prior year comparatives have been restated – see Note 3 to the Group Accounts (which commences on page 124) for details.

Group Comprehensive Income and Expenditure Statement

For the year ended 31st March 2015

	2013/14	(Restated)		Note			201	4/15	
Gross	Income	Government	Net			Gross	Income	Government	Net
expenditure		grants	Expenditure			expenditure		grants	expenditure
£000	£000	£000	£000			£000	£000	£000	£000
531,155	(81,726)	(25,285)	424,144		Adult Social Care	557,796	(83,609)	(35,946)	438,241
1,015,314	(62,113)	(669,806)	283,395	3	Children's and Education services	946,086	(56,350)	(654,568)	235,168
29,615	(4,572)	(3,825)	21,218		Cultural and Related services	37,587	(3,739)	(317)	33,531
75,360	(2,669)	(2,994)	69,697		Environmental and Regulatory Services	87,300	(2,509)	(2,945)	81,846
135,521	(21,605)	(1,020)	112,896		Highways and Transport Services	157,756	(18,308)	(3,641)	135,807
1,847	(661)	-	1,186		Housing services	1,880	(667)	(41)	1,172
13,761	(1,088)	(544)	12,129		Planning services	15,757	(1,660)	(1,271)	12,826
47,283	(1,234)	(45,065)	984		Public Health Services	49,786	(4)	(57,670)	(7,888)
47,203	(1,254)	(43,003)	304		Central Services	45,700	(4)	(37,070)	(7,000)
9,481	(4,373)	_	5,108		Central services to the public	8,966	(4,145)	_	4,821
34,334	(1,297)	(744)	32,293		Corporate and democratic core	29,836	(1,145)	(1,086)	27,605
	(1,297)	, ,			·				
(13,823)	б	(72)	(13,889)		Non distributed costs	(15,058)	55	(60)	(15,063)
1,879,848	(181,332)	(749,355)	949,161		Cost of services - continuing operations	1,877,692	(172,081)	(757,545)	948,066
100,661	-	-	100,661	3	Other Operating Expenditure	220,427	-	-	220,427
130,194	(67,780)	-	62,414		Financing and Investment Income and Expenditure	133,256	(72,475)	-	60,781
-	(568,037)	(438,517)	(1,006,554)	3	Taxation and non specific grant income	-	(579,525)	(441,416)	(1,020,941)
2,110,703	(817,149)	(1,187,872)	105,682		Deficit on Provision of Services	2,231,375	(824,081)	(1,198,961)	208,333
			16		Tax expenses of subsidiary				-
			105,698		Group deficit				208,333
			(86,943)	3	Surplus arising on revaluation of non-current assets				(146,455)
			664		Impairment losses on non-current assets charged to Revaluation Rese	rve			1,080
			(262)		Surplus arising on revaluation of available for sale financial assets				(329)
			(137,296)		Re-measurements of the net defined benefits pension liability				137,399
			(223,837)		Other Comprehensive Income and Expenditure				(8,305)
			(118,139)		Total Comprehensive Income and Expenditure				200,028

Note:

121

Prior year comparatives have been restated – see Note 3 to the Group Accounts (which commences on page 124) for details.

Group Balance Sheet as at 31st March 2015

1 April 2013 Restated	31 March 2014 Restated	Note		31 March	h 2015
£000	£000			£000	£000
			Property, Plant and Equipment		
			Operational assets		
1,763,179	1,712,330		Land and buildings	1,655,215	
61,218	74,038		Vehicles, plant and equipment	24,505	
667,957	772,530		Infrastructure	822,963	
3,006	2,635		Community assets	2,272	
			Non operational assets		
140,050	61,746		Assets under construction	92,621	
17,257	16,056		Surplus assets held pending disposal	33,400	
2,652,667	2,639,335		Total Property, Plant and Equipment	2,630,976	
14,340	14,067		Heritage assets	14,368	
5,371 1,503	6,577 879		Investment property Intangible assets	6,674 319	
4,638	7,432		Long term investments	4,772	
20,885	17,768		Long term debtors	16,807	
			_		2 572 045
2,699,404	2,686,058		Long term assets		2,673,916
184,837	146,317		Short term investments	122,277	
1,402	1,361		Inventory	1,272	
45	-		Current intangible assets	-	
108,681	118,247	4	Short term debtors	130,775	
70,903	155,396		Cash and cash equivalents Assets held for sale	136,959	
8,318	4,431			9,188	
374,186	425,752		Current assets		400,471
(22,372)	(25,338)		Short-term borrowing	(21,774)	
(229,450)	(222,663)	4	Creditors	(230,824)	
(15,957)	(24,187)		Revenue grant receipts in advance	(15,902)	
(44,337)	(46,930)		Capital grant receipts in advance	(52,285)	
(7,741)	(10,572)		Provisions (current)	(15,519)	
(3,283)	(4,872)		Finance lease obligations - short term	(7,105)	
(323,140)	(334,562)		Current liabilities		(343,409)
(222)	(20)		Long town graditors	(24)	
(222) (25,560)	(30) (24,403)		Long term creditors Provisions (non-current)	(34) (22,476)	
(342,261)	(335,081)		Long term borrowing	(338,751)	
(342,201)	(333,061)		Other long term liabilities	(330,731)	
(132,670)	(160,033)		Finance lease obligations - long term	(154,459)	
(16,294)	(15,558)		Deferred credits	(14,792)	
(965,354)	(855,915)		Net Pensions liability	(1,014,266)	
(1,482,361)	(1,391,020)		Long term liabilities	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(1,544,778)
1,268,089	1,386,228		Net Assets		1,186,200
			Usable reserves		
(269,890)	(317,808)		Earmarked reserves	(311,449)	
(85,551)	(57,363)		General Fund Balance	(59,100)	
(3,278)	(3,990)		Profit and Loss reserve	(3,818)	
(384)	(5,586)	5	Pension reserve	(1,758)	
(3,048)	(21,276)		Usable capital receipts reserve		
(33,309)	(15,569)		Capital grants unapplied	(2,728)	
(395,460)	(421,592)				(378,853)
			Unusable reserves		
(344,910)	(392,474)		Revaluation reserve	(492,334)	
(1,503,798)	(1,439,616)		Capital Adjustments Account	(1,330,124)	
3,261	3,221		Financial Instruments Adjustment Account	3,181	
	(262)		Available for Sale Financial Instruments Reserve	(591)	
965,738	861,501	5	Pension reserve	1,016,024	
(3,221)	- (44.00=1		Deferred capital receipts	(40.000)	
(6,242)	(11,987)		Collection Fund Adjustment Account	(15,671)	
16,543	14,981		Accumulating Compensated Absences Adjustment Account	12,168	
(872,629)	(964,636)				(807,347)
(1,268,089)	(1,386,228)		Total Reserves		(1,186,200)

Note: Prior year comparatives have been restated – see Note 3 to the Group Accounts (which commences on page 124) for details.

Group Cash Flow Statement

For the year ended 31 March 2015

2013/14 £000	Notes		2014/15 £000
(116,323)	6	Operating activities	(37,857)
(19,556)		Investing activities	50,829
51,386	\downarrow	Financing activities	5,465
(84,493)		Net (increase) / decrease in cash and cash equivalents	18,437
70,903		Cash and cash equivalents at 1st April	155,396
155,396		Cash and cash equivalents at 31st March	136,959

Notes to the Group Accounts

1. Group boundary

The Council has an interest in a number of entities, the most significant of which is Essex Cares Ltd.

Essex Cares Ltd commenced trading in July 2009 and was established by the Council in order 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; has consolidated the financial statements of the company with those of the Council on a line by line basis; and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

3. Prior period adjustments

The Council has made some prior period adjustments to comparative figures in its single entity accounts as a result of a change it has made to its policy on accounting for schools. The change in accounting policy is explained in Note 7.1 (see page 47).

Comparative amounts for the prior period have been restated to apply the change in accounting policy for the Property, Plant and Equipment of locally maintained schools. The impact of these changes on the Group 2013/14 Comprehensive Income and Expenditure Statement and Movement in Reserve Statement, and on the Group Balance Sheets as at 1 April 2013 and 31 March 2014, are shown below. These changes have no impact on the Group Cash Flow Statement for 2013/14.

3.1 Restatement of the 2013/14 Group Comprehensive Income and Expenditure Statement

	2013/14 Statement of Accounts	Prior period a Voluntary controlled schools	djustments Foundation school	2013/14 Restated
	£000	£000	£000	£000
Cost of services	957,074	(4,216)	(3,697)	949,161
Other Operating Expenditure Financing and Investment Income and Expenditure Taxation and Non-Specific Grant Income	124,912 62,414 (1,026,960)	(24,251) - 20,406	- - -	100,661 62,414 (1,006,554)
Deficit on Provision of Services	117,440	(8,061)	(3,697)	105,682
Tax expenses of subsidiary	16	-	-	16
Group deficit	117,456	(8,061)	(3,697)	105,698
Surplus arising on revaluation of non-current assets Impairment losses on non-current assets charged to Revaluation Reserve Surplus arising on revaluation of available for sale financial assets Re-measurements of the net pension liability	(84,578) 664 (262) (137,296)	2,451 - -	(4,816) - - -	(86,943) 664 (262) (137,296)
Other Comprehensive Income and Expenditure	(221,472)	2,451	(4,816)	(223,837)
Total Comprehensive Income and Expenditure	(104,016)	(5,610)	(8,513)	(118,139)

3.2 Restatement of the 2013/14 Group Movement in Reserves Statement

	2013/14 Statement of Accounts £000	Prior period a Voluntary controlled schools £000	djustments Foundation school	2013/14 Restated
Balance at 31 March 2013	(1,121,942)	176,996	(323,143)	(1,268,089)
Movement in Reserves during 2013/14				
Surplus on Provision of Services Other Comprehensive Income and Expenditure	117,456 (221,472)	(8,061) 2,451	(3,697) (4,816)	105,698 (223,837)
Total Comprehensive Income and Expenditure	(104,016)	(5,610)	(8,513)	(118,139)
Adjustments between accounting basis and funding under regulations	-	-	-	-
Net increase / decrease before transfers to earmarked reserves	(104,016)	(5,610)	(8,513)	(118,139)
Transfers to Earmarked Reserves	-	-	-	-
Increase in 2013/14	(104,016)	(5,610)	(8,513)	(118,139)
Balance at 31 March 2014	(1,225,958)	171,386	(331,656)	(1,386,228)

3.3 Restatement of the Balance Sheet as at 1 April 2013

	1 April 2013	Prior period a	•	1 April 2013
	Per 2013/14	Voluntary	Foundation	Restated
	Statement	Controlled	schools	
	of Accounts	schools		
Property, Plant and Equipment	£000	£000	£000	£000
Operational assets				
Land and buildings	1,608,850	(168,814)	323,143	1,763,179
Vehicles, plant and equipment	68,315	(7,097)	-	61,218
Infrastructure	667,957	-	-	667,957
Community assets	3,006	-	-	3,006
Non operational assets				
Assets under construction	141,135	(1,085)	-	140,050
Surplus assets held pending disposal	17,257	-	-	17,257
Total Property, Plant and Equipment	2,506,520	(176,996)	323,143	2,652,667
Other long term assets	2,553,257	(176,996)	323,143	2,699,404
Current Assets	374,186	-	-	374,186
Current liabilities	(323,140)	-	-	(323,140)
Long term liabilities	(1,482,361)	-	-	(1,482,361)
Net Assets	1,121,942	(176,996)	323,143	1,268,089
Usable reserves	(395,460)	-	-	(395,460)
Unusable reserves				
Revaluation reserve	(370,904)	25,994	-	(344,910)
Capital Adjustments Account	(1,331,657)	151,002	(323,143)	(1,503,798)
Other unusable reserves	976,079	-	-	976,079
	(726,482)	176,996	(323,143)	(872,629)
Total Equity	(1,121,942)	176,996	(323,143)	(1,268,089)

3.4 Restatement of the Balance Sheet as at 31 March 2014

	31 March 2014	Prior period a	djustments	31 March 2014
	Per 2013/14	Voluntary	Foundation	Restated
	Statement	Controlled	schools	
	of Accounts	schools		
Property, Plant and Equipment	£000	£000	£000	£000
Operational assets				
Land and buildings	1,540,924	(159,622)	331,028	1,712,330
Vehicles, plant and equipment	85,383	(11,345)	-	74,038
Infrastructure	772,530	-	-	772,530
Community assets	2,635	-	-	2,635
Non operational assets				
Assets under construction	61,537	(419)	628	61,746
Surplus assets held pending disposal	16,056	-	-	16,056
Total Property, Plant and Equipment	2,479,065	(171,386)	331,656	2,639,335
Other long term assets	2,525,788	(171,386)	331,656	2,686,058
Current Assets	425,752	-	-	425,752
Current liabilities	(334,562)	-	-	(334,562)
Long term liabilities	(1,391,020)	-	-	(1,391,020)
Net Assets	1,225,958	(171,386)	331,656	1,386,228
Usable reserves	(421,592)	-	-	(421,592)
Unusable reserves				
Revaluation reserve	(415,094)	27,436	(4,816)	(392,474)
Capital Adjustments Account	(1,256,726)	143,950	(326,840)	(1,439,616)
Other unusable reserves	867,454	-	-	867,454
	(804,366)	171,386	(331,656)	(964,636)
Total Equity	(1,225,958)	171,386	(331,656)	(1,386,228)

4. Debtors and creditors

The debtors and creditors included within the Group Accounts exclude any amounts owed within the 'Group'.

5. Defined Benefit Pension Schemes

Note 32 of the Council's single entity accounts provides an explanation of the Council's participation in the Local Government Pension Scheme. Essex Cares Ltd also participates in this scheme as an admitted body. The following paragraphs explain the Group transactions relating to retirement benefits, the Group assets and liabilities within the Scheme and the basis for estimating those assets and liabilities and the change in the Group Pension Reserve.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during 2014/15:

	2013/14				2014/15	
Council	Subsidiary	Group		Council	Subsidiary	Group
£000	£000	£000		£000	£000	£000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
60,942	1,900	62,842	Current service cost	56,020	1,670	57,690
2,600	99	2,699	Past service cost	1,447	-	1,447
(17,826)	-	(17,826)	Gain / loss on settlement	(17,545)	-	(17,545)
45,716	1,999	47,715		39,922	1,670	41,592
			Financing and Investment Income and Expenditure			
38,758	(39)	38,719	Net interest expense	35,240	(208)	35,032
38,758	(39)	38,719		35,240	(208)	35,032
84,474	1,960	86,434	Total charge to the Surplus / Deficit on Provision of Services	75,162	1,462	76,624
			Re-measurement of the net pensions liability			
(60,650)	(1,947)	(62,597)	Return on scheme assets	(141,403)	(4,631)	(146,034)
			Actuarial (gains) / losses arising from changes in:			
65,414	1,016	66,430	Financial assumptions	255,183	8,134	263,317
(134,779)	(2,307)	(137,086)	Demographic assumptions	-	-	-
16,601	(2,503)	14,098	Experience (gain) / loss on defined benefit obligation	17,318	-	17,318
(15,589)	(349)	(15,938)	Other	-	(271)	(271)
(129,003)	(6,090)	(135,093)	Total charged to Other Comprehensive Income and Expenditure	131,098	3,232	134,330
(44,529)	(4,130)	(48,659)	Total charged to the Comprehensive Income and Expenditure Statement	206,260	4,694	210,954
			Movement on the Authority's General Fund Balance			
			Reversal of net charges made for retirement benefits in accordance with IAS			
(84,474)	(1,960)	(86,434)	19	(75,162)	(1,462)	(76,624)
55,431	1,072	56,503	Actual amount charged against the General Fund Balance for pensions in the	53,244	866	54,110
			year			
(29,043)	(888)	(29,931)		(21,918)	(596)	(22,514)

The amount included within the Group Balance Sheet in respect of its defined benefit pension plan is:

	2013/14				2014/15	
Council	Subsidiary	Total		Council	Subsidiary	Total
£000	£000	£000		£000	£000	£000
2,330,568	44,233	2,374,801	Present value of the defined benefit obligation	2,679,567	55,622	2,735,189
(1,511,828)	(49,819)	(1,561,647)	Fair value of plan assets	(1,707,811)	(57,380)	(1,765,191)
818,740	(5,586)	813,154	Net liablity arising from defined benefit obligations	971,756	(1,758)	969,998

The following table provides a reconciliation of the present value of scheme liabilities:

	2013/14				2014/15	
Authority £000	Subsidiary £000	Group £000		Authority £000	Subsidiary £000	Group £000
2,309,937	44,219	2,354,156	Balance as at 1 April	2,330,568	44,233	2,374,801
60,942	1,897	62,839	Current service cost	56,020	1,670	57,690
99,581	2,045	101,626	Interest Cost	100,847	2,020	102,867
16,526	592	17,118	Contributions by scheme participants	16,567	520	17,087
			Actuarial (gains) / losses			
(134,779)	(2,307)	(137,086)	Actuarial (gains) / losses arising from changes in demographic assumptions	-	-	-
65,414	1,016	66,430	Actuarial (gains) / losses arising from changes in financial assumptions	255,183	8,134	263,317
-	(2,503)	(2,503)	Experience loss (gain) on defined benefit obligation	-	-	-
16,601	-	16,601	Other	17,318	-	17,318
2,600	99	2,699	Past service costs	1,447	-	1,447
(74,616)	(825)	(75,441)	Benefits paid	(76,593)	(955)	(77,548)
(31,638)	-	(31,638)	Liabilities extinguished on settlements	(21,790)	-	(21,790)
2,330,568	44,233	2,374,801	Balance as at 31 March	2,679,567	55,622	2,735,189

The following table provides a reconciliation of the fair value of scheme assets:

	2013/14				2014/15	
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
1,391,237	44,603	1,435,840	Balance as at 1 April	1,511,828	49,819	1,561,647
60,823	2,081	62,904	Interest income	65,607	2,228	67,835
60,650 15,589	1,947 349	62,597 15,938	Remeasurement gain / (loss) Return on plan assets (excl. amount incl in net interest expense) Other	141,403	4,631 271	146,034 271
55,431	1,072	56,503	Contributions by Employer	53,244	866	54,110
16,526	592	17,118	Contributions by scheme participants	16,567	520	17,087
(74,616)	(825)	(75,441)	Benefits paid	(76,593)	(955)	(77,548)
(13,812)	-	(13,812)	Settlements	(4,245)	-	(4,245)
1,511,828	49,819	1,561,647	Balance as at 31 March	1,707,811	57,380	1,765,191

The Scheme assets comprised:

31 March 2	2014		31 March 2015	
£000	%		£000	%
1,041,365	66.7%	Equities	1,187,459	67.3%
124,342	8.0%	Gilts	77,555	4.4%
124,341	8.0%	Other bonds	168,953	9.6%
178,342	11.3%	Property	191,730	10.8%
31,085	2.0%	Cash and cash equivalents	38,701	2.2%
62,172	4.0%	Alternative Assets	100,793	5.7%
1,561,647	100.0%	Total assets	1,765,191	100.0%

Note: Whilst the comparative amounts for the prior year are consistent with those shown in the 2013/14 Statement of Accounts, the percentages have been restated.

Paragraph 32.4 of the Council's 'single entity' accounts, which commences on page 104, set out the significant assumptions used by the Actuary in its calculations for the Local Government Pension Scheme. 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	2,689,020	2,735,189	2,782,196	
Projected Service Cost	66,337	67,832	69,362	
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%	
Present value of total obligation	2,739,458	2,735,189	2,730,937	
Projected Service Cost	67,864	67,832	67,800	
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%	
Present value of total obligation	2,778,349	2,735,189	2,692,775	
Projected Service Cost	69,343	67,832	66,353	
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year	
Present value of total obligation	2,639,654	2,735,189	2,831,585	
Projected Service Cost	65,529	67,832	69,847	

6. Cash Flow

The cash flows for operating, investing and financing activities include the following items:

2013/14		2014	-
£000		£000	£000
	Cash flows from operating activities		
	Cash inflows		
(562,292)	Taxation	(575,841)	
(1,124,947)	Grants	(1,095,012)	
(209,191)	Sales of goods and rendering of services	(200,054)	
(4,112)	Interest received	(3,138)	
(1,900,542)			(1,874,045
	Cash outflows		
572,991	Cash paid to and on behalf of employees	562,753	
31,046	Interest paid	33,057	
1,051,060	Cash paid to suppliers of goods and services	1,116,948	
129,122	Other payments for operating activities	123,430	
1,784,219			1,836,18
(116,323)	Net inflow of cash from operating activities		(37,85
	Cash flows from investing activities		
	Cash inflows		
	Proceeds from the sale of property, plant and equipment,		
(19,903)	investment property and intangible asssets	(9,161)	
(38,000)	Proceeds from short and long term investments	(27,000)	
(79,610)	Other receipts from investing activities	(102,647)	
(137,513)			(138,80
	Cash outflows		
	Purchase of property, plant and equipment, investment		
95,789	property and intangible assets	161,276	
2,500	Purchase of short and long term investments	-	
19,668	Other payments for investing activities	28,361	
117,957			189,63
(19,556)	Net (inflow) / outflow of cash from investing activities		50,82
	Cash flows generated from financing activities		
	Cash inflows		
(114)	Other receipts from financing activities	(114)	
(114)			(4,23
	Cash outflows		
	Cash payments for the reduction of liabilities related to		
4,203	Finance Leases (incl. PFI contracts)	5,685	
4,214	Repayment of short and long term borrowing	4,014	
43,083	Other payments for financing activities	-	
51,500			9,69
51,386	Net outflow of cash from financing activities		5,46
	Net (increase) / decrease in cash and cash equivalents		18,43

Note: Whilst the comparative figures for the prior year are consistent with those shown in the 2013/14 Statement of Accounts, cash outflows from investing activities have been reclassified as a consequence of the change in the policy on accounting for schools. In addition, comparative figures for cash inflows from operating activities have been reclassified to include non-domestic rates' 'top up' grant within 'grants' rather than 'taxation'.

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.

	Page
Fund Account	133
Net Assets Statement	134
Notes to the Pension Fund Accounts	135

Pension Fund Accounts

Fund Account for the year ended 31 March 2015

2013/14	Note		2014/	15
Restated £000			£000	£000
		Dealing with members and others directly involved in the Fund		
		Income		
		Contributions receivable		
(48,843)	8	Member contributions	(52,676)	
(164,798)	8	Employers' contributions	(188,654)	
(10,157)	8	Transfers in from other Pension Funds	(8,181)	
(66)		Other income	(149)	
(223,864)		Total income		(249,660)
		Expenditure		
		Benefits payable		
162,589	8	Pensions	170,900	
36,518		Commutation of pensions & lump sum retirement benefits	31,876	
3,951		Lump sum death benefits	4,440	
		Payments to and on account of Leavers		
29		Refunds of contributions	183	
7		State scheme premiums	91	
9,967	8 10	Transfers out to other schemes	64,563	
24,011	10	Management expenses	28,779	
237,072		Total expenditure		300,832
13,208		Net additions from dealings with members	-	51,172
		Returns on investments		
(63,564)	9	Investment income	(75,727)	
		Profit and losses on disposal of investments and changes in		
(331,555)	11	market value of investments	(573,424)	
3,010	14	Taxes on income	2,730	
(392,109)		Net returns on investments		(646,421)
		Net (increase)/decrease in the assets available for benefits	-	
(378,901)		during the year		(595,249)
(3,958,473)		Net assets as at 1 April		(4,337,374)
(4,337,374)		Net assets as at 31 March	-	(4,932,623)

Pension Fund Accounts

Net Assets Statement as at 31 March 2015

31 March 2014	Note		31 March 2	2015
£000			£000	£000
	11	Investments at market value		
406 500		Investment assets	222 560	
186,598		Fixed interest securities	232,568	
2,644,294		Equities	3,065,508	
344,996		Index linked securities	216,532	
237,300		Property	322,135	
231,664		Property unit trusts	217,452	
212,033		Private Equity	237,979	
127,236		Infrastructure	158,975	
34,705		Timber	49,057	
-		Illiquid Debt	63,329	
185,029		Other managed funds	253,665	
4,282		Derivative contracts	22,902	
93,508		Cash/deposits	109,810	
10,524		Other investment balances	6,434	
4,312,169				4,956,346
		Investment liabilities		
(390)		Derivative contracts	(48,206)	
(1,541)		Other investment balances	(1,987)	
(1,931)			() /	(50,193)
(=/5 5 = /				(55,255)
4,310,238	\downarrow	Total Investments		4,906,153
, ,				
		Long term assets		
7,907		Contributions due from employers		6,456
,		• •		·
	13	Current assets and liabilities		
		Current Assets		
13,638		Cash		13,967
13,000		Contributions due from employers and		_0,507
18,516		other current assets		16,144
10,510		other dancine assets		20,244
4,350,299			_	4,942,720
4,330,233				7,572,720
		Current liabilities		
(12,925)	\downarrow	Unpaid benefits and other current liabilities		(10,097)
(12,323)	•	Onpaid benefits and other current habilities		(10,097)
4,337,374		Net assets of the scheme available to fund benefits	_	4,932,623
4,337,374		iver assets of the scheme available to fully beliefly	_	4,332,023

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 2009.

The Fund is a contributory defined benefit pension scheme administered by Essex County Council to provide pensions and other benefits for its 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 Board and Investment Steering Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Executive Director for Corporate and Customer Services 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 Investment Steering Committee (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 Board. The Fund's Statement of Investment Principles is contained in the Pension Fund Annual Report and Accounts and can be found on the Pension Fund website (www.essexpensionfund.co.uk).

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 **580** employer organisations within Essex Pension Fund including the County Council itself.

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 31 March 2015. 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 **31 March 2013**. 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 the Consumer Prices Index.

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 2014/15 issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector and with the guidelines set out in the Statement of Recommended Practice 2014/15 (SORP) and the Financial Reports of Pension Schemes Statement of Recommended Practice (revised May 2007). The accounts are prepared on a going concern basis.

The Pension Fund publishes a number of statutory documents, including a Statement of Investment Principles, a Funding Strategy Statement and Statements of Compliance. Copies are available on the Pension Fund website www.essexpensionfund.co.uk.

The Pension Fund Financial Statement of Accounts summarises the transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts do not reflect obligations to pay pensions and benefits that fall due after the financial year. However, a statement calculating the Fund's actuarial present value of promised retirement benefits as at 31 March 2015 using IAS19 methodology is included in the notes to the accounts and can be found at Note 3.3.

3. Actuarial valuation

The contributions payable for 2014/15 were determined by the 2013 Actuarial Valuation.

3.1 Actuarial Valuation 2013

An actuarial valuation of the Essex Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. The results of the valuation are contained within the Statement by the Consulting Actuary of the Pension Fund Report and Accounts.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £3,926m (on a smoothed basis) represented 80% of the Funding Target liabilities of £4,878m at the valuation date. The valuation also showed that a common rate of contribution of 14.3% of Pensionable Pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit could be eliminated by an average additional contribution rate of **7.2%** of Pensionable Pay for 20 years. This would imply an average employer contribution rate of **21.5%** of Pensionable Pay in total.

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 funding plan 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 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.

The main financial assumptions used were as follows:

	Past and Future liabilities Rate per annum
Rate of discount	5.80%
Retail Price Index (RPI)	3.50%
Consumer Price Index (CPI)	2.70%
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.70%
Short term pay increase	In line with CPI assumptions for 2 years to 31 March 2015
Long term pay increase	4.50%

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contributions payable by the individual employers will be revised with effect from 1 April 2017.

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 17. 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 are 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 a roll forward approach in valuing the Fund's liabilities which were last calculated at the triennial actuarial valuation as at 31 March 2013.

Liabilities are valued using a discount rate based on corporate bond yields. At 31 March 2015 the Actuary has used the point of the Merrill Lynch AA-rated corporate bond yield curve which is closest to the duration of the Fund's liabilities.

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 2015 is 18 years which in turn means a discount rate of 3.3% per annum (31 March 2014: 4.4%). The value of the Fund's promised retirement benefits as at 31 March 2015 was £7,517m (31 March 2014: £6,515m).

Similar calculations were carried out as per the prior actuarial valuation date of 31 March 2013, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where a rate of **4.3**% per annum was used. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was **£6,585m**.

4. Accounting policies

4.1 Fund Account – revenue recognition

4.1.1 Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which it relates.

Employer deficit funding 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 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 8 which commences on page 148).

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 8 which commences on page 148).

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

This income is recognised in the Fund Account on the date the shares are quoted exdividend. 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 14 (page 163).

Income from fixed interest, index linked securities, cash and short term deposits

This 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 includes the amortisation of any discount or premium, transaction cost or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Income from other investments

This income is accounted for on an accruals basis. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement under other investment balances.

Property related income

This consists primarily of rental income on property leases, and is recognised on a straight line basis over the term of the leases.

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 increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

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.

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 14).

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 Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses where possible in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Costs'.

4.2.4 Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. In 2014/15 this totalled £1.272m (£1.041m in 2013/14).

4.2.5 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. In 2014/15, this totalled £1.306m (£1.543m in 2013/14).

4.2.6 Investment management expenses

All investment management expenses are accounted for an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The Fund had one manager, FIL Pensions Management, with an element of their being fee performance related. This ceased in November 2013, when the manager's contract was terminated.

No performance related fees were payable in 2014/15 (£401,000 in 2013/14).

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 2014/15, £2.957m of fees is based on such estimates (2013/14: £2.634m). 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.

The cost of obtaining investment advice from external consultants is included in investment management charges.

4.3 Net Assets Statement

4.3.1 Financial Assets

Financial assets are held at fair value, as at each 31 March, and are recognised 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.

4.3.2 Valuation of investments

The value of investments is determined as outlined in the following paragraphs.

Market Quoted Investments

The value of these investments is taken as the bid market price ruling on each 31st March where available.

Unquoted Investments

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 2014/15, these are valued as at 31 December 2014, in accordance with the guidelines issued by the British Venture Capital Association or an equivalent body. As such, an estimate of the valuation at 31 March 2015 is made. The 31 December valuation is adjusted for payments made to, and received from, the private equity managers in the period 1 January to 31 March.

Investments in unquoted property, timber and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

Directly held investments

These include investments in limited partnerships, unlisted companies, trust and bonds.

The valuation of other unquoted securities (typically including pooled investments in property, infrastructure, debt securities and private equity) 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.

Value of fixed interest investments

Fixed interest investments 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 11).

Direct Property Investments

Direct property investments have been valued, at open market value as at 31 March 2015, by Jones Lang LaSalle, Chartered Surveyors. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.

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.

Derivative contracts assets are held at fair value bid price, and liabilities are fair valued at offer prices. Changes in the fair value of derivatives are included in the change in market value (see note 11).

The value of futures contracts is determined using exchange prices published by the relevant futures exchange (e.g. LIFFE – London International Financial Futures Exchange) at the reporting date. Amounts due from or owed to the broker are amounts outstanding in respect of the initial margin and variation margin. No future contracts were entered into in the year of reporting, or in the prior year.

Forward foreign exchange contracts outstanding at year end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March.

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

Financial liabilities are recognised at fair value on the date the Fund becomes party to the liability, and any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

4.3.7 Contingent liabilities and contingent assets

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 assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain 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.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the accounts where an inflow of economic benefits or service potential is probable and can be reliably measured.

4.3.8 Other financial Instruments

Financial assets are recognised only when goods or services have been provided or rendered to a third party. Financial liabilities are recognised when the goods or services ordered from a third party have been received by the Fund and the third party has performed its contractual obligations.

The Fund currently only has liabilities carried at amortised cost and the carrying amount for instruments that will mature within the next twelve months from the balance sheet date is assumed to equate to the fair value.

The fair values of loans and receivables at 31st March have been reviewed and were assessed as being the same as the carrying amounts in the Balance Sheet. Assets are carried in the Balance Sheet at fair value. The values are based on the bid price.

When an asset or liability is translated at balance sheet date the gain / loss is taken as unrealised but when the asset or liability is settled (i.e. received / paid) the gain / loss becomes realised. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

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:

Use of Financial Instruments

The Fund uses derivatives financial instruments to manage its exposure to specific risks arising from its investments. The valuation of these types of investments is highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

Unquoted private equity

Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities as at 31 March 2015 was £238m (31 March 2014: £212m).

Infrastructure

Overseas infrastructure values are 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. The infrastructure portfolio managed by M&G Investments is valued by the investment manager using guidelines set out by the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. The value of infrastructure as at 31 March 2015 was £159.0m (31 March 2014: £127.2m).

Timber

Timber valuations are determined by independent appraisers that typically estimate fair market values in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and standards of professional appraisal practice that prevail in the countries where assets are located. The value of timber as at 31 March 2015 was £49.1m (31 March 2014: £34.7m).

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. 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.

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 31 March 2015 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 Note: Results are taken from the 2013 Actuarial valuation)	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 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £415m . An increase of the CPI assumption by 0.5% per annum increases the value of liabilities by approximately £354m . A 0.5% increase in the long-term rate of salary increase would increase the value of liabilities by approximately £46m . Increasing the long-term rate of improvement used in the mortality projection from 1.5% to 1.75% per annual would increase the liability by approximately £45m .
Private equity / Infrastructure / Timber / Illiquid debt	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity, infrastructure, timber and illiquid debt investments in the financial statements are £509.3m. There is a risk that this investment may be under or overstated in the accounts.

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:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

For example, if there had been a marked decline in the global stock markets that would impact upon the market value of the fund's investments were they to be valued as at the date the accounts were authorized for issue, this would be deemed a non-adjusting post-balance-sheet event and would be disclosed in this note.

An example of an adjusting event would be if new information came to light regarding the methodology employed in the valuation of an asset.

8. Membership activities

8.1 Membership

31 March 2014		31 March 2015
49,516	Contributors	50,965
43,693	Deferred pensioners	44,038
35,254	Pensioners	35,455

Deferred pensioners are former employees who have chosen not to transfer their pension rights.

8.2 Pension benefits payable

2013/14 £000		2014/15 £000
60,296 85,589 7,681 4,354 4,171 498	Administering Authority Scheduled Bodies Admitted Bodies Community Admission Bodies Transferee Admission Bodies Resolution Bodies	63,322 89,588 8,035 4,587 4,849 519
162,589		170,900

8.3 Contributions receivable

8.3.1 By category

Contributions receivable from employers are set out below:

2013/14 £000		2014/15 £000
48,843	Employee's normal contributions	52,676
97,611	Employers' normal contributions	113,458
62,905	Employers' deficit recovery contributions	71,706
4,282	Employers' augmentation	3,490
213,641		241,330

Employers' augmentation relates to payments for the cost of early retirements.

Following the 2013 Actuarial Valuation the Funding Strategy allowed employers to pay deficit as a triennial, annual or monthly payment to the Fund. Fourteen employers chose to pay the triennial option, four of which paid in 2013/14 financial year a total of £82,955. The remaining ten paid in April 2015 a total of £26.709m. The fourteen employers are made up of five District Councils, two Scheduled and seven Community Admission Bodies.

In 2014/15 Colchester Woman's Refuge entered into a three year payment cessation (termination) plan paying the first instalment of £25,000 in 2014/15. Two further payments of £21,056 are due in 2015/16 and 2016/17. These payments are shown within long term and current assets.

In 2013/14 Final termination amounts were received from Westminster Drugs Project £58,000, Sodexo Ltd £31,000 and from RM Education £60,000.

8.3.2 By type

2013/14			2014/15	
Member £000	Employer £000		Member £000	Employer £000
15,355 28,590 848 1,449 2,371 230	49,821 97,337 4,448 5,127 7,367 698	Administering Authority Scheduled Bodies Admitted Bodies Community Admission Bodies Transferee Admission Bodies Resolution Bodies	16,457 31,284 949 1,342 2,389	50,185 121,559 5,179 4,747 6,259
48,843	164,798	nesolution bodies	52,676	188,654

Following a review in the year, Anglia Ruskin University has been reclassified from Community Admission Body to Scheduled Body.

8.4 Transfers in from, and out to, other pension funds

2013,	/14		2014,	/15
Transfers in £000	Transfers out £000		Transfers in £000	Transfers out £000
- 10,157	- 9,967	Group transfers Individual transfers	- 8,181	58,484 6,079
10,157	9,967	Total	8,181	64,563

In 2014/15 a group transfer to Greater Manchester Pension Fund was paid in respect of Probation Services. No amounts were payable in respect of group transfers to other schemes during 2013/14.

9. Investment income

9.1 By Type

2013/14 £000		2014/15 £000
36,299	Dividends from equities	47,057
2,732	Income from index linked securities	2,009
7,448	Income from pooled property investments	6,268
14,386	Net rent from properties	17,325
56	Interest from cash deposits	488
788	Other	875
61,709	Total investment income showing net property rent	74,022
	Add back:	
1,855	Property operating expenses	1,705
63,564	Total investment income showing gross property rent	75,727

The above table shows rent from properties net of related expenses, but the Fund Account shows rent from properties on a 'gross' basis.

9.2 Investment property net rental

2013/14 £000		2014/15 £000
15,735	Rental Income from investment property	17,056
(1,250)	Direct operating expenses arising from investment property	(1,696)
14,485	Total	15,360

9.3 Contractual rental receivable

The table below shows the contractual amount of rental income due to the Fund as at 31 March:

2013/14 £000		2014/15 £000
14,304 47,368	Within one year Between one and five years	16,861 53,752
44,816	Beyond five years	45,024 115,637
106,488	Total	

9.4 Movement in the fair value of investment properties

	Freehold £000	Leasehold £000	Total £000
Fair value at 1 April 2013	146,340	49,325	195,665
Additions	30,272	9,539	39,811
Disposals	(9,854)	-	(9,854)
Net gain/loss on fair value	7,572	4,106	11,678
Fair value at 31 March 2014	174,330	62,970	237,300
Additions	44,827	13,604	58,431
Disposals	-	-	-
Net gain/loss on fair value	21,588	4,816	26,404
Fair value at 31 March 2015	240,745	81,390	322,135

10. Management expenses

10.1 Restatement of comparative figures for 2013/14

The comparative figures for 2013/14 were restated by merging administration expenses and investment management expenses into a new style management expense note. The following table provides a reconciliation:

	2013/14 £000
Administration Expenses shown in Note 9 of 2013/14 R&A	2,292
Investment Management Expenses shown in Note 10 of 2013/14 R&A	20,638
Total of Administration and Investment Expenses shown in 2013/14 R&A Add:	22,930
Transaction costs shown as a footnote to 2013/14 Note 11	1,081
Restated Management Expenses 2013/14 Total	24,011

For 2014/15, Administration expenses and Investment Management expenses have been combined into the management expenses note above.

10.2 By type

2013/14 £000		2014/15 £000
1,041	Administration costs	1,272
21,427	Investment management expenses	26,201
1,543	Oversight and governance	1,306
24,011	Total	28,779

The direct running costs recharged back to the Fund are now apportioned out as per the CIPFA guidance on LGPS Management Costs. In addition, the total transaction costs originally shown as a note to Note 11 in the 2013/14 accounts are now shown within Note 10 under Investment Management expenses. These were £791,000 for 2014/15 (2013/14: £1.081m).

10.3 Investment management expenses

2013/14 £000		2014/15 £000
20,900	Management fees	25,909
527	Custody fees	292
21,427	Total	26,201

11. Investments

11.1 Value of investments held by managers

The value of investments held by each fund manager on 31 March was as follows:

2014	ı		2015	
£m	%		£m	%
-	-	Alcentra Ltd	64	1.3
510	11.8	Aviva Investors	586	11.9
383	8.9	Baillie Gifford and Co	489	10.0
217	5.0	First State Investments (UK) Ltd	250	5.1
186	4.3	Goldman Sachs Asset Management International	233	4.7
226	5.3	Hamilton Lane	247	5.0
1,531	35.5	Legal and General Investment Management	1,551	31.6
4	0.1	Legal and General Investment Management (Currency)	(26)	-0.5
290	6.7	Longview Partners	370	7.6
325	7.6	Marathon Asset Management Ltd	379	7.7
277	6.4	M&G Investments	299	6.1
166	3.9	M&G Investments Alpha Opportunities	238	4.9
68	1.6	M&G Investments Infracapital	84	1.7
15	0.3	M&G Investments Financing Fund	12	0.2
60	1.4	Partners Group Management II S.à r.l	75	1.5
4	0.1	RWC Specialist UK Focus Fund (formerly Hermes)	3	0.1
35	0.8	Stafford Timberland Limited	49	1.0
13	0.3	Other	3	0.1
4,310	100.0		4,906	100.0

11.2 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:

2013/14	Value at		201	3/14 Movemer	nt		Value at 31
,	1 April 2013	Purchases	Net Transfers	Sale Proceeds	Change in Market	Cash Movement	March 2014
	£000	£000	£000	£000	Value £000	£000	£000
Fixed interest securities							
UK quoted	179,980	-	-	-	6,618	-	186,598
Equities							
UK quoted	89,363	22,180	33,073	(13,678)	(2,305)	-	128,633
Overseas quoted	1,005,806	304,909	(20,700)	(316,123)	79,437	-	1,053,32
UK unit trusts	351,907	48,559 480,613	(104,981)	(98,113)	31,395	-	228,76 685,98
Overseas unit trusts Global unit trusts	980,811	28,972	(479,084) 506,491	(372,057) -	75,697 12,122	-	547,58
Index linked securities (UK public sector quoted)	264,371	60,626	65,114	(27,828)	(17,287)	-	344,99
Property							
UK properties (freehold)	146,340	30,272	-	(9,854)	7,572	-	174,33
UK properties (leasehold)	49,325	9,539	-	-	4,106	-	62,97
Property unit trusts	222,930	22,304	-	(22,532)	8,962	-	231,66
Private equity	382				40	_	42
UK unquoted Overseas unquoted	196,613	34,284	-	(39,912)	20,626	-	211,61
Infrastructure	130,013	34,204		(33,312)	20,020		211,01
UK unquoted	71,594	1,525	_	(7,301)	1,942	_	67,76
overseas unquoted	41,973	22,084	-	(2,829)	(1,752)	-	59,47
Timber (Overseas unquoted)	30,972	5,931	-	(627)	(1,571)	-	34,70
Illiquid Debt							
UK unquoted	-	-	-	-	-	-	
Overseas unquoted	-	-	-	-	-	-	
Active currency (UK unquoted)	25,332	-	(23,509)	-	(1,823)	-	
Other managed funds							
UK unquoted	175,598	4,720	-	(2,383)	7,094	-	185,02
Overseas unquoted	-						
Cash							
Cash deposits held at the custodian/other Sterling	68,439					(22 727)	44,71
Foreign currency	28,042	-	-	(99,601)	99,601	(23,727) 20,754	48,79
To digit currency							
	3,929,778	1,076,518	(23,596)	(1,012,838)	330,474	(2,973)	4,297,36
Adjustments for							
Transaction costs	-	(651)	-	(430)	1,081	-	
Capitalised alternative asset management fees	-	-	-	-	-	-	
	3,929,778	1,075,867	(23,596)	(1,013,268)	331,555	(2,973)	4,297,36
Other investment balances							
Assets Amounts receivable for sales of investments	4,156						3,78
Investment income due	6,414						6,73
Liabilities	5,124						0,70
Amounts payable for purchase of investments	(2,990)						(1,428
Investment withholding tax payable	(201)						(113
Derivative pending foreign currency contracts Assets	1,925						4,28
Liabilities	(18,010)						(390
	3,921,072						4,310,238

2014/15	Value at		2014	/15 Movemen	it		Value at 3
	1 April 2014	Purchases	Net Transfers	Sale Proceeds	Change in Market	Cash Movement	March 201
	£000	£000	£000	£000	Value £000	£000	£00
Fixed interest securities							
UK quoted	186,598	50,000	-	-	(4,030)	-	232,56
Equities							
UK quoted	128,633	17,534	_	(10,837)	18,643	_	153,97
Overseas quoted	1,053,329	221,346	-	(234,093)	237,906	_	1,278,48
UK unit trusts	228,767	11,890	(14,376)	(76)	17,565	-	243,77
Overseas unit trusts	685,980	14,285	(44,334)	(639)	124,840	-	780,13
Global unit trusts	547,585	933	-	(526)	61,153	-	609,14
Index linked securities (UK public sector quoted)	344,996	21,762	78	(200,833)	50,529	-	216,53
Properties							
UK properties (freehold)	174,330	44,827	-	-	21,588	-	240,74
UK properties (leasehold)	62,970	13,604	-	- (44.040)	4,816	-	81,39
Property unit trusts	231,664	5,038	-	(41,840)	22,590	-	217,45
Private equity							
UK unquoted	422	54	-	(17)	(295)	-	16
Overseas unquoted	211,611	50,386	-	(51,924)	27,742	-	237,81
Infrastructure UK unquoted	67,760	1,314	_	(284)	15,290	_	84,08
overseas unquoted	59,476	21,117	-	(4,711)	(987)	-	74,89
Timber (Overseas unquoted)	34,705	12,767	_	(521)	2,106	-	49,0
Illiquid Debt	, , ,	, -		(- /	,		,
UK unquoted		24,000	_	_	442	_	24,44
Overseas unquoted	_	54,424	_	(11,419)	(4,118)	_	38,88
Active currency (UK unquoted)	_	- ,	_	-	-	_	
Other managed funds UK unquoted	185,029	74,799	_	(3,174)	(2,989)	_	253,66
Overseas unquoted	-	-	-	(3,174)	-	-	255,00
Cash							
Cash deposits held at the custodian/other							
Sterling	44,712	-	-	-	-	26,630	71,34
Foreign currency	48,796	-	-	25,006	(25,006)	(10,328)	38,40
	4,297,363	640,080	(58,632)	(535,888)	567,785	16,302	4,927,0
Adjustments for							
Transaction costs	_	(488)	-	(303)	791	-	
Capitalised alternative asset management fees	-	(4,848)	-	-	4,848	-	
	4,297,363	634,744	(58,632)	(536,191)	573,424	16,302	4,927,0
Other investment balances		•		,	•	•	
Assets							
Amounts receivable for sales of investments	3,787						1,23
Investment income due Liabilities	6,737						5,20
Amounts payable for purchase of investments	(1,428)						(1,87
Investment withholding tax payable	(113)						(1,0)
Derivative pending foreign currency contracts							
Assets	4,282						22,90
Liabilities	(390)						(48,20
	4,310,238						4,906,15

For 2014/15, the total transaction costs were £791,000 (2013/14: £1.081m). These have been adjusted from the table above and are now included within investment management expenses (Note 10).

31 March		31 March
31 Warch 2014		31 Warch 2015
£000		£000
1000		1000
	Fixed interest securities	
186,598	UK quoted	232,568
	Equities	
128,633	UK quoted	153,973
1,053,329	Overseas quoted	1,278,488
228,767	UK unit trusts	243,770
685,980	Overseas unit trusts	780,132
547 <i>,</i> 585	Global Unit trusts	609,145
344,996	Index linked securities: UK public sector quoted	216,532
	Property	
174,330	UK properties (freehold)	240,745
62,970	UK properties (leasehold)	81,390
231,664	Property unit trusts	217,452
	Private equity	
422	UK unquoted	164
211,611	Overseas unquoted	237,815
	Infrastructure	
67,760	UK unquoted	84,080
59,476	Overseas unquoted	74,895
34,705	Timber: Overseas unquoted	49,057
	Illiquid Debt	
-	UK unquoted	24,442
-	Overseas unquoted	38,887
185,029	Other managed funds: UK unquoted	253,665
	Derivative contracts	
4,282	Assets: Derivative pending foreign currency contracts	22,902
(390)	Liabilities : Derivative pending foreign currency contracts	(48,206)
	Cash deposits	
	Cash deposits held at custodian/other	
44,712	Sterling	71,342
48,796	Foreign currency	38,468
4,301,255		4,901,706
	Other investment balances	
	Assets	
3,787	Amounts receivable for sales of investments	1,232
6,737	Investment income due	5,202
3,.37	Liabilities	-,
(1,428)	Amounts payable for purchase of investments	(1,873)
(113)	Investment withholding tax payable	(114)
4,310,238	Value at 31 March	4,906,153

11.3 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 20	014		31 March 2015	
£000	%		£000	
302,277	7.0	Legal & General North America Equity Index	342,702	6
270,730	6.2	Legal & General FTSE RAFI AW 3000 Index	309,953	6
276,855	6.4	M&G Global Dividend Fund	299,192	6
223,027	5.1	Legal & General Europe (Ex UK) Equity Index	248,438	5

11.4 Single investments in excess of 5% of any asset types

The Fund holds the following single investments at 31 March which are in excess of 5% of any asset class or type of security:

31 March	2014	Asset type / Asset name	31 March	2015
£000	%		£000	
		UK QUOTED EQUITIES		
14,820	11.5%	Unilever plc Ord GBP0.031	18,194	11.
12,355	9.6%	WPP Plc Ord GBP0.10	16,197	10.
12,007	9.3%	Compass Group Ord GBP0.10	13,580	8.8
10,564	8.2%	Lloyds Banking GP Ord GBP0.1	12,829	8.
10,898	8.5%	Imperial Tobacco GBP0.10	12,650	8.2
8,956	7.0%	Pearson Ord GBP0.25	12,229	7.
7,455	5.8%	Arm Holdings Ord GBP0.0005	9,821	6.4
4,420	3.4%	Burberry Group Ord GBP0.0005	8,186	5. 3
8,969	7.0%	Sabmiller plc Ord USD0.10	7,169	4.7
		UK INDEX LINKED BONDS		
16,960	4.9%	UK (Govt) Treasury IL Stock 1.250% 22 Nov 2055	11,088	5.:
19,250	5.6%	UK (Govt) Treasury IL Stock 1.875% 22 Nov 2022	9,622	4.4
17,845	5.2%	UK (Govt) Treasury IL Stock 1.250% 22 Nov 2027	9,559	4.4
19,684	5.7%	UK (Govt) Treasury IL Stock 2.5% 16 April 2020	9,472	4.4
18,436	5.3%	UK (Govt) Treasury IL Stock 2.5% 17 July 2024	9,378	4.3
		PROPERTY		
-	-	Canning Town Business Park, London	23,950	7.4
17,400	7.3%	48-49 Chancery Lane, London	20,000	6.2
13,900	5.9%	55-57 Dean Street, London	14,750	4.6

27,681 16,156 12,802 12,651 12,836 12,154 10,872 10,645	% 11.9% 7.0% 5.5% 5.5% 5.2% 4.7% 4.6%	PROPERTY UNIT TRUSTS Aviva Investors Property Fund Blackrock UK Property Fund Industrial Property Investment Fund Standard Life Property Fund Closed Lothbury Property Fund Standard Life UK Shopping Centre	\$4,217 17,791 16,034 14,754 14,708 13,559	15. 8. 7. 6. 6.
16,156 12,802 12,651 12,836 12,154 10,872	7.0% 5.5% 5.5% 5.5% 5.2% 4.7%	Aviva Investors Property Fund Blackrock UK Property Fund Industrial Property Investment Fund Standard Life Property Fund Closed Lothbury Property Fund Standard Life UK Shopping Centre	17,791 16,034 14,754 14,708	8. 7. 6.
16,156 12,802 12,651 12,836 12,154 10,872	7.0% 5.5% 5.5% 5.5% 5.2% 4.7%	Blackrock UK Property Fund Industrial Property Investment Fund Standard Life Property Fund Closed Lothbury Property Fund Standard Life UK Shopping Centre	17,791 16,034 14,754 14,708	8. 7. 6.
12,802 12,651 12,836 12,154 10,872	5.5% 5.5% 5.5% 5.2% 4.7%	Industrial Property Investment Fund Standard Life Property Fund Closed Lothbury Property Fund Standard Life UK Shopping Centre	16,034 14,754 14,708	7. 6.
12,651 12,836 12,154 10,872	5.5% 5.5% 5.2% 4.7%	Standard Life Property Fund Closed Lothbury Property Fund Standard Life UK Shopping Centre	14,754 14,708	6.
12,836 12,154 10,872	5.5% 5.2% 4.7%	Lothbury Property Fund Standard Life UK Shopping Centre	14,708	
12,154 10,872	5.2% 4.7%	Standard Life UK Shopping Centre		6
10,872	4.7%	•	12 550	0.
		Haita III/ Charlest Assessed ation Found	13,333	6.
10.645	1 60/	Unite UK Student Accomodation Fund	12,187	5.
_0,0.0	4.0%	Henderson UK Retail Warehouse Fund	11,734	5.
		PRIVATE EQUITY		
11,658	,		11,712	4.
10,967	5.2%	Avenue Europe Special Situations Fund II (Euro)	11,226	4.
		INFRASTRUCTURE		
67,760	53.3%	Infracapital Partners	84,080	52.
42,875	33.7%	Partners Group Global Infrastructure 2009 S.C.A., SICAR	46,182	29.
10,117	7.9%	Partners Group Global Infrastructure 2012 LP	18,634	11.
6,484	5.1%	Partners Group Global Infrastructure 2011 S.C.A., SICAR	10,079	6.
		TIMBER		
34,705	100.0%	Stafford International Timberland VI Fund LP	38,814	<i>79</i> .
-	-	Stafford International Timberland VII Fund (No 2) LP	10,243	20.
		IILIQUID DEBT		
-	-	Alcentra European DLF Investor Feeder (No.2) LP	38,887	61.
-	-	Alcentra Global Multi-Credit Solutions Class IV A GBP	24,443	38.
		OTHER MANAGED FUNDS		
166,007	89.7%	M&G Alpha Opportunities Fund	238,436	94.
14,529	7.9%	M&G UK Companies Financing Fund	11,921	4.
		CASH		
34,260	36.6%	BNP Paribas Investment Partners GBP	44,256	40.
29,635	31.7%	Northern Trust Liquidity Fund US\$	25,934	23.
18,876	20.2%	Northern Trust Liquidity Fund GBP	24,347	22.

11.5 Derivative contracts

11.5.1 Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment agreement agreed between the Fund and the various investment managers.

11.5.2 Futures

There were no outstanding exchange traded futures contracts as at 31 March 2015 and 31 March 2014.

11.5.3 Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, **62.2%** of the Fund's portfolio is in overseas assets as at 31 March 2015 (31 March 2014: 59.8%).

To reduce the volatility associated with fluctuating currency rates the Fund has a passive currency programme in place which is managed by Legal and General Investment Management. The Fund hedges **50%** of the US Dollar, Euro, Yen and other major overseas currency exposure within the portfolios managed by the growth managers.

11.5.4 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	AUD	30,060	GBP	15,871	-	(402)	(402)
Up to one month	CAD	25,769	GBP	13,927	-	(221)	(221)
Up to one month	CHF	32,816	GBP	22,998	-	(239)	(239)
Up to one month	EUR	91,132	GBP	67,043	-	(1,111)	(1,111)
Up to one month	GBP	30,540	AUD	59,924	-	(252)	(252)
Up to one month	GBP	36,442	CAD	68,984	-	(242)	(242)
Up to one month	GBP	21,422	CHF	32,740	-	(1,285)	(1,285)
Up to one month	GBP	132,773	EUR	172,827	7,691	-	7,691
Up to one month	GBP	82,559	JPY	15,153,182	-	(2,602)	(2,602)
Up to one month	GBP	83	NOK	999	-	-	-
Up to one month	GBP	8,523	SEK	103,123	468	-	468
Up to one month	GBP	598,827	USD	917,879	-	(19,605)	(19,605)
Up to one month	GBP	14	ZAR	245	-	-	-
Up to one month	HKD	172	GBP	15	-	-	-
Up to one month	JPY	11,364,882	GBP	64,359	-	(522)	(522)
Up to one month	SEK	95,337	GBP	7,511	-	(64)	(64)
Up to one month	USD	444,105	GBP	299,139	23	-	23
One to six months	GBP	24,700	AUD	47,325	435	-	435
One to six months	GBP	15,023	CAD	27,934	174	-	174
One to six months	GBP	54,867	CHF	78,904	-	(46)	(46)
One to six months	GBP	160,287	EUR	216,942	3,109	-	3,109
One to six months	GBP	125,338	JPY	22,670,237	-	(2,187)	(2,187)
One to six months	GBP	22,719	SEK	289,522	70	-	70
One to six months	GBP	539,709	USD	813,434	-	(8,496)	(8,496)
Open forward currency	contracts at 31	March 2015			11,970	(37,274)	(25,304)
Open forward currency	contracts at 31	7,511	(3,619)	3,892			

12. Additional Voluntary Contributions (AVC) Investments

AVC's are not included in the accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2009 but are disclosed as a note only.

The AVC providers to the Fund are the Equitable Life Assurance Society, Prudential and Standard Life Assurance Company. The assets of these investments are held separately from the Fund. 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. A summary of the information provided by Equitable Life, Prudential and Standard Life to the Fund is shown in the table below.

2013/14 £000		2014/15 £000
5,840	Value of AVC fund at beginning of year	5,655
413	Employees contributions	662
320	Investment income and change in market value	592
(918)	Benefits paid and transfers out	(731)
5,655		6,178

13. Current assets and liabilities

13.1 Analysis of current assets

31 March 2014		31 March	2015
£000		£000	£000
	Cash Balances		
2,660	Cash at bank	2,457	
10,978	Cash on short term deposits within 3 months	11,510	
13,638			13,967
	Debtors and payments in advance		
4,027	Contributions due – employees	3,774	
11,073	Contributions due – employers	11,823	
3,416	Sundry debtors	547	
18,516			16,144
32,154	Total	_	30,111

13.2 Analysis of debtors

31 March	2014		31 March	2015
Short term	Long term		Short term	Long term
£000	£000		£000	£000
1,789	7,622	Central Government	3,243	6,309
11,275	235	Other Local Authorities	11,274	77
52	-	NHS Bodies	42	-
1,826	50	Public Funded Bodies	860	70
3,574	-	Other	725	-
18,516	7,907	Total	16,144	6,456

13.3 Analysis of long term debtors

31 March 2014 £000		31 March 2015 £000
374	Financial strain instalments due	157
7,533	Other employer contributions due	6,299
7,907	Total	6,456

13.4 Contingent assets

To protect the Fund from employer default the Funding Strategy sets out safeguards to be in place on all new admission agreements. These can include a guarantee from another Fund employer with sufficient covenant strength, and a surety bond or other contingent asset.

13.5 Analysis of current liabilities

31 March		31 March
2014		2015
£000		£000
	Unpaid benefits and other current liabililities	
(2,570)	Contributions due – employers	(715)
(3,050)	Investment manager fees payable	(3,168)
(5,746)	Benefits payable	(4,572)
(1,559)	Other	(1,642)
(12,925)	Total	(10,097)

Following a review, the ECC recharge creditor for 2013/14 has been reclassified from 'Investment manager fees payable' to 'other' in line with the 2014/15 treatment.

13.6 Analysis of creditors

31 March 2014 £000		31 March 2015 £000
	Creditors and receipts in advance	
(921)	Central Government	(261)
(6,501)	Other Local Authorities	(3,932)
(20)	NHS Bodies	(109)
(361)	Public Funded Bodies	(590)
(5,122)	Other	(5,205)
(12,925)	Total	(10,097)

13.7 Contingent liabilities and contractual commitments

As at 31 March 2015, the Fund had a commitment to contribute a further £300.7m to its existing direct and indirect partnership investments, including private equity, infrastructure, timber, illiquid debt and financing (31 March 2014: £299.6m). 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.

14. Taxes on income

The table below provides a breakdown of the taxes paid by the Fund in the UK and overseas.

2013/14 £000		2014/15 £000
552	UK withholding tax	551
2,404	Overseas withholding tax	2,077
54	Payment to HMRC in respect of returned contributions	102
3,010		2,730

15. Related party transactions

The Fund 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 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.

15.1 Administration of the Fund

The Essex Pension Fund is administered by Essex County Council.

The Council incurred costs of £1.702m in 2014/15 (2013/14: £1.686m) 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 £50.185m to the Fund in 2014/15 (2013/14: £49.821m). No significant amounts were owing to and due to be paid from the Fund in the year.

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 Board on **25 March 2015**. This service is provided to the Fund at a cost of £26,000 (2013/14: £26,000).

During the year to 31 March 2015, the Pension Fund had an average investment balance of £20.096m (2013/14: £15.119m) earning £108,000 interest (2013/14: £98,000).

15.2 Governance

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.

15.3 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 2014, the entitlement for Councillors to join the Pension Fund was removed. Those Members of the Essex Pension Board and Investment Steering Committee who, during 2014/15, were also members of the LGPS are listed below.

Representative of scheme members	County Councillors
K. Blackburn	Cllr N. J. Hume
Representative of small employing bodies	Cllr S. Barker
J. Moore	Cllr J. Whitehouse *
Representatives for Essex Police and Crime Commissioner	Cllr K. Bobbin *
C. Garbett	Cllr M. Mackrory *
* Membership relates to non councillor service.	Cllr J. Spence

As at 31 March 2015 Keith Neale, independent adviser to the Investment Steering Committee (ISC) was in receipt of pension benefits from the Fund during the financial year.

The employees of Essex County Council who hold key positions in the financial management of the Essex Pension Fund during 2014/15 were the Executive Director for Corporate and Customer Services, the Director for Essex Pension Fund and the Head of Essex Pension Fund. During 2014/15 approximately **2%** (2013/14: 3%) of the Executive Director for Corporate and Customer Services time was spent on the Pension Fund, with other officers spending 100% of their time in this way. As a consequence, the short term benefits (i.e. pay) associated with the time spent by these staff working on the Fund during 2014/15 was **£161,000** (2013/14: £141,000). The 2014/15 current service cost in respect of these personnel was **£63,000** (2013/14: £82,000). The current service cost is the increase in the value of the Fund's future liabilities arising out of employees' on-going membership of the Fund.

16. Financial Instruments

16.1 Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement headings. No financial assets were reclassified during the accounting period.

31 March 2014			Asset type	31 March 2015			
Designated	Loans	Financial		Designated	Loans	Financial	
as fair value	and	liabilities		as fair value	and	liabilities	
through	receivables	at amortised		through	receivables	at amortised	
profit and loss		cost		profit and loss		cos	
£000	£000	£000		£000	£000	£000	
			Financial assets				
186,598	-	-	Fixed interest securities	232,568	-		
2,644,294	-	-	Equities	3,065,508	-		
344,996	-	-	Index linked securities	216,532	-		
231,664	-	-	Pooled unit trusts	217,452	-		
212,033	-	-	Private equity	237,979	-		
120,752	-	-	Infrastructure	148,896	-		
34,705	-	-	Timber	49,057	-		
-	-	-	Illiquid debt	24,442	-		
185,029	-	-	Other managed funds	253,665	-		
4,282	-	-	Derivative contracts	22,902	-		
-	107,146	-	Cash deposits	-	123,777		
10,524	-	-	Other investment balances	6,434	-		
-	26,423	-	Debtors	-	-		
3,974,877	133,569	-		4,475,435	123,777		
			Financial liabilities				
(390)	-	-	Derivative contracts	(48,206)	-		
(1,541)	-	-	Other investments balances	(1,987)	-		
	-	(12,925)	Creditors	-	-	(3,168	
	-	-	Borrowing	-	-		
(1,931)	-	(12,925)		(50,193)	-	(3,168	
3,972,946	133,569	(12,925)	Balance at the end of the year	4,425,242	123,777	(3,168	
	_	4,093,590	Total		_	4,545,85	

As a result of receiving greater clarity, statutory debtors and creditors have now been removed from the above note and only contractual debtors and creditors are now in the financial investment notes for 2014/15.

16.2 Net gains and losses on financial instruments

Asset value		Asset value
as at		as at
31 Mar 2014		31 Mar 2015
£000		£000
	Financial assets	
220,347	Fair value through profit and loss	576,632
99,601	Loans and receivables	(25,006)
319,948	Total	551,626

The fair value through profit and loss as at 31 March 2014 is different compared to last year's note to the financial statements by £1.081m, as the figure has been adjusted for transaction costs.

16.3 Fair value of financial instruments and liabilities

31 March 2014			31 Marc	h 2015
Carry value	Fair value		Carry value	Fair valu
£000	£000		£000	£00
		Financial assets		
3,974,877	3,974,877	Fair value through profit and loss	4,475,435	4,475,43
133,569	133,569	Loans and receivables	123,777	123,7
4,108,446	4,108,446		4,599,212	4,599,21
		Financial liabilities		
(1,931)	(1,931)	Fair value through profit and loss	(50,193)	(50,19
(12,925)	(12,925)	Financial liabilities measured at amortised cost	(3,168)	(3,16
(14,856)	(14,856)		(53,361)	(53,36
4,093,590	4,093,590	Total net financial assets	4,545,851	4,545,85

16.4 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 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 a	as at 31 March	2014		Values	as at 31 March 2	2015
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Quoted	Using	Significant		Quoted	Using	Significant
market	observable	unobservable		market	observable	unobservable
prices	inputs	inputs		prices	inputs	inputs
£000	£000	£000		£000	£000	£000
			Financial assets			
3,190,694	416,693	367,490	Fair value through profit and loss	3,543,944	471,117	460,374
133,569 -		-	Loans and receivables	123,777	-	-
3,324,263	416,693	367,490		3,667,721	471,117	460,374
			Financial liabilities			
(1,931)	-	-	Fair value through profit and loss	(50,193)	-	-
(12,925)	-	-	Financial liabilities measured at amortised cost	(3,168)	-	-
(14,856)	-	-		(53,361)	-	-
3,309,407	416,693	367,490	Total net assets per level	3,614,360	471,117	460,374
	-	4,093,590	Total Net Assets		-	4,545,851

17. Nature and extent of risks arising

17.1 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 Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Investment Steering Committee (ISC). Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

17.2 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 Statement of Investment Principles which is available from the website www.essexpensionfund.co.uk. Investment risk and strategy are regularly reviewed by the Investment Steering Committee (ISC).

17.3 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 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. The LGPS investment regulations also contain prescribed limits to avoid over-concentration in specific areas.

17.4 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 2014/15.

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 2014 Potential Market	Asset type	31st March 2015 Potential Market
movement		movement
%		%
8.7%	UK bonds	9.2%
16.1%	UK equities	17.0%
19.4%	Overseas equities	21.0%
6.5%	UK index linked bonds	7.0%
14.7%	Pooled property unit trusts	15.0%
28.0%	Private equity	29.0%
14.7%	Infrastructure funds	15.0%
14.7%	Timber	15.0%
13.4%	Illiquid debt	14.0%
14.7%	Property	15.0%
0.6%	Cash	1.0%

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:

31st March 2014 £000	Percentage change %	Value increase £000	Value decrease £000	Asset type	31st March 2015 £000	Percentage change %	Value increase £000	Value decrease £000
93,508	0.6%	94,069	92,947	Cash and equivalents	109,810	1.0%	110,908	108,712
				Investment portfolio assets				
186,598	8.7%	202,832	170,364	UK bonds	232,568	9.2%	253,964	211,172
128,633	16.1%	149,343	107,923	UK equities	153,973	17.0%	180,148	127,798
1,053,329	19.4%	1,257,675	848,983	Overseas equities	1,278,488	21.0%	1,546,970	1,010,006
228,767	16.1%	265,598	191,936	UK equities unit trusts	243,770	17.0%	285,211	202,329
685,980	19.4%	819,060	552,900	Overseas equities unit trusts	780,132	21.0%	943,960	616,304
547,585	19.4%	653,816	441,354	Global unit trusts	609,145	21.0%	737,065	481,225
344,996	6.5%	367,421	322,571	UK index linked bonds	216,532	7.0%	231,689	201,375
231,664	14.7%	265,719	197,609	Pooled property unit trusts	217,452	15.0%	250,070	184,834
212,033	28.0%	271,402	152,664	Private equity	237,979	29.0%	306,993	168,965
127,236	14.7%	145,940	108,532	Infrastructure	158,975	15.0%	182,821	135,129
34,705	14.7%	39,807	29,603	Timber	49,057	15.0%	56,416	41,698
-	13.4%	-	-	Illiquid Debt	63,329	14.0%	72,195	54,463
185,029	14.7%	212,228	157,830	Other managed funds	253,665	15.0%	291,715	215,615
237,300	14.7%	272,183	202,417	Property	322,135	15.0%	370,455	273,815
3,892	-	3,892	3,892	Net derivative assets	(25,304)	-	(25,304)	(25,304)
6,737	-	6,737	6,737	Investment income due	5,202	-	5,202	5,202
(113)	-	(113)	(113)	WHT payable	(114)	-	(114)	(114)
(1,428)	-	(1,428)	(1,428)	Amounts payable for purchases	(1,873)	-	(1,873)	(1,873)
3,787	-	3,787	3,787	Amounts receivable for sales	1,232	-	1,232	1,232
4,310,238		5,029,968	3,590,508	Total assets available to pay benefits	4,906,153		5,799,723	4,012,583

17.5 Sensitivity of funding position

Market conditions and the underlying investment performance of the Fund's assets will have a direct impact on the funding position, albeit that a smoothed rather than spot rate methodology is used by the Fund's Actuary.

Barnett Waddingham's approach adopted at the 2013 Actuarial Valuation includes 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 2013 to 30 June 2013. The discount rate is based on the expected investment return from the Fund's assets.
- The market value of assets at 31 March 2013 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the liabilities.

17.6 Interest rate risk

The Fund's investments are subject to interest rate risk (i.e. to the risk that the fair value or 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 Legal & General and bond mandates with M&G Investments (M&G) and

Goldman Sachs Asset Management (GSAM) in which exposure is actively managed. During 2014/15, the Fund commenced an investment in an illiquid 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	Asset type	Asset value
as at		as at
31 Mar 2014		31 Mar 2015
£000		£000
93,508	Cash and cash equivalents	109,810
13,638	Cash balances	13,967
186,598	Fixed interest securities	232,568
344,996	Index-linked securities	216,532
-	Illiquid debt	63,329
638,740	Total assets	636,206

17.7 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 100 basis points change in interest rates assuming all other factors remain unchanged.

Asset value as at	Change in year in the net assets to pay benefits		Asset type	Asset value as at	•	n year in the pay benefits
31 Mar 2014	+100 BPS	-100 BPS		31 Mar 2015	+100 BPS	-100 BPS
£000	£000	£000		£000	£000	£000
93,508	935	(935)	Cash and cash equivalents	109,810	1,098	(1,098)
13,638	136	(136)	Cash balances	13,967	140	(140)
186,598	1,866	(1,866)	Fixed interest securities	232,568	2,326	(2,326)
344,996	3,450	(3,450)	Index-linked securities	216,532	2,165	(2,165)
-	-	-	lliquid debt	63,329	633	(633)
638,740	6,387	(6,387)	Total change in assets available	636,206	6,362	(6,362)

17.8 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 the ISC has for the Fund put in place a passive currency overlay programme which is managed by Legal and General Investment Management. The Fund hedges 50% of the US Dollar, Euro, Yen and other major overseas currency exposure within the portfolios managed by the growth managers.

The following table summarises the Fund's currency exposure as at 31 March 2015 and prior year:

31 Mar 2014 £000	Asset type	31 Mar 2015 £000
1,053,329	Overseas equities quoted	1,278,488
685,980	Overseas unit trusts	780,132
547,585	Global unit trusts	609,145
211,611	Overseas private equity	237,815
59,476	Overseas infrastructure	74,895
34,705	Overseas timber	49,057
-	Overseas illiquid debt	38,887
2,592,686	Total oversea assets	3,068,419

17.9 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%** (2013/14: 13%) (approximately one standard deviation) assuming other factors remain constant.

The table below shows the effect of a **13%** (2013/14: 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	Change in year in the net assets to pay benefits		5 ,		Asset value as at	_	in year in the
31 Mar 2014	+13% -13%			31 Mar 2015	+13%	-13%	
£000	£000	£000		£000	£000	£000	
1,053,329	1,190,262	916,396	Overseas equities quoted	1,278,488	1,444,691	1,112,285	
685,980	775,157	596,803	Overseas unit trusts	780,132	881,549	678,715	
547,585	618,771	476,399	Global unit trusts	609,145	688,334	529,956	
211,611	239,120	184,102	Overseas private equity	237,815	268,731	206,899	
59,476	67,208	51,744	Overseas infrastructure	74,895	84,631	65,159	
34,705	39,217	30,193	Overseas timber	49,057	55,434	42,680	
-	-	-	Overseas illiquid debt	38,887	43,942	33,832	
2,592,686	2,929,735	2,255,637	Total change in assets available	3,068,419	3,467,312	2,669,526	

17.10 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.

17.11 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 31 March 2015 is provided in Note 13.

17.12 Forward currency contracts

Forward currency contracts are undertaken by Legal & General for the passive currency overlay programme and by the Fund's appointed fund managers. The largest single contracts are entered into for the overseas equity passive currency overlay; the counterparties on these contracts as at 31 March 2015 are shown in the table below. The counterparty on contracts entered into by other investment managers is at the discretion of those managers. All parties entering into forward contracts on behalf of the Fund are FSA regulated and meet the requirements of the LGPS (Management & Investment of Funds) Regulations 2009. Further details of forward foreign exchange contracts are provided in note 11.

Exposure at 31 March 2014		Counterparty	Exposure at 31 M	Exposure at 31 March 2015	
£000	%		£000	%	
210,137	11.6%	Barclays Capital	30,230	1.3%	
66,410	3.7%	BNP Paribas Capital Markets	-	-	
266,650	14.8%	Citigroup	269,359	11.6%	
-	-	Australian Commonwealth Bank	42,407	1.8%	
198,546	11.0%	Credit Suisse AG	-	-	
179,669	9.9%	Deutsche Bank AG	81,717	3.5%	
-	-	HSBC	273,907	11.8%	
234,581	13.0%	J P Morgan Securities	177,445	7.6%	
26,148	1.4%	Lloyds	118,496	5.1%	
59,057	3.3%	Merrill Lynch	203,107	8.7%	
-	-	Morgan Stanley	258,906	11.2%	
90,418	5.0%	RBC Europe	100,383	4.3%	
118,333	6.6%	RBS	203,380	8.8%	
-	-	SEB	26,538	1.1%	
100,508	5.6%	SG Securities	273,547	11.8%	
-	-	Standard Chartered	12,769	0.6%	
40,831	2.3%	UBS	120,580	5.2%	
213,637	11.8%	Westpac Bank Corp	129,012	5.6%	
1,804,925	100.0%	Total	2,321,783	100.0%	

17.13 Futures

There were no open future contracts as at 31st March 2014 or 31st March 2015.

17.14 **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, Legal & General, the Fund has two active bond managers M&G and GSAM. The former also manage a financing fund.

Both M&G and GSAM manage pooled assets against a LIBOR plus benchmark. At 31 March 2015, the average credit quality of the M&G bond mandate was **A**- rated (**BBB+** rated as at 31 March 2014). The portfolio had suffered five defaults since inception, one of which was experienced in the financial year ended 31 March 2015. The average credit rating of the financing fund was **BB+** rated as at 31 March 2015 (BB+ rated as at 31 March 2014), and the portfolio has not suffered any defaults since inception. The portfolio managed by GSAM as at 31 March 2015 had an average credit quality of **A**- (AA+ rated as at 31 March 2014) and has suffered two defaults since inception, both occurring 2011/12.

17.15 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- in 2013/14) 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 Essex Pension Board. The Board 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 31 March 2015 £13.967m (31 March 2014: £13.638m) 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 31 March 2015, the total balance held in the Sterling, US dollar and Euro AAA money market funds was £103.584m with a smaller balance of £6.226m held in the custodian current account (31 March 2014: £85.515m and £7.748m 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.

The table below provides a breakdown of where the Pension Fund cash is managed:

31 March 2014			31 March 2015	
Rating	£000		Rating	£000
		Cash managed externally		
		Cash held on deposit		
AAA AAA	37,004 48,511	BNP Paribas Investment Partners Northern Trust	AAA AAA	53,303 50,281
		Cash held in Current Account		
AA- A	7,748 245	Northern Trust Barclays plc	AA- A	6,226
	93,508	Total cash managed externally		109,810
		Cash managed internally		
		Cash held on deposit		
Α	2	Barclays Bank	Α	-
AA-	7,473	HSBC	AA-	7,508
AAA	1,502	IGNIS	AAA	2
BBB	2,001	Royal Bank of Scotland Group	BBB	-
AA-	-	Svenska Handelsbanken	AA-	4,000
		Cash held in Current Account		
A-	2,660	Lloyds Bank plc	Α	2,457
	13,638	Total cash managed internally		13,967
	107,146	Total		123,777

The following table summarises the maximum exposure to credit risk of the cash held with Northern Trust and other financial institutions.

31 March 2014		31 March 2015	Maximum limit per Financial Institution	Historical risk of default	Estimated maximum exposure to default and uncollectability
£000		£000	£000	%	£000
	Cash managed externally				
	Deposit with bank and other financial institutions				
85,515	AAA Rated	103,584	60,000	0.037%	38
7,748	AA Rated	6,226		0.025%	2
245	A Rated	-		0.069%	-
93,508	Total cash managed externally	109,810			40
	Cash managed internally				
	Deposit with bank and other financial institutions				
1,502	AAA Rated	2	10,000	0.037%	-
7,473	AA Rated	11,508	7,500	0.025%	3
2,662	A Rated	2,457	5,000	0.069%	2
2,001	BBB Rated	-	5,000	0.188%	-
13,638	Total cash managed internally	13,967			5
107,146	Total cash	123,777			45

17.16 Liquidity Risk

Liquidity risk is the possibility that the Fund might not have adequate cash resources available to meet its financial commitments as they full 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's strategic allocation to alternative investments, which are relatively illiquid, was as a result of a review of strategic asset allocation on **23 February 2015**, **27%** of the Fund's assets. The Fund is relatively immature with almost as many contributors as pensioners, dependants and deferred pensioners. In consequence the Fund has a positive cash flow and is able to pay benefits from contributions and investment 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 31 March 2015 had immediate access to its pension fund cash holdings held internally and externally of £123.777m (31 March 2014: £107.146m). 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 Statement of Investment Principles 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.

17.17 Refinancing Risk

Refinancing risk is the risk of the Fund replenishing a significant proportion of its financial assets at a time of unfavourable interest rates. The Fund is not subject to this particular risk as it does not hold any assets that would require refinancing in the future.

17.18 Custody

Northern Trust are the global custodian with responsibility for safeguarding the assets of the Fund. As at 31 March 2015 Northern Trust had **\$6.09 trillion** of assets under custody (31 March 2014: \$5.58 trillion) and had a credit rating of **AA**- (31 March 2014: AA-). Monthly reconciliations are performed between the underlying records of the custodian and all investment managers and partnerships of the Fund.

17.19 Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Reports on manager performance are monitored by the ISC on a quarterly basis. The Fund makes use of the custodian's performance measurement service to monitor performance. In addition to presenting to the ISC, managers also meet with Fund officers and advisers to review progress.

18. 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 1LX

Telephone 03330 138501

E-mail pensions.investments.web@essex.gov.uk

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.
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.
Amortisation	Amortisation is the writing down of costs to the Income and Expenditure Account over a number of years.
Appropriations	Appropriations are the transfer of resources between, to and from the various reserves.
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 of the Council, who is its chairman, and nine 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 annually and are reported to the Council.
Capital	This account represents:
Adjustment Account	 Amounts set aside from revenue resources to repay external loans;
Account	 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.
Chartered Institute of Public Finance and Accountancy	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the main professional body for accountants working in the public service.

Term	Explanation
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.
Contingent liability	Contingent liabilities are possible or present obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the accounts as an item of expenditure but details are disclosed, where applicable, in the notes to the Accounts.
Council tax	A local tax set by local authorities in order 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).
Creditors	Amounts due, but not yet paid, for work done, goods received or services received during the financial year.
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 sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.
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 (PWLB)	In the event of the Council prematurely repaying a loan to the Public Works Loan Board (PWLB) it will be required to pay to the PWLB the present value of the remaining payments of principal and interest due on the loan. The present value is calculated with reference to the rates of interest in force when the repayment is confirmed. To the extent that the rate in force is above the rate of interest payable on the loan being repaid, the Council is compensated by the PWLB for the interest rate differential. This differential 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.

Term	Explanation
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.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
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.
Investments	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.
	Investments, other than those related to the pensions fund that do not meet the above criteria, are classified as current assets.
Leasing	A method of acquiring the use of capital assets without legal title (ownership). There are two main types of leasing arrangements – namely finance leases and operating leases.
National Non Domestic Rates	These rates are the means by which 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.
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).

Term	Explanation
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 (PWLB)	In the event of the Council prematurely repaying a loan to the Public Works Loan Board (PWLB) it will be required to pay to the PWLB the present value of the remaining payments of principal and interest due on the loan. The present value is calculated with reference to the rates of interest in force when the repayment is confirmed. To the extent that the rate in force is below the rate of interest payable on the loan being repaid, the Council is required to recompense the PWLB for the interest rate differential. This differential is referred to as 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.
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 own borrowing rate.
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.
Reserves	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.
	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.
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.
Salary	Salary represents the amounts received under contract of employment for services rendered, other than bonuses, allowances, benefits in kind or compensation payments.

Term	Explanation
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.
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 particular local authority services, which the Government wishes to target.
Termination benefits	Termination benefits are payable as a result of either 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 of the running costs and the majority 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 a majority of governors appointed by the religious body, employs the school staff and sets the school's admission arrangements in consultation with the Council.
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.

Annual Governance Statement

1. Our Annual Governance Statement

This Annual Governance Statement summarises the outcome of our review of the Governance Framework that has been in place over the last year (i.e. during 2014/15). The 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.

2. Scope of our responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper arrangements for overseeing what we do (this is what we mean by 'governance'). These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way.

3. The purpose of the Governance Framework

Our **Governance Framework** comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which the authority is controlled and governed, and also the activities through which it answers to, gets involved with and leads its communities. This framework allows us to monitor how we are achieving our strategic aims and to consider whether those aims have helped us deliver appropriate services that are good value for money.

Our **Governance Framework** includes a system of internal control designed to enable us to manage risk to a reasonable level. Whilst it cannot eliminate all risks arising out of a failure to achieve policies, aims and objectives, it is designed to enable us to manage all risks to a reasonable level, thereby providing reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks that could prevent us from achieving our policies and aims;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The **Code of Governance** is a set of 6 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 which we have adopted in line with good practice. The contents of our Governance Framework together meet

the requirements of those 6 key principles - the Code, and key supporting documents from the Framework, can be found on the <u>Council's website</u>.

As part of our ongoing arrangements, the governance framework has been in place at the Council throughout 1 April 2014 - 31 March 2015, and remains in place on the date of approval of the Statement of Accounts, scheduled for Audit Committee on **21 September 2015**.

4. The Governance Framework

Our Governance Framework is made up of the many systems and processes we have in place, including those to do the following, under points 1-21:

- (i) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- (ii) Reviewing the authority's vision and its implications for the authority's governance arrangements
- (iii) Translating the vision into objectives for the authority and its partnerships

At the meeting of the Full Council on 10 February 2015 the Council discussed and approved the Revenue Budget and Capital Programme 2015/16 which outlines how the Council will manage its resources for services in the coming year, and how it intends to spend its money (refer to Budget Report).

The future <u>Vision for Essex</u> shows Essex as a county where innovation brings prosperity. In support of this vision, the <u>Corporate Outcomes Framework</u> details the specific 'outcomes' that ECC will work towards. Securing these outcomes will make Essex a more prosperous county – one where people can flourish, live well and achieve their ambitions. The document also sets out the 'indicators' that the Council will use to assess our progress towards securing these outcomes. The actions we will take to secure progress are set out in a suite of <u>Commissioning Strategies</u> which approved by Cabinet on 24 October 2014.

Taken together, these outcomes and indicators make up ECC's Corporate Outcomes Framework for 2014-2018. The seven outcomes are:

- Children in Essex get the best start in life;
- People in Essex enjoy good health and wellbeing;
- People have aspirations and achieve their ambitions through education, training and lifelong-learning;
- People in Essex live in safe communities and are protected from harm;
- Sustainable economic growth for Essex communities and businesses;
- People in Essex experience a high quality and sustainable environment; and
- People in Essex can live independently and exercise control over their lives.

These are supported by a series of indicators which provide the basis for measuring progress towards our outcomes. Commissioning strategies have been developed to articulate the strategic actions that ECC will undertake to deliver progress towards each outcome. The Framework provides a consistent set of aspirations that we will use to inform our future decisions, and a benchmark by which we can clearly see the difference that we are making in people's lives.

To achieve this vision it is recognised that there is a need to work in new ways with partners in the public and private sectors, the voluntary and community sector, and with individuals, families and communities. The focus of the Outcomes Framework is on what works best, rather than who delivers particular services. The Council will also undertake consistent evaluation to ensure the decisions we take have meaningful impact on improving lives across Essex communities. The Corporate Outcomes Framework has been developed to support this way of working.

(iv) Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and ensure that they represent the best use of resources and value for money;

We continue to use a performance management framework which sets out the arrangements for ensuring we are delivering against the priorities and outcomes we have committed to and how we will measure our progress.

Progress is regularly reviewed at various levels including Cabinet, Scrutiny, Corporate Management Board, Operations Board and Functional Leadership Teams. Each of these plays a key role in ensuring that progress is reviewed and acted upon and, in particular, Scrutiny continues to play a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of the Council's objectives and holding Cabinet to account for delivery.

The <u>2013/2014 Annual Performance Report</u> is a public facing report using accessible language to demonstrate where tax payers' money was spent, progress in delivering our priorities, the impact of our achievements and where further focus on improvement was needed.

The Council's employees continue to be supported by a comprehensive individual performance management process. This includes 'Support Success' contracts in 2014/2015 which define the outcomes required from each employee and is linked to the overarching principles and priorities of the Vision and Corporate Outcomes Framework, and is essential in enabling the Council to successfully deliver its objectives.

(v) Defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

The Constitution clearly defines the roles and responsibilities of:

Cabinet members

Council Committees

Monitoring Officer

Council members

Chief Officers

Section 151 Officer

Overview and Scrutiny Committees

Head of Paid Service

Scrutiny Officer

Leader of the Council

Chairman of the Council

Part 3 of the Constitution sets out how Councillors' authority is delegated to Cabinet Members and Officers, and this is reviewed and updated in response to any changes in Cabinet or Officer responsibilities or structures. Chief Officers are in turn responsible for authorising delegations to their officers and these delegations are also recorded and updated when structures change. 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 in place which provide a framework to identify the financial responsibilities of the Council and the financial limits assigned to Officers. These also set out the responsibilities in relation to partnerships and commissioning arrangements. The financial regulations were updated and approved at Full Council on 10 February 2015.

(vi) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;

All our employees and Members of the Council must conduct themselves in accordance with the terms of the Officer Code of Conduct and Member Code of Conduct.

The Essex County Council and Fire Authority Joint Standards Committee's main function in relation to ECC is to promote and maintain high standards of conduct by Councillors and to help them follow the Code of Conduct. The Committee's terms of reference are set out in the Constitution. Records of the Committee's meetings and decisions are available via the Council's website. No complaints were referred to the Standards Committee during 2014/15

Our corporate governance e-learning training includes modules called 'How We Behave' and 'Good Decision Making' which cover the Code of Conduct and other expectations we have of Councillors and employees (see reference (xviii), on page 194).

(vii) Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships 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. They include the definition

of key decisions and provide additional guidance to that definition in Part 4. See section 5 for delegation arrangements.

All agendas, minutes and decisions taken by Cabinet members are available to the public through the <u>Council's website</u>. We have an <u>online committee management system</u> 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. The suite of documentation and guidance to support executive decision making has been drawn together and made available on line.

The Council's public engagement strategy aims to involve the public in the Council's decision making. Involvement occurs in many different ways: through surveys, online tools, focus groups of the citizens' panel, deliberative workshops, stakeholder forums, service user groups, through Healthwatch Essex, giving evidence to scrutiny committees, and formal consultation documents.

The Overview and Scrutiny Committees play a key role in developing and maintaining effective scrutiny of decisions carried out within each directorate and encourages constructive challenge and effective mechanisms for decisions and recording the criteria, rationale and considerations on which each decision is based.

Each Overview and Scrutiny Committee has its own terms of reference and these are set out in the Constitution.

The Corporate Governance Steering Board is tasked with considering corporate governance matters at the highest level. It is made up of Councillors including the Chairmen of the Audit Committee and the Standards Committee, an opposition leader, as well as senior officers including the Executive Director for Corporate & Customer Services and the Monitoring Officer.

The Information Policy Development Group is attended by Information Champions from across the Council among others from Information Services. It deals with Information Policy to maintain an effective information governance framework and escalates items to the Corporate Governance Steering Board as necessary.

The Council's 'How We Get Things Done' intranet channel provides officers and councillors with access to information about how the Council deals with particular issues across the organisation and enabling easy access to guidance and policies relevant to those areas.

The Council's framework of corporate governance policies, guides and protocols is reviewed on a rolling basis with responsibility for the reviews distributed to the relevant key senior personnel to promote a culture of governance awareness and responsibility.

(viii) Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The updated <u>Risk Management Strategy 2014-2017</u> was presented to the Audit Committee in March 2015. This reflected the minor changes made since the approval of the Strategy by Cabinet in February 2014.

An Internal Audit review of risk management determined that the arrangements were effective, with an overall opinion of 'Adequate' assurance.

The Risk Assurance Statement on the year 2014/15, included in the Head of Internal Audit Annual Report (presented to the Audit Committee in June 2015), states:

'In a year of significant organisational change and continued financial pressure against a backdrop of increasing demand - the Council consistently retained its commitment to adopting best practice in risk management; ensuring effective and regular monitoring of its strategic risks.

The Council remains conscientious of the need to work in a more lean and agile way, balancing the risks this carries against the need to innovate and maximise opportunities. The organisation has a healthy appetite for risk where there is understanding that we need to deliver differently, in challenging circumstances, but whilst being aware of the risks this carries and how we mitigate against them materialising to protect us both financially and reputationally.

The Corporate Management Board's positive embrace of risk management as a considered management tool is infiltrating throughout the rest of the organisation and we are now more risk enabled and integrated than we were 12 months ago. Continued emphasis on the benefits effective risk management can bring to the organisation, the implementation of the latest risk register system and a programme of cross organisational training next year are designed to move the organisation through from risk enabled to risk embedded'.

The ECC Risk Management Team were the Continuity Insurance & Risk Public Sector / Not- for-Profit Risk Management Award winners.

(ix) Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The <u>ECC Counter Fraud & Anti-Bribery Strategy</u> was approved by the Audit Committee on 18 September 2014. The strategy has been actively promoted across the organisation through various media channels (e.g. Line Manager direct emails, 'One' weekly employee communication).

In our Internal Audit & Counter Fraud Service we have a dedicated Counter Fraud Team. The Counter Fraud Team delivers services to both Essex County Council and also external

clients. The Counter Fraud Team is responsible for conducting investigations and supporting our services in providing evidence for any criminal investigations. The Counter Fraud Team have undertaken proactive prevention and detection work, specifically the management of the National Fraud Initiative (NFI) and directed fraud awareness training.

The Audit Committee received six-monthly updates in respect of Counter-Fraud and a summary of Counter-Fraud activity is included in the Internal Audit Annual Report.

The mandatory Corporate Governance e-learning pack includes an 'Anti-fraud and Corruption module (see reference (xviii), on page 194).

The Audit Committee Chairman has signed a letter of compliance setting out an understanding of how those charged with Governance exercise oversight of the management processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council.

(x) Ensuring effective management of change and transformation

The Transformation Support Unit (TSU) is a service in the Council tasked with coordinating and supporting our Transformation process. During 2014/2015 there have been a number of projects to deliver efficiencies to meet savings targets and meet new legislative requirements (e.g. implementation of the Care Act and Better Care Fund). Progress is closely monitored by Corporate Management Board and the Outcomes Board, which is a transformation-focused board chaired by the Cabinet Member for Transformation and Corporate & Traded Services. All business cases must undergo legal and financial scrutiny before they are received by the Outcomes Board, which robustly challenges and filters business cases before they are taken to the relevant Cabinet Member in the usual decision-making process. The TSU Delivery Assurance team oversee the delivery cycle of projects and report progress to the Corporate Management Board.

An Internal Audit review of Project Assurance in 2014/2015 determined that the arrangements within the organisation were effective, with an overall opinion of 'Adequate' assurance.

- (xi) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact
- (xii) Ensuring the authority's assurance arrangements conform to 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
- (xiii) Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

(xiv) Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

Our financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In addition, our assurance arrangements for 2014/15 conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) (see reference (xvi) for more information).

Our Head of Paid Service was the Chief Executive, our Chief Financial Officer is the Executive Director for Corporate & Customer Services and our Monitoring Officer is the Director for Corporate Law and Assurance. All these and the Head of Internal Audit were in post throughout this period and were supported by the organisation to discharge their full roles effectively and proactively.

(xv) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities

The Audit 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 Committee role and purpose is set out in Article 8 of the <u>constitution</u>.

The Committee continues to have a close working relationship with our internal and external auditors. The Audit Committee played an active role in relation to risk management and counter-fraud, as stated in points (viii) and (ix) above.

In September 2014, the Audit Committee approved the Council's 2013/14 Statement of Accounts. In March it approved the approved the 2015/16 Audit Plan with 2,443 audit days (excluding external clients).

The Audit Committee have met five times during the 2014/15 financial year. Their work has included receiving internal audit and counter fraud progress reports, including detail of all limited assurance reviews from the Head of Internal Audit & Counter Fraud and the extent to which remedial recommendations have been implemented.

The Committee's public agendas and papers are available on our website.

(xvi) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Director for Corporate Law and Assurance, as Monitoring Officer, is responsible for ensuring lawfulness in decision making. The Executive Director for Corporate and Customer Services, as Section 151 Officer, is responsible for financial administration and financial probity and prudence in decision making. Both roles are defined within Part 2 of

the <u>Constitution</u>. The Section 151 Officer is a member of our Corporate Management Board.

The Head of Internal Audit and Counter Fraud is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud, as well as evaluating that the Risk Management Framework is robust. The Head of Internal Audit and Counter Fraud reports to the Director for Corporate Law and Assurance.

Each Executive Director is required to complete an evidence-based Service Assurance Statement (SAS), accompanied by a plan setting out actions to be taken to strengthen any areas of weakness. These were completed in March 2015 and formally signed off by the Executive Director for each functional area. The organisation's 2014/15 Service Assurance Statements returned a satisfactory overall assessment. Where necessary improvements were identified the relevant directors are responsible for securing remedial action in these areas.

We have a strong corporate legal team led by the Monitoring Officer and sitting at the heart of the organisation which provides advice to officers from all areas. The team work closely with the traded legal team who provide advice on the full range of council functions from education to employment. 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 system of delegations outlined above (see section 5) ensures compliance with the *ultra vires* doctrine whilst allowing the Council to fully utilise its powers.

Accordingly, we actively observe both the specific requirements of legislation and the general responsibilities placed on us by public law, bringing the key principles of good administrative law into our processes and decision making.

(xvii) Whistleblowing and for receiving and investigating complaints from the public

The Council has in place arrangements for employees, consultants or contractors to raise any concerns they have in the workplace. Concerns might include bullying or any illegal, improper or unethical conduct. Our Whistle-Blowing Policy continues to be available for employees through the 'Working Here' intranet site, and provides them with advice and guidance about informal and formal ways to raise concerns relating to wrongdoing.

An external company called Expolink provides us with 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 our corporate governance e-learning training (How We Behave and Anti-Fraud and Corruption – see section (xviii)).

We have a strong counter-fraud team that supports investigations into allegations raised through any of the above routes and instigates appropriate recovery action where necessary. Arrangements for referrals to the team are also articulated in the corporate governance e-learning training. The team continues to work closely with external agencies including our external auditors, the Police and the Department of Work and Pensions.

We take complaints, comments and compliments received from our customers seriously and the feedback obtained is used within our planning processes to help develop our services. We have a comprehensive complaints procedure which is accessible by the public through our website. In addition, we have a corporate policy called 'Responding to complaints, comments and compliments' which sets out for employees the expectations and timescales to be applied in responding to our customers. Response performance is reported and monitored via the Corporate Governance Scorecard as well as being included in our wider performance reporting framework (see point (iv)). This scorecard is also one of the routes by which we monitor the frequency and type of issues which go through the Local Government Ombudsman (LGO).

(xviii) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

All new employees are required to complete our comprehensive corporate governance elearning programme - it is mandatory for employees and strongly recommended to Members. The modules are called:

- Good decision making
- How we behave
- Information Governance
- Anti-fraud and Corruption
- Equality and Diversity
- Health and safety

Our employees' annual training and development needs are identified through the individual's performance management process, called 'Supporting Success' in 2014/2015. Each individual's objectives are linked via team and service plans to the Council's overarching priorities in a 'golden thread'. In addition to our comprehensive induction programme, there are a number of internal training courses available to employees, covering a wide range of topics and issues. These training events are available through the 'Training and Development' intranet page, which also provides a 'Your Development Toolkit' which provides a wealth of resource for personal development.

A senior leader development programme (to help ensure that our leaders have the right skills, values and behaviours) commenced and will continue into 2015/2016.

Essex County Council achieved the Member Development Charter Plus in November 2014, following achievement of Charter status in March 2013. In order to achieve Charter Plus Status the Council rolled out 360 degree reviews for members, continued to offer a comprehensive internal (e.g. Risk Management Training was delivered) and external training offer and the use of personal development plans. The Council continues to provide opportunities for members through the member development offer which is jointly developed with members and officers.

(xix) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

We continue to develop clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

We have made amended our constitution to allow <u>public speaking</u> at our Cabinet and Scrutiny Committees and for public questions to be heard at Full Council.

Our <u>website</u> is accessible to a wide audience, with relevant and regularly-updated news articles on our homepage and space for an on-line poll which allows us to consult members of the public on topical issues.

Copies of the agendas, documents, minutes and decisions of all of our Committees, Cabinet and Council are available promptly through our website and we have an interactive online calendar of future meetings to enable public attendance where appropriate.

We are committed to being open and transparent about how we spend money in order that we can be held fully accountable for this by our citizens. Accordingly we publish details of all items of spend, regardless of value. This includes monthly payment transactions made via p-card, employee expenses and accounts payable. All of this can be downloaded from <u>our website</u>. We also have a Pay Policy Statement which is approved by the Council every year at the Budget Setting Meeting.

We have a page on our website called 'Your right to know', which provides guidance for the public about what information is available to them and how they can access it.

All our communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required. This facility is widely publicised and applies to both printed materials and our website.

We have developed increased use of social media to communicate with our residents, including an active presence on Twitter and Facebook. We have a framework around

officers' use of social media for work purposes, and the Monitoring Officer has published a social media guidance note for Councillors.

Our internal communications team work to make sure that our employees are kept updated. They use regular email newsletters, the Chief Executive's blog, Employee Roadshows hosted by the Leader of the Council and the Chief Executive and more to provide employees with an opportunity to hear the latest news from across the organisation, ask questions and give feedback about issues important to their service areas.

Annually the Council issues its 'Your Voice Employee Engagement Survey' which provides every employee with a chance to take part so that valuable feedback on a range of topics can be captured. The Your Voice survey provides feedback on areas of strength, and identifies areas of genuine employee concern. It is a completely confidential channel for upward communication, and gives the Council the ability to measure trends in employee engagement over time, and evaluate the effect of changes and initiatives. The results of the Your Voice survey are used to drive real improvements, and in 2014/2015 the Corporate Management Board took time to analyse the results and ensure that action plans were implemented where necessary.

(xx) Enhancing the accountability for service delivery and effectiveness of other public service providers (In England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011)

We have established the Essex Health and Wellbeing Board in accordance with the Health and Social Care Act 2012, and the Essex Police and Crime Panel in accordance with the Police Reform and Social Responsibility Act 2011. Information about both, including a calendar of meetings and all past agendas and papers, is available on our website. Arrangements for handling complaints about the Police Commissioner need to be agreed.

Information is also available on <u>our website</u> about the Health Overview and Scrutiny Committee.

(xxi) Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships (Governing Partnerships: Bridging the Accountability Gap (Audit Commission, 2005)), and reflecting these in the authority's overall governance arrangements

Partnership Working In Essex

The Council is actively engaged with hundreds of partners and dozens of partnerships and further strengthening the rigour of our approach to partnership working will enable us to put our limited resources to best use, ensure we engage with partners in a joined-up way and are systematic about sharing insight and intelligence across the organisation. For

example, we worked closely throughout 2014/2015 with our Clinical Commissioning Group partners to develop the governance arrangements for the delivery of the Better Care Fund (effective from April 2015).

Essex Partnership

<u>The Essex Partnership</u> is a working relationship between representatives of organisations who deliver services to the public across Essex. It directs and oversees progress on partnership work through the Essex Partnership Board.

The Essex Partnership Board provides leadership to help shape the strategic direction of local public services based on 'whole-systems' approaches and support the delivery of public sector reforms.

Essex Partnership Board, Essex Chief Executives Association and Essex Leaders and Chief Executives' Group are developing their thinking about strengthening partnership working to achieve better outcomes for 'Greater Essex' including through actively engaging with the Government on the devolution agenda.

The Public Service Transformation Network (PSTN) was invited by the Essex Partnership Board to conduct a review of partnership governance structures across 'Greater Essex'. The Essex Partnership Board is currently considering the recommendations arising out of the review for strengthening partnership governance.

Companies

Section 95 of the Local Government Act 2003 provides powers to Local Authorities in England to trade in function-related activities through a company.

The Council has set up Local Trading Authority Companies for this purpose. The Council also has interests in other companies or limited liability partnerships that have been established by other bodies.

Guidance on how to create a company provides direction in the areas of good governance, legal and financial compliance arrangements was revised in 2014/2015.

A register of Local Authority Trading Companies is maintained by Corporate Law and nominated officers are appointed who report updates of company activities.

The Council continues to oversee the development and implementation of the Essex Cares Ltd business plan, and will continue to be fully engaged with the company in any discussions around governance.

5. Review of effectiveness

We have a responsibility to conduct, at least annually, a review of the effectiveness of our governance framework including the system of internal control. 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 Internal Audit's annual report, our own Service Assurance Statements (completed by all Tier 2 Directors) and from comments received from external auditors and other review agencies and inspectorates.

In the Annual Audit Report the Head of Internal Audit & Counter Fraud provides opinion of the adequacy of our system of internal control, his overall opinion for 2014/15 is 'good assurance'. This means that there is a sound system of internal control, adequately designed to meet the council's objectives, and controls are generally being applied consistently.

In 2014/15 we carried out 100 audits (including schools) across our full range of functions, services and directorates. 87% of our reviews received 'Good' or 'Adequate' assurance. Internal Audit reviews found all key fundamental systems and Governance to offer 'Good' or 'Adequate' Assurance. This includes:

- Gifts & Hospitality (Good Assurance)
- Members Expenses (Good Assurance)
- Risk Management (Adequate Assurance)
- Procurement Cards (Good Assurance)

Of the audits completed in 2014/15, 10 reviews received 'Limited Assurance' and none received a 'No Assurance' opinion. Remedial recommendations have been agreed with the relevant service areas to effect the necessary control improvements for all of these reviews, these are robustly tracked to ensure implementation within agreed timelines.

Internal Audit visits to schools are prioritised based on a risk assessment of all schools, and 39 reports on schools were issued in 2014/15. The assurance outcomes were proportionately consistent with the previous year with 90% receiving 'Good' or 'Adequate' assurance and 10% 'Limited Assurance' opinion. We also undertake an annual analytical review of School Year-End Balances which is an important assurance tool encompassing the whole school population. The School Year-End Balances review returned an opinion of 'Good Assurance' in 2014/15.

Internal Audit have been directly involved in supporting a number of corporate projects during the year enabling organisational change (e.g. Better Care Fund, Implementation of the Care Act), 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. Internal Audit's early involvement in these projects has resulted in close collaboration with the relevant teams with issues being addressed promptly as they have arisen. These activities have been reported to the Audit Committee throughout 2014/2015.

Counter Fraud activity is reported regularly to the Audit Committee. Referrals received in 2014/2015 have remained that the same volume as the previous year. The Counter Fraud Team have undertaken proactive prevention and detection work, specifically the management of the National Fraud Initiative (NFI) and directed fraud awareness training.

All recommendations arising from Internal Audit and Counter Fraud activity are tracked with monthly automated emails being sent to owners of recommendations to request status updates via a web-based system. Summary reports on outstanding recommendations are presented to Functional Leadership Team meetings quarterly, with progress reports on implementation of recommendations provided to Audit Committee. This provides good accountability and visibility of Internal Audit recommendations across the Council. All reviews with a 'No' or 'Limited' assurance opinion are also subject to a follow-up audit review.

6. Governance issues

The following issues have been identified throughout the year and have either been resolved or are still subject to on-going action or review.

- Leadership In 2014/2015 the Chief Executive (Head of Paid Service) announced her departure from the Council in May 2015. The <u>interim arrangements</u> for Head of Paid Service, until the post has been recruited to, have been established and were announced at Full Council in May 2015.
- Information Governance All incidents reported to the Information Commissioners Office (ICO) have now been closed by the ICO who undertook an independent review of our information governance arrangements in June 2015. The ICO's overall opinion of the Council's arrangements was one of 'high assurance', concluding 'there is a high level of assurance that processes and procedures are in place and delivering data protection compliance'.
- South East Local Enterprise Partnership (SELEP) During 2014/15 SELEP has worked to ensure that there is in place robust governance arrangements. Accordingly in March 2015 the Strategic Board approved an Assurance Framework, which provides how local growth schemes will be selected and delivered, ensuring maximum impact and best value for money. It also builds in accountability through the establishment of clear decision making channels, and is now published on the SELEP website. The Assurance Framework will be reviewed and agreed annually.
- Health & Safety In March 2015 ECC entered a guilty plea to Health & Safety Executive prosecution in relation to an incident at an Outdoors Centre. The Magistrates Court heard the case on 15 June 2015 accepting the guilty plea put forward by ECC. The Council was fined £10,000 and ordered to pay costs in the region of £3,000.
 - A judgement was formally handed down in open court in February 2015 regarding a near drowning incident which occurred at a school in July 2000. The judge apportioned 66% of the liability to the Council.

The Council continues to take robust action to ensure that health and safety standards are maintained. The corporate arrangements are overseen by the Health & Safety Board, and included the appointment of a new Health & Safety Manager in 2014/2015.

- Tribunal A judgement was made against the Council by an Employment Tribunal in respect
 of race discrimination, victimisation, harassment, unfair dismissal and breach of contract in
 relation to a former employee. The Council is appealing this outcome.
- Lord Hanningfield A decision was taken by the Leader of the Council and presented to <u>Full Council</u> in July 2014 not to issue legal proceedings against Lord Hanningfield (note: this was reported in the 2013/2014 Annual Governance Statement published in September 2014). This decision was subject to <u>call-in</u> at the Corporate Scrutiny Committee in July 2014 where it was deemed there should be no further action.
- Equality & Diversity The Council's Equalities Strategy has been revised (encompassing the period 2015/2018) and approved at Cabinet in May 2015. The purpose of the strategy is to set out our vision, approach, key activities and monitoring arrangements in relation to tackling inequalities in Essex. It outlines how we will advance equality of opportunity, tackle discrimination and foster good relations between different communities and groups. It also describes what we will do to advance equality within our workforce. This was informed by consultation that took place during 2014/2015, including engagement with interest groups, our partners and staff.

As we face the challenge of the local government financial landscape it is essential that we continue to ensure good governance in the face of increasing demand for services and diminishing resources. The Council will need to ensure that all managers and members understand the significance of good governance and that it is built into their roles and responsibilities, thereby ensuring that good governance is embedded in the organisation throughout this continued period of change.

Margaret Lee

Magaret lee

Acting Head of Paid Service, on behalf of Essex

County Council

Cllr David Finch Leader of the Council

Independent Auditor's Report

Independent Auditors Report to the Members of Essex County Council

1. Opinion on the Authority's financial statements

1.1 Opinion on the Authority's financial statements

We have audited the financial statements of Essex County Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Essex County Council financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, and the related notes 1 to 41 and Group Account notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

1.2 Respective responsibilities of the Executive Director for Corporate and Customer Services and the Auditor

As explained more fully in the Statement of the Executive Director for Corporate and Customer Services Responsibilities set out on page 16, the Executive Director for Corporate and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

1.3 Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and

have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Corporate and Customer Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

1.4 Opinion on financial statements

In our opinion the financial statements:

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

1.5 Opinion on other matters

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

1.6 Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

1.7.1 Respective responsibilities of the Authority and auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

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

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

1.7.3 Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Essex County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

1.8 Delay in certificate of completion of the audit

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

In addition we are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Essex Pension Fund. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2015. As the authority has not yet prepared the Annual Report we have not yet been able to conclude on the consistency with these financial statements and we have not issued our report on those financial statements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Clewer
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
22 September 2015

2. Opinion on the Pension Fund financial statements

2.1 Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

2.2 Respective responsibilities of the Executive Director for Corporate and Customer Services and the Auditor

As explained more fully in the Statement of the Executive Director for Corporate and Customer Services' Responsibilities set out on page 16, the Executive Director for Corporate and Customer Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

2.3 Scope of the audit of the financial statements

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

of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

2.4 Opinion on the financial statements

In our opinion the Pension Fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

2.5 Opinion on other matters

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

Baldeep Singh for and on behalf of Ernst & Young LLP, Appointed Auditor Reading 22 September 2015