Essex County Council

Audit, Governance and Standards Committee

14:00	**Thursday, 25 January 2024**	**Committee Room 1 County Hall, Chelmsford, CM1 1QH**

For information about the meeting please ask for:
Sophie Crane, Senior Democratic Services Officer
Telephone: 03330 134555
Email: democratic.services@essex.gov.uk

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		Pages
1	**Membership, apologies, substitutions and declarations of interest**	**5 - 5**
2	**Minutes and Matters Arising** To approve as a correct record the Minutes/Notes of the following meetings, and identify any matters arising.	
2a	**Minutes: Audit Governance Standards Committee 25 Sept 23**	**6 - 10**
2b	**Notes:Informal Meeting of the Audit Governance Standards Committee 18 December 2023**	**11 - 13**

3	**2020 21 Statement of Accounts (AGS/01/24)** To receive a report from Christine Golding, Chief Accountant.	**14 - 241**
4	**2020 21 Audit Completion Report for Essex County Council (AGS/02/24)** To receive a report from Christine Golding, Chief Accountant.	**242 - 283**
5	**2020 21 Audit Completion Report for Essex Pension Fund (AGS/03/24)** To receive a report from Christine Golding, Chief Accountant.	**284 - 322**
6	**Auditor's Annual Report for 2020 21 (AGS/04/24)** To receive a report from Christine Golding, Chief Accountant. Paper to follow.	
7	**Risk Management Strategy (AGS/05/24)** To receive a report from Paula Clowes, Head of Assurance.	**323 - 332**
8	**Changes to Internal Audit Plan 2023 24 (AGS/06/24)** To receive a report from Paula Clowes, Head of Assurance.	**333 - 334**
9	**Work Programme 2024 (AGS/07/24)** To receive a report from Paul Turner, Director, Legal and Assurance.	**335 - 337**

10 Date of next meeting

To note that the next scheduled meeting of the Committee will take place at 10am on Monday 25 March 2024 in Committee Room 1 at County Hall, Chelmsford, CM1 1QH.

11 Urgent Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

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

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

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

12 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Committee: Audit, Governance and Standards

Enquiries to: Sophie Crane, Senior Democratic Services Officer
Democratic.services@essex.gov.uk

Membership, Apologies, Substitutions and Declarations of Interest

Recommendations:

To note

1. The membership of the committee as shown below.

2. Apologies and substitutions

3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

Membership
(Quorum: 3)

Cllr Anthony Hedley	Chairman
Cllr Susan Barker	
Cllr David King	
Cllr Luke Mackenzie	
Cllr Aidan McGurran	
Cllr Anthony McQuiggan	Vice-Chairman
Cllr Mark Platt	
Cllr Laureen Shaw	
Cllr Chris Siddall	Vice-Chairman
Cllr Wendy Stamp	
Mr Atta Ul Haque	Independent member (non-voting)

Named Substitutes
Cllr Lewis Barber
Cllr Jane Fleming
Cllr Mike Mackrory
Cllr Jaymey McIvor
Cllr Lee Scordis

The Minutes of the meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford on Monday 25 September 2023

A YouTube recording of the meeting is to be found online.

Present:

Members of the Committee:

Cllr Anthony McQuiggan	Vice Chairman (in the Chair)
Cllr Chris Siddall	
Cllr Susan Barker	
Cllr David King	(present other than for the conclusion of item 6)
Cllr Aidan McGurran	
Cllr Luke Mackenzie	
Cllr Lewis Barber	
Mr Atta Ul-Haque	Independent Member appointed to the Committee

ECC Officers:

Christine Golding	Chief Accountant
Stephanie Mitchener	Director, Finance
Paula Clowes	Head of Assurance
Paul Turner	Director, Legal and Assurance
Sophie Crane	Senior Democratic Services Officer

Also present:	External Auditors: Mr David Eagles BDO LLP Mr Geraint Jones BDO LLP

Welcome and Introduction

Cllr Anthony McQuiggan, who chaired the meeting in the absence of Cllr Tony Hedley, welcomed those in attendance.

1. Membership, Apologies, Substitutions and Declarations of Interest

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

- The Membership of the Audit, Governance and Standards Committee was as shown in the report.
- Apologies had been received from Cllr Anthony Hedley (Chairman), Cllr Mark Platt, Cllr Wendy Stamp and Cllr Laureen Shaw. Cllr Lewis Barber substituted for Cllr Laureen Shaw. Cllr Stamp joined the meeting online from 10.30am.
- No declarations of interests were made.

Cllr Anthony McQuiggan reminded Members that any interests must be declared during the meeting if the need to do so arose.

2. Minutes and Matters Arising

The minutes of the meeting held on Monday 5 June 2023 were approved as a correct record. The notes of the informal meeting held on Monday 3 July were approved as a correct record.

3. 2020/21 Statement of Accounts and Audit

Members received the report (AGS/27/23) from Christine Golding, Chief Accountant and invited representatives from BDO to explain the reasons for the further delay to the completion of the 2020/21 audit of the Council, in the light of their previous assertions that the final audit completion report would be completed for presentation to the current meeting. Mr David Eagles and Mr Geraint Jones of BDO gave an explanation regarding the scheduling of the work and sought to assure members that measures had been put in place to ensure the resourcing and prioritisation of the 2020/21 audit before Mr Eagles retired from BDO. BDO anticipated providing the 2020/21 audit completion report to ECC by 13 November 2023.

Members expressed significant frustration at the continued delays and sought clarification regarding the audit fees that ECC would be charged. Members wished to explore if and how ECC could be compensated for the additional costs arising from the situation, given the delays were not caused by ECC.

Mr Eagles confirmed that ECC would only be charged for the hours of work that had been undertaken, however the volume of work involved had not been anticipated at the start of the contract period and was due to national factors. The Public Sector Audit Appointments (PSAA) appointed BDO to the contract and would oversee the final fees.

Members indicated that it was important that lessons were learned from the situation to avoid it being repeated in future audit contracts.

Members asked to be kept informed of progress towards the mid-November target date.

Resolved

That the report was noted.

4. Proposals to clear the backlog of local audits and embed timely audits

Christine Golding, Chief Accountant introduced the report (AGS/28/23) which summarised recent proposals from the Minister for Local Government Lee Rowley.

The main focus of the proposals was an intention to introduce a series of statutory backstop dates for accounts preparers and auditors to clear the backlog of delayed audits. It was possible that the backstop dates indicated in the initial proposals would change depending on the time taken to finalise these arrangements.

Members discussed the national risks associated with the proposed arrangements and the possible unintended consequences of changing the standards. It was noted that the intention was to bring focus to current issues and that there was not sufficient capacity in the external audit market to deal with everything in the national backlog.

Resolved

That the report was noted.

5. Risk Management Update and Strategic Risk Register

Paula Clowes, Head of Assurance introduced the report (AGS/29/23) it was the second time the Committee had received the report in this format. Members discussed the risks identified in the report and requested that Paula Clowes seek the following information from the responsible officers, to be circulated to the Committee by email:

- Further detail regarding the recruitment and retention risk and, where possible, data comparing ECC with similar organisations.
- An update on the CMA referred to in the narrative of the recruitment and retention risk.
- An analysis to confirm if there was any correlation between working from home and employee sickness absence.
- An explanation of the reported increase in compliance and governance risks.
- Feedback on the risk rating for the Highways Network, it was agreed this element would be provided after the Corporate Leadership Meeting on 31 October 2023.

It was clarified that any internal audits undertaken in a service area for which the Head of Assurance was also responsible were sponsored by another senior manager to ensure there were no conflicts of interest.

Resolved

That the report was noted.

6. Internal Audit and Counter Fraud progress reports

Paula Clowes, Head of Assurance introduced the report (AGS/30/23) and noted the following points in particular covering the period April – August 2023:

- One audit received a No Assurance opinion (Downham School)

- One audit received a Limited Assurance opinion (Absence Management)
- Four audits received a Good Assurance opinion
- Seven audits received a Satisfactory Assurance (or equivalent) opinion
- As at 31 August 2023 there were 13 Major and 60 Moderate recommendations open. There were no open Critical recommendations
- During this period the work of the Counter Fraud team had resulted in the recovery of £43,685.84 with a further £92,424.32 in recovery.

It was noted that the Internal Audit Team would carry out a follow up audit of the Downham School in early 2024. Members agreed to await the outcome of this work before inviting the ECC schools finance team to address the Committee regarding the report.

Resolved

That progress in audit and counter fraud activity was noted.

That the recommended changes to the Internal Audit and Counter Fraud Plan (as outlined in Appendix A) were approved.

That the responsible officer for Absence Management should address the Committee regarding the Limited Assurance opinion internal audit report.

7. Assurance on Procurement and Contract Management

Paul Turner, Director, Legal and Assurance introduced the report (AGS/31/23) which outlined options for seeking additional assurance on procurement and contract management processes at ECC. This had been produced at the request of the Committee at the effectiveness review held earlier in 2023. Members considered which areas they wished to focus on and how they would ensure that the assurance work would be distinct from the work of the Scrutiny function.

Resolved

(1) That the Committee would receive a detailed briefing to seek assurance on the following aspects of the highway contract:

a. How the council ensures value for money in the highway maintenance service
b. How task orders are written and designed to ensure value for money is obtained, generally and with respect to schemes promoted by Local Highways Panels
c. What processes the council has to ensure that the Council is not being charged for repeat works if repairs have failed.
    1. What internal controls and checks are in place to ensure that the contractor is charging for agreed work at agreed rates within the task orders issued to the contractor
d. What learning from the current contract will be taken forward into the procurement of a new service.

(2) That the Committee agreed the proposed approach set out in paragraph 3.4 of the report (AGS/31/23).

8. Work Programme

Paul Turner, Director, Legal and Assurance, introduced the work programme (AGS/32/23) and explained that it had been prepared in a new format. In part one items which ECC was responsible for were scheduled against particular Committee dates. Part two listed the unscheduled items which were due from the external auditor, BDO. Members discussed the assertion from BDO that the 2020/21 accounts audit completion report could be provided by mid-November 2023 and therefore potentially reported to Committee on 27 November 2023 if an additional meeting was scheduled.

Resolved

That the Work Programme (AGS/32/23) was noted.

That an additional Committee meeting would be scheduled for Monday 27 November 2023.

9. Date of next Meeting

It was noted that the next meetings had been scheduled for 18 December 2023, 25 March 2024, 10 June 2024, 30 September 2024 and 16 December 2024.

Chairman
2023

The notes of the Informal meeting of the Audit, Governance and Standards Committee, held in Committee Room 1, County Hall, Chelmsford on Monday 18 December 2023

A YouTube recording of the meeting is to be found online.

Present:

Members of the Committee:	
Cllr Tony Hedley	Chairman
Cllr Susan Barker (online)	
Cllr David King (online)	
Cllr Aidan McGurran	
Cllr Mark Platt	
Cllr Laureen Shaw (online)	
Cllr Chris Siddall	
Mr Atta Ul-Haque (online)	Independent Member appointed to the Committee
ECC Officers:	
Paula Clowes (online)	Head of Assurance
Christine Golding	Chief Accountant
Stephanie Mitchener	Director, Finance
Paul Turner	Director, Legal and Assurance
Sophie Crane	Senior Democratic Services Officer
Judith Dignum	Democratic Services Officer
Also present:	External Auditor:
	Mr David Eagles BDO LLP
	Mr Geraint Jones BDO LLP
	Mr Ciaran McLaughlin BDO LLP

Welcome and Introduction

Cllr Tony Hedley, the Chairman of the Audit, Governance and Standards Committee, welcomed those in attendance.

1. Membership, Apologies, Substitutions and Declarations of Interest

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

- The Membership of the Audit, Governance and Standards Committee was as shown in the report.
- Apologies had been received from Cllr Luke Mackenzie and Cllr Wendy Stamp.
- No declarations of interests were made.

2. Absence Management Audit Progress Update

At the September 2023 meeting of the Audit, Governance and Standards Committee it had been reported that the Absence Management audit had received a Limited Assurance opinion. Members had therefore agreed that relevant officers should be invited to provide an update to the Committee. Alison Woods, Director, People Business Partnering and Employment Practice, joined online and provided an update on the actions being taken to respond to the Audit Report.

Members discussed the data which had been provided and requested that more accurate information regarding forfeited leave days be sought. Members also asked for an analysis of the reasons for the particularly high numbers of forfeited leave days in the 'Climate Environment and Customer Services' function. It was clarified that the audited data may not have been an accurate reflection of the situation because it had been collected via a self-service system into which individual employees and managers entered information directly. It was therefore noted that when benchmarking with other authorities it would be helpful to also find out when their systems had last been audited.

Members noted the report and asked Alison Woods to provide a further update via email in due course.

3. Internal Audit and Counter Fraud Progress Report

Paula Clowes, Head of Assurance, introduced the report which covered the period September to November 2023, and highlighted the following matters of particular note:

- Four audits had received a Limited Assurance opinion (Waste Services, 2 x Capital Projects, Multiply Grant)
- Two audits had received a Good Assurance opinion.
- Three audits had received a Satisfactory Assurance opinion.
- As at 30 November 2023 there had been **13** Major and **55** Moderate recommendations open and no open Critical recommendations.
- During the period the work of the Counter Fraud team has resulted in 3 employees facing disciplinary action.
- The Internal Audit 5 yearly External Quality Assessment had been completed in November 2023 and the team had received an outcome of 'generally conforms' (the highest).

Paula Clowes undertook to respond to a number of detailed questions from Mr Atta Ul-Haque via email and to circulate the responses to all members of the Committee. Members discussed the Limited Assurance Audits and noted that the audits of the Chelmsford North-East Bypass and the Beaulieu Park Station were of particular concern given the issues identified regarding project governance and the risks around cost management arising from inflation.

Members noted the report and agreed that the responsible officers for Chelmsford North-East Bypass and the Beaulieu Park Station should be asked to attend a

future meeting of the Committee to provide an update on the internal audit recommendations.

4. 2020/21 Statement of Accounts and Audit

Christine Golding, Chief Accountant, introduced the report and invited representatives from the external auditors BDO to provide an update.

Mr David Eagles, BDO confirmed that their expectation was that BDO would bring a completed audit report for 2020/21 to the Committee scheduled for 25 January 2024. This work had been delayed by additional requirements around testing of ECC schools' cash balances which has arisen from BDO's quality review process. Mr Eagles confirmed that he had extended his retirement date to accommodate this work.

Members were concerned that, given that this additional work involved obtaining responses regarding approximately 200 schools, the January target date may not be realistic. It was clarified that BDO would continue to work on the other outstanding matters from the 2020/21 audit alongside the schools' reconciliation and that they therefore considered the target was realistic.

Mr Ciaran McLaughlin, BDO informed members that he would be responsible for the 2021/22 and 2022/23 audit reports, with 2022/23 being the last report that BDO were contracted to undertake for ECC. Mr McLaughlin outlined the resources which had been put in place to enable those audits to be reported to Committee in March and September 2024 respectively. It was noted that the formal government response to the consultation on local authority external audit backstop arrangements had not yet been published and would be factored into plans once the detail was confirmed.

5. Work Programme

Members noted the work programme and agreed that the additional items arising from the Internal Audit and Counter Fraud Progress Report should be scheduled.

6. Date of next Meeting

It was noted that the next formal meeting of the Audit and Governance Committee had been scheduled for Thursday 25 January 2024.

Cllr Tony Hedley closed the informal meeting.

Agenda item 3

AGS/01/24

Report title: 2020/21 Statement of Accounts	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 25 January 2024	**For:** Approval
Enquiries to Nicole Wood, Executive Director, Corporate Services **email** nicole.wood@essex.gov.uk or Christine Golding, Chief Accountant **email** christine.golding@essex.gov.uk or (with respect to the Annual Governance Statement) Paul Turner, Director, Legal and Assurance **email** paul.turner@essex.gov.uk	
Divisions affected: All Essex	

1. Executive summary

1.1 The draft Statement of Accounts for the 2020/21 financial year was originally presented to the Committee on **28 June 2021** (**AGS/13/21**). Since then, the accounts have been subject to external audit and public inspection.

1.2 It was not possible for BDO to finalise the 2020/21 audit of the Council and Essex Pension Fund in line with the statutory deadline for publication of the 2020/21 accounts (**30 September 2021**).

1.3 BDO did present drafts of their audit completion reports to the Committee on **21 March 2022** for both the Council (AGS/12/22) and Essex Pension Fund (AGS/11/22). The audit completion report for the Council was marked as draft because of an issue relating to infrastructure assets which had been raised and was being addressed at a national level.

1.4 The national resolution for the infrastructure assets issue came at the end of 2022 in the form of an update to the CIPFA Code of Practice on Local Authority Accounting and a statutory instrument. However, for reasons already well reported to the Committee, BDO were unable to finalise the 2020/21 audit during 2023.

1.5 In line with the commitment BDO gave to the Audit, Governance and Standards Committee on **18 December 2023**, the audit completion reports have now been finalised and are presented elsewhere on this agenda for the Committee's consideration. The audit completion reports set out the key findings and conclusions of the auditor in relation to the audit of the financial statements of the Council and the Essex Pension Fund for 2020/21.

1.6 The content of the audit completion reports must be considered before the Committee decides whether to approve the 2020/21 Statement of Accounts for publication.

1.7 Some amendments have been made to the Council's and Essex Pension Fund's financial statements since they were first presented to the Committee in June 2021. The amendments have been made to address matters arising during the external audit. None of the amendments made impact on the Council's usable reserves and balances or on the net assets of the Pension Fund.

1.8 BDO highlight some unadjusted audit differences, but none of these are material in the context of the financial statements overall or to the financial position of the Council and Essex Pension Fund.

2. Recommendations

2.1 It is recommended that the Committee:

i. Notes the matters raised in the External Auditor's audit completion reports, which are presented elsewhere on the agenda.

ii. Agrees not to adjust the 2020/21 Statement of Accounts for the non-material unadjusted misstatements identified within the Audit Completion Reports for the Council and Essex Pension Fund.

iii. Approves the 2020/21 Annual Governance Statement, which is included in the Statement of Accounts document (pages 194 to 216 of **Appendix A** to this report).

iv. Approves the updated draft of the 2020/21 Statement of Accounts (pages 1 to 193 of **Appendix A** to this report).

v. Notes the representations that the Executive Director, Corporate Services and Chairman of the Committee will make on behalf of the Council and the Essex Pension Fund (as set out within the Letters of Representation appended to the audit completion reports for the Council and the Essex Pension Fund, which are presented elsewhere on the agenda).

vi. Notes that the completion of the audit means that the former corporate system (**TCS**) will not be required after the end of **February 2024**, and endorses any decision to end the support contract with Fujitsu for the system.

3. Background

3.1 The draft (unaudited) Statement of Accounts for 2020/21 was presented to the Audit, Governance and Standards Committee on **28 June 2021** (**AGS/13/21**). The Executive Director, Corporate Services certified the Statement of Accounts on **30 June 2021**, and released them for external audit and public inspection on **1 July 2021**.

3.2 It was not possible for BDO to finalise the 2020/21 audit of the Council and Essex Pension Fund in line with the statutory deadline for publication of the 2020/21 accounts (**30 September 2021**).

3.3 BDO did however present drafts of their audit completion reports to the Committee on **21 March 2022** for both the Council (**AGS/12/22**) and Essex Pension Fund (**AGS/11/22**). The report for the Council was issued as draft because of an issue relating to infrastructure assets which had been raised and was being addressed at a national level.

3.4 The national resolution for the infrastructure assets issue came at the end of 2022 in the form of an update to the CIPFA Code of Practice on Local Authority Accounting and a statutory instrument. These had the practical impact of permitting existing accounting practice for infrastructure assets to continue until a longer-term accounting solution could be agreed.

3.5 Following the publication (in mid-January 2023) of further guidance by CIPFA on accounting for infrastructure assets BDO asked the Council to demonstrate the efficacy of its depreciation policy for infrastructure assets. The output from this work was provided to BDO on **6 March 2023**. BDO concluded that they were unable to review this work in time to present the final audit completion reports to the Committee on **27 March 2023**, but hoped to be able to present their final audit completion reports to the Committee on **3 July 2023**. For reasons already well reported to the Committee, it did not prove possible for BDO to finalise the 2020/21 audit in July 2023, or later in the year either.

3.6 In line with the commitment BDO gave to the Audit, Governance and Standards Committee on **18 December 2023**, the audit completion reports have now been finalised and are presented elsewhere on this agenda for the Committee's consideration.

3.7 The audit completion reports sets out the key findings and conclusions of the external auditor in relation to the audit of the financial statements of the Council and Essex Pension Fund for 2020/21. The content of the audit completion reports must be considered before the Committee decides whether to approve the 2020/21 Statement of Accounts for publication.

3.8 The 2020/21 Statement of Accounts have been updated since they were first presented to the Committee in June 2021. The amendments have been made in response to matters arising during the external audit of the financial statements of the Council and Essex Pension Fund. An explanation of the more significant amendments is provided in Sections 4 and 5 below.

3.9 The Accounts must now be approved by this Committee before the Statement of Accounts for 2020/21 can be formally published.

3.10 As part of the process of approving the Accounts:

- The Statement of Accounts must be **re-certified** by the Executive Director, Corporate Services and, following approval by the Audit, Governance and Standards Committee, by the Chairman of the Committee.
- The Executive Director, Corporate Services and the Chairman of the Committee must sign '**letters of representation**' for the Council and for the Essex Pension Fund, addressed to the external auditor, confirming their opinion that the financial statements present fairly the financial position of the Council and the Essex Pension Fund, and of their income and expenditure for the year ended 31 March 2021.

3.11 Once the Council has approved and certified the Statement of Accounts and the letters of representation, the external auditor will certify the opinion on the accounts. The external auditor expects to issue the audit opinions on the financial statements of the Council and Essex Pension Fund by **31 January 2024**. The Statement of Accounts, including the auditor's opinions, will then be published on the Council's website.

4. Financial statements for the Council

4.1 An explanation of the more significant amendments made to the Council's Accounts for matters arising during the external audit is provided in the following paragraphs.

4.2 Infrastructure assets

Following publication of an update to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Local Authorities (Capital Finance and Accounting) (England and Wales) (Amendment) Regulations 2022, and new CIPFA guidance on Accounting for Infrastructure Assets, the Council:

- Amended its depreciation policy for infrastructure assets (explained in **note 1.12.3** of the Accounts, on pages 43 and 44 of Appendix A) which resulted in an additional depreciation charge for infrastructure assets for the year of **£8.699m** (increasing the charge for infrastructure assets from **£44.870m** to **£53.569m**). This adjustment reduced the surplus on the provision of services (as shown in the Council's Comprehensive Income and Expenditure Statement), and the carrying value of infrastructure

assets (as shown in the Balance Sheet) by **£8.699m**, but it had no impact on the Council's usable reserves and balances.

- Removed the gross book value and accumulated depreciation for Infrastructure Assets from disclosure **Note 15** on **Property, Plant and Equipment, other non-current assets and assets held for sale** (which commences on page 71 of Appendix A) because historical reporting practices and resultant information deficits mean that inclusion of this information would not faithfully represent the asset position it purports to represent.
- Added commentary to disclosure **Note 15.2** (on page 73 of Appendix A) to explain that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is **£nil**.

4.3 **Short term debtors and creditors**

The Council is the accountable body for several partnership arrangements. Invoices raised in March 2021 to collect contributions due to these partnerships for the 2021/22 financial year were incorrectly reflected in the Council's 2020/21 Balance Sheet as debtors at year end. This, in turn, resulted in a misstatement of the creditors reflected in the Balance Sheet for cash held by the Council on behalf of these partnership arrangements at year end. The impact of correcting for this error was to reduce both **debtors** (see **Note 21**, on page 90 of Appendix A) and **creditors** (see **Note 23**, on page 91 of Appendix A) in the Council's Balance Sheet for 2020/21 by **£7.168m**.

4.4 **Capital grant receipts in advance (Note 24)**

Grants are held as receipts in advance where the Council has received the income, but not yet met the conditions entitling it to the funding. While no changes were made to the totality of capital grant receipts in advance held as at 31 March 2021, it was necessary to reclassify **£3.0m** of the capital grants awarded by the South East Local Enterprise Partnership as long term, rather than short term (see **Note 24**, on page 91 of Appendix A).

4.5 **Specific grant income**

The Council received a government grant in 2020/21 as compensation for loss of income because of service closures during the COVID-19 pandemic. **£6.413m** of the grant was credited to the accounts as general income, rather than as a specific grant. The impact of correcting this was to increase government grants in the Comprehensive Income and Expenditure Statement (against the Health and Adult Social Care line) and to correspondingly reduce other income (against the same line). **Note 13.2**, which provides an analysis of specific grants received in the year, was also updated (see page 69 of Appendix A).

4.6 **Group Accounts**

Where relevant, the Group Accounts have been updated to reflect the changes to the Council's own accounts, as outlined in the preceding paragraphs.

4.7 **Other changes**

The Council updated **Note 39** on **events after the report date** (see page 121 of Appendix A) to reference the impact on the carrying value of property, plant and equipment assets of new guidance published by the Department for Education on 31 August 2023. This guidance, on **reinforced autoclaved aerated concrete** (RAAC), required urgent action to be taken at any schools with known RAAC, unless a structural mitigation was in place.

Minor amendments were also made to various other disclosure notes. None of the amendments changed the intent of the previous disclosures and they were mainly actioned to improve clarity.

5. Essex Pension Fund Accounts

5.1 Some amendments were also made to the Essex Pension Fund Accounts. The following paragraphs provide an overview of these changes.

5.2 **Investments by asset type (Note 12.2)**

Movements in the value of index linked securities, equities (unit life assurance policies) and property unit trusts have been recategorised, but these adjustments had no impact on the closing value of the associated investments.

5.3 **Reconciliation of fair value measurements within Level 3 (Note 17.3)**

The reclassification of movements in property unit trusts referred to above also impacted on Note 17.3. However, as noted above, this adjustment had no impact on the closing value of the investment.

5.4 **Other changes**

Various disclosure notes have been removed on the basis that they related to items neither quantitatively nor qualitatively material to the accounts. Some minor presentational amendments have also been made to various disclosure notes.

6. Updated draft of the Statement of Accounts

6.1 The 2020/21 Statement of Accounts, which is attached to this report at **Appendix A**, incorporates all the amendments outlined in sections 4 and 5 above.

6.2 At the time of writing this report, the external audit work was nearing completion, but with matters still outstanding both in relation to the Council's accounts and those of the Essex Pension Fund (as detailed within the Audit Completion Reports presented elsewhere on the agenda). Should it be necessary to make further amendments to the Statement of Accounts as the audit work is concluded, an update will be provided at the Audit, Governance and Standards Committee meeting.

7. Audit Completion Reports

7.1 The External Auditor's Audit Completion Reports for the Council and the Essex Pension Fund, which are presented elsewhere on the agenda, summarise the findings from the 2020/21 audit, although it should be noted that the audit work was incomplete at the time of writing these reports.

7.2 The Audit Completion Reports include messages arising from the audit of the Council's financial statements and those of the Essex Pension Fund.

7.3 The reports state that the External Auditor expects to issue **unmodified opinions** on the financial statements of the **Council** and the **Essex Pension Fund**.

7.4 The Committee must consider the matters raised in the Audit Completion Reports before approving the 2020/21 Statement of Accounts.

7.5 The Audit Completion Report for Essex County Council refers to three **non-material unadjusted misstatements** in the Council's accounts which, if posted, would increase the surplus on the provision for services for the year by **£10.081m**.

7.6 The non-material unadjusted misstatements relate to expenditure recognition and are **projected errors**. This means that the auditor has identified errors in a sample of data and has assumed that errors occur at a similar rate in the entire population of data, which may not be the case.

7.7 The unadjusted misstatements are not material to the financial statements, either taken as a whole, or in connection with the ability to properly assess the performance and/or financial position of the Council.

7.8 The Audit Completion Report for the Essex Pension Fund refers to one unadjusted misstatement in the Pension Fund accounts which, if posted, would reduce the 'Net decrease in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by **£9.529m**. The difference results from estimating private equity valuations as at 31 March 2021 because the actual data was not available when the draft Accounts were being compiled. The Fund has taken the decision not to amend the financial statements on materiality grounds, as the variance only represents **0.11%** of net assets.

8. Value for money arrangements

8.1 In previous years, the External Auditor has been required to provide a binary conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources (referred to as the 'value for money' conclusion).

8.2 With effect from 2020/21, the External Auditor is no longer required to provide a conclusion on the Council's value for money arrangements. Instead, the External Auditor has provided written commentary on the Council's arrangements to secure value for money and made recommendations to address any identified weaknesses in these arrangements.

8.3 The written commentary is set out in the **Auditor's Annual Report**, which is presented elsewhere on the agenda.

9. Representation letters

9.1 Before the audit opinion for 2020/21 can be issued, the External Auditor requires the Executive Director, Corporate Services and Chairman of the Audit, Governance and Standards Committee to provide management representation letters for the Council, and for the Essex Pension Fund.

9.2 The letters of representation are appended to the audit completion reports, which are presented elsewhere on the agenda.

9.3 The Committee is asked to note the representations that the Executive Director, Corporate Services and the Chairman of the Committee will be making on behalf of the Council and the Essex Pension Fund.

10. Annual Governance Statement

10.1 The Statement of Accounts document also includes the Annual Governance Statement (pages 194 to 216 of **Appendix A**). This is a statutory document which must be approved before the Committee approves the Council's Statement of Accounts.

10.2 The Statement was considered by the Committee in June 2021. No amendments have been made to the Statement since then.

10.3 The Committee are now asked to approve the Annual Governance Statement.

11. Policy context and Outcomes Framework

11.1 This report presents the Council's 2020/21 Statement of Accounts for approval, which summarise the financial performance and financial position for the Council for the 2020/21 financial year. As such, it provides a financial representation of activities during 2020/21 against the Organisation Strategy.

12. Financial Implications

12.1 All actions proposed within this report are considered by the Section 151 Officer as appropriate for approval of the Statement of Accounts.

12.2 The Council incurred significant additional costs because of the prolonged nature of the 2020/21 audit. It was necessary to retain ongoing access to the **TCS** corporate finance system (which was in place throughout 2020/21) beyond the go-live date for the new '**My Oracle**' corporate system. In total, the costs of retaining access of the TCS system amount to **£424,000**. The bulk of the cost relates to retaining access to the former finance system over the period April to August 2022, when the system was still being hosted by Fujitsu. Thereafter, the system was transferred to the Council's cloud environment (at a cost of **£48,000**), and it has only been necessary to pay Fujitsu for support on a month-by-month basis since then, at a cost of **£4,000** per month. On the basis that the 2020/21 audit is concluded in **January 2024**, the Council will cease to need access to the TCS system and can end the support contract with Fujitsu at the end of **February 2024**.

12.3 The audit completion reports for the Council and Essex Pension Fund provide an updated assessment of the audit fees payable for the year. In relation to the audit of the Council, BDO indicate that additional fees are likely in relation to Covid-19 remote working, the new use of resources approach and in relation to the infrastructure assets issue, and that there may be a fee reduction to partly offset these increases related to Whole of Government Accounts; these fee adjustments have not been quantified yet though. No additional fees are proposed in relation to the audit of the Essex Pension Fund. The audit fees will be subject to further discussion with BDO but will ultimately need to be approved by Public Sector Auditor Appointments Ltd, as the auditor appointing body.

13. Legal Implications

13.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as was amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 with respect to the 2020/21 financial year. The Council is also required to produce an annual governance statement and approve it before it approves the statement of accounts..

13.2 External audit is a key way in which members and the public can be reassured that the Council is viable and is, overall, operating well.

14. Staffing and other resource implications

14.1 There are no staffing or other resource implications associated with this report.

15. Equality and Diversity implications

15.1 There are no equality and diversity, or other resource implications associated with this report.

16. List of appendices

16.1 Appendix A: **2020/21 Statement of Accounts**

17. List of Background Papers

17.1 Previous related reports to the Audit, Governance and Standards Committee:

i. Draft Statement of Accounts and Annual Governance Statement 2020/21 (**28 June 2021** – **AGS/13/21**).

ii. Delay to completion of the External Audit of the Council's 2020/21 Statement of Accounts (**27 September 2021** - **AGS/18/21**).

iii. Further delay to completion of the external audit of the Council's 2020/21 Statement of Accounts (**13 December 2021** - **AGS/23/21**).

iv. 2020/21 draft audit completion report for the Essex Pension Fund (**21 March 2022** - **AGS/11/22**).

v. 2020/21 draft audit completion report for Essex County Council (**21 March 2022** - **AGS/12/22**).

vi. Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund (**31 October 2022** – **AGS/24/22**).

vii. Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund (**30 January 2023** – **AGS/01/23**).

viii. Update on the 2020/21 and 2021/22 external audits of the Council and Essex Pension Fund (**27 March 2023** – **AGS/10/23**).

ix. Report on the 2020/21 Statement of Accounts and Audit, presented to an informal meeting of the Audit, Governance and Standards Committee on **3 July 2023**.

x. Report on the 2020/21 Statement of Accounts and Audit (**25 September 2023** – **AGS/27/23**).

xi. Report on the 2020/21 Statement of Accounts and Audit, presented to an informal meeting of the Audit, Governance and Standards Committee (**18 December 2023** – **AGS/35/23**).

Appendix A

Statement of Accounts 2020/21

Audit, Governance, and Standards Committee – 25 January 2025

Essex County Council

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Narrative Report 2020/21

Narrative Report

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

Contents	Page
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Narrative Report

Introduction

About Essex County Council

Essex County Council (ECC) is one of the largest of the county councils in England, covering an area of around **3,670** square kilometres, with a population of about **1.5m** people and comprising **70** electoral divisions. The Council forms the upper tier of local government within Essex (excluding Southend and Thurrock).

Our Services

The following core services are provided by the Council:

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

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

Our leadership and workforce

The decisions that affect the services we provide and the policies we adopt are made by our Councillors. There are **75** Councillors at Essex County Council, who are elected in local elections based on their political affiliations, to represent **70** areas known as divisions. Most of the Councillors serving throughout the 2020/21 financial year were elected for a four-year term, effective from **4 May 2017**. The next four-year term commences on **6 May 2021**.

Full Council is a meeting of all **75** Council members, and it is at these meetings that Councillors decide the overall policies of the County Council and set the Council's annual revenue budget and capital programme. The full Council is also responsible for electing a **Leader** of the Council. Councillor David Finch was the **Leader** throughout 2020/21. He was responsible for the strategic direction, policies and priorities of the Council, including the overall corporate revenue and capital budget strategy.

The Leader appointed nine other Councillors to form a **Cabinet**. The Councillors who made up the Cabinet provided collective and individual leadership, undertook lead responsibility for allocated portfolios and contributed towards the strategic direction of the Council. One of the nine Cabinet Members appointed by the Leader fulfilled the role of **Deputy Leader**. Councillor Kevin Bentley was the **Deputy Leader** throughout 2020/21; he was subsequently elected as Leader (on **25 May 2021**).

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

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

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

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

Our workforce is aligned to our Corporate Leadership Team.

Overall, our workforce comprises **11,939** 'full time equivalent' employees. Of this total, **5,806** were employed within our locally maintained schools. Our non-schools' workforce therefore comprised **6,133** 'full time equivalent' employees as at 31 March 2021.

2019/20	Workforce numbers (full time equivalents)	2020/21
996	Adult Social Care	1,094
1,312	Children and Families	1,397
1,311	Corporate and Customer Services	1,381
529	Education	553
494	Finance and Technology	588
923	Place and Public Health	955
138	Organisation Development and People	165
5,703	Sub total - non schools	6,133
6,159	Schools	5,806
11,862	Total	11,939

Narrative Report

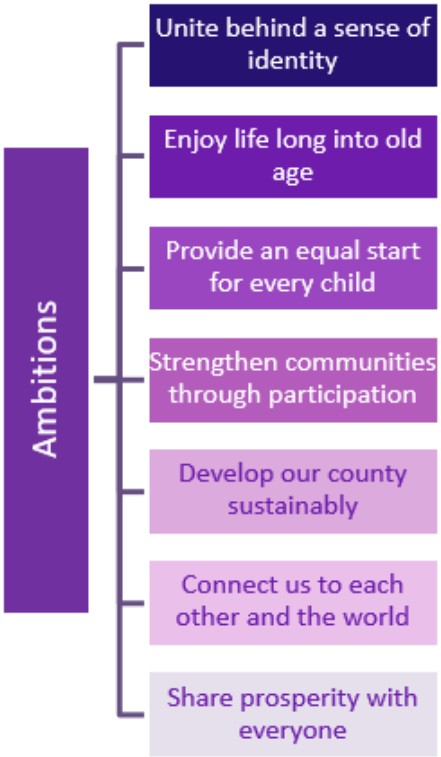
Vision for Essex

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

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

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

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



Organisation Strategy

Strategic aims

The Council's Organisation Strategy sets out our areas of focus over the four year period 2017-21. It articulated how we have sought to achieve better outcomes for Essex, and secure the ambitions set out in the Vision for Essex.

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

Narrative Report

COVID-19 – the impacts and how we have responded

2020/21 has been dominated by the impact of the COVID-19 pandemic. The Council has worked hard to try and keep people as safe and secure as possible in the face of this challenge.

For the **economy**, we piloted a Business Accelerator Scheme to support people made redundant and launched a Kickstart programme to support new jobs in the county. We also set up a COVID-19 Business Information Service to provide advice in relation to COVID-19 and commissioned Let's Do Business to provide support for employers across the County to adapt and to safeguard jobs.

For our **vulnerable people**, requiring social care support, at the start of the pandemic we moved hundreds of staff onto 7-day working rotas to support hospital discharge. We also created a COVID-19 Response Fund worth **£12m** to support additional costs that care providers had to meet to keep people safe. We secured additional capacity for care beds to ensure that people could be discharged from hospital into an appropriate setting. We used technology to support disabled people who could no longer access day opportunities, as well as making use of Care Phones to enable people to stay connected to their loved ones during lockdown. And for our young people, not only were we able to maintain critical children's services but we also worked very closely with our schools to ensure they were able to operate safely and, where appropriate, safeguard the access to education for the children of key workers and the most vulnerable.

For our **Communities**, we set up Operation Shield, working with the Community and Voluntary sector and our district, city and borough Councils to enable the **60,000** people who had to Shield to access the support they needed to do that effectively. We recruited **7,000** volunteers to the Essex Well-being Service to undertake **40,000** tasks on behalf of members of their local community who were unable to do those things for themselves. To help hard-pressed families we delivered **22,850** free summer holiday activity places, ensuring that throughout the summer holidays children could participate in physical activities and get a nutritious lunch, while parents were supported with free childcare.

Finally, we worked hard through our Public Health and Adult Social Care teams to **protect lives** and safeguard our people. This was fraught with difficulty in terms of the changing nature of the pandemic, our understanding of it, and therefore the appropriate courses of action to be taken but we were guided by the evidence to act in the best interests of our communities, regardless of how difficult some of those decisions might have been. Our work included developing an Infection Control Plan - distributing more than **£31m** in funding to support infection control in our Care settings. We set up the Essex Contact Tracing Service to manage outbreaks in sensitive settings. To support the pathway out of the pandemic, we worked with our partners to manage the set-up of vaccination sites and the recruitment of Vaccination Marshall Volunteers.

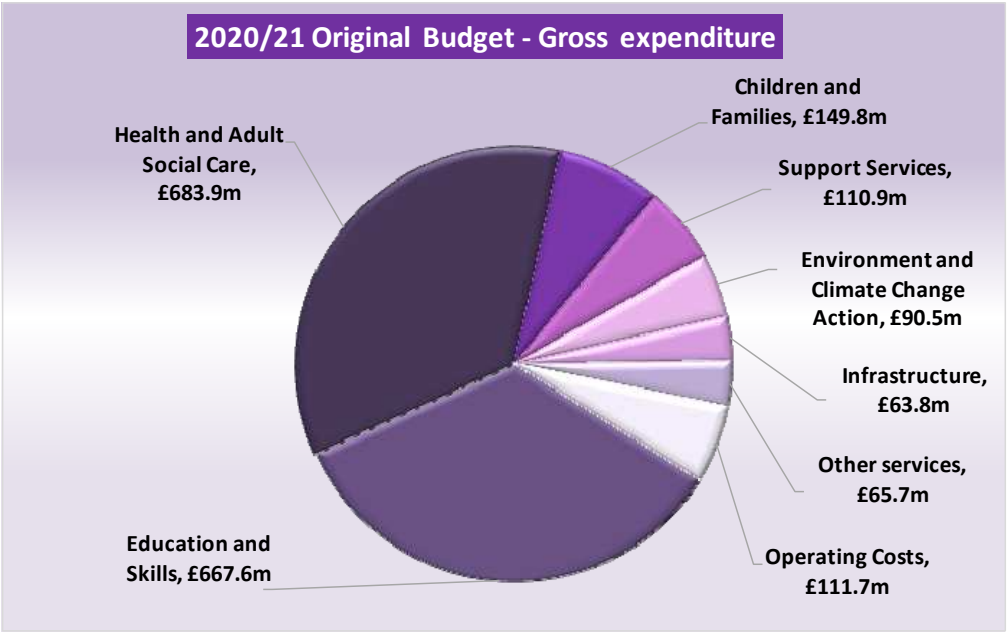
We worked with singular focus throughout 2020/21 on addressing the challenges of COVID, and we will continue to do so over the next twelve months, to protect our communities from this dreadful virus.

Revenue spending

Revenue spending plans for 2020/21

Our budget for the provision of services in 2020/21 was set against a backdrop of considerable financial challenge, due to the Government's on-going austerity programme of national reductions in public sector spending, compounded by inflationary pressures (particularly National Living Wage increases) and an increasing demand for our services.

In total, we planned to spend some **£1,943.9m** (gross) on commissioning services this year. This spending plan was aligned to the Council's Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet.

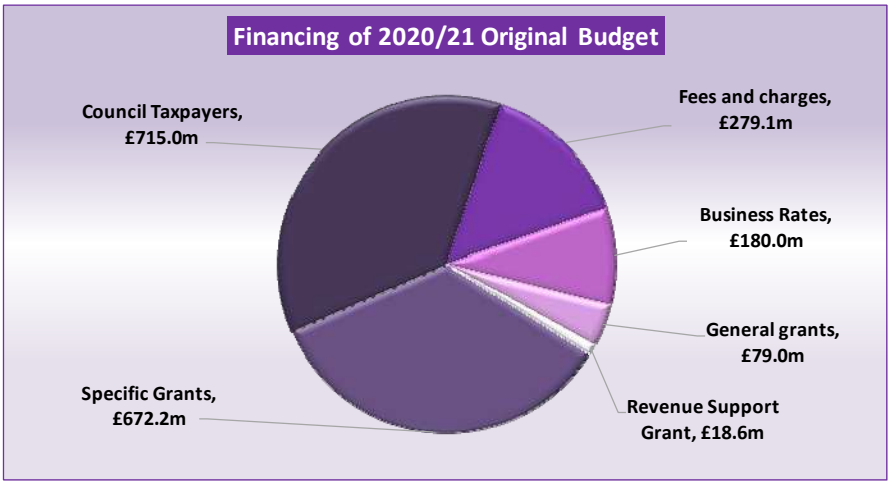


We intended to finance **£1,030.3m** of our spending from income from fees and charges (**£279.1m**) and from specific (**£672.2m**) and general (**£79m**) government grants.

The net budget, after allowing for specific and general government grants and income from fees and charges, originally amounted to **£913.6m**.

The net budget was financed from:

- Revenue Support Grant (**£18.6m**).
- Business rates (*including business rates 'top up' grant*) (**£180m**); and
- Local taxpayers (**£715m**).



The Council Tax for a band D property was set at **£1,321.11** (compared with £1,270.44 in 2019/20), which equated to an increase of under **97p** per household per week.

The Council levied the Government's social care precept of **2%** in 2020/21, which must be spent on the provision of adult social care; this is included in the Council Tax figure of **£1,321.11**.

Year-end position

The COVID-19 pandemic has had an exceptional impact on the Council's finances, with significant additional costs of circa **£148m** and around **£207m** of government support confirmed through multiple and complex grant streams. Much of the funding received from the government covered more than one financial year too, and this had a material impact on the Council's reserves and balances at year end, as we needed to set aside COVID-19 funding to meet costs in 2021/22 and beyond.

Despite the exceptional circumstances the Council has emerged from 2020/21 in a resilient position although there remains considerable uncertainty around both demand pressures and government funding, notably beyond 2021/22.

The Council delivered an under spend of **£11.5m** (**1.3%**) against a budget of **£913.6m**. This position is after adjusting for proposals to carry forward underspends for use in 2021/22 and reserve movements.

Narrative Report

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

	Budget		Actual net expenditure	Over / (under) spend against final estimate	Mitigations	Underlying over / (under) spend
	Original £000	Final Estimate £000	£000	£000	£000	£000
Children and Families	129,043	126,266	124,575	(1,691)	1,691	-
Customer, Communities, Culture and Corporate	18,317	9,031	7,770	(1,261)	1,168	(93)
Economic Development	6,262	812	8,097	7,285	(7,285)	-
Education and Skills						
Dedicated Schools Budget	(3,063)	(2,925)	(11,883)	(8,958)	8,958	-
Non Dedicated Schools Budget	81,394	84,598	80,291	(4,307)	4,621	314
Environment and Climate Change Action	77,582	88,625	82,748	(5,877)	5,758	(119)
Finance	17,461	13,468	(599)	(14,067)	13,976	(91)
Health and Adult Social Care	423,018	446,682	414,795	(31,887)	24,636	(7,251)
Infrastructure	44,257	38,355	32,975	(5,380)	332	(5,048)
Leader	7,551	7,753	6,840	(913)	618	(295)
Performance, Business Planning and Partnerships	1,902	2,669	2,324	(345)	5,036	4,691
Strategic support services	86,073	99,415	90,299	(9,116)	5,999	(3,117)
Net expenditure by Portfolios	**889,797**	**914,749**	**838,232**	**(76,517)**	**65,508**	**(11,009)**
Other operating costs						
Interest, capital financing and dividends	52,405	51,905	49,150	(2,755)	2,755	-
Appropriations to / (from) earmarked reserves:	50,467	57,182	145,414	88,232	(56,690)	31,542
Total net expenditure	**992,669**	**1,023,836**	**1,032,796**	**8,960**	**11,573**	**20,533**
General government grants (excl. RSG)	(79,059)	(126,229)	(130,874)	(4,645)	4,141	(504)
General Balance - contribution / (withdrawal)						
Contributions						
Budgeted contribution	-	16,003	16,003	-	-	-
Return of unspent supplementary funding	-	-	15,714	15,714	(15,714)	-
Underlying under spend	**-**	**-**	**11,482**	**11,482**	**-**	**11,482**
Withdrawals						
Transfer of Covid funding to earmarked reserves	-	-	(31,542)	(31,542)	-	(31,542)
Net Total	**913,610**	**913,610**	**913,579**	**(31)**	**-**	**(31)**
Financed by						
Revenue Support Grant (RSG)	(18,598)	(18,598)	(18,598)	-	.	-
Business rates (incl. business rates top up grant)	(180,038)	(180,038)	(179,888)	150	-	150
Council taxpayers	(714,974)	(714,974)	(715,093)	(119)	-	(119)
Total Financing	**(913,610)**	**(913,610)**	**(913,579)**	**31**	**-**	**31**

The net under spend of **£11.5m** reflects:

- A net under spend by services, after mitigating adjustments are made, of **£11m**. **£3.4m** of this under spend arose following an actuarial valuation of the Council's self-insurance insurance arrangements, leaving a **£7.6m** under spend mainly concentrated in the Health and Adult Social Care portfolio, largely due to volatility in demand for residential and nursing care.
- Minor favourable movements of **£0.5m** on the funding forecast for the year.

The net under spend of **£11.5m** was returned to the General Balance. At the same time, **£31.5m** was diverted from the General Balance to other reserves to:

- replenish where the Council's general funds were initially used as a matter of urgency to meet exceptional COVID-19 costs and income losses before the government stepped in with emergency COVID-19 grants to meet the exceptional costs of the pandemic; and
- move unused grant to the COVID-19 equalisation reserve.

Revenue spending plans for 2021/22 and beyond

The 2020/21 financial year was challenging, in the face of the COVID-19 pandemic. While the government provided funding towards the cost pressures and losses, the medium to long term impact of the pandemic on the economy and demand for services is still unknown, creating uncertainty in our medium-term financial strategy.

The 2021/22 budget was approved by the Council in February 2021 and was underpinned by a financial strategy to ensure we can continue to live within our means, while also continuing to deliver essential services to residents and keep Council Tax as low as possible.

The gross budget amounted to **£2,013.7m** and the net budget, after allowing for specific and general government grants and income from fees and charges, originally amounted to **£894.8m**.

The Council implemented a **1.5%** increase in the Social Care precept flexibility and no increase in the core Council Tax in 2021/22, meaning that the Council Tax for a band D property was set at **£1,340.91** (compared with **£1,321.11** in 2020/21); this is an increase of **38p** per household per week.

When we set the budget for 2021/22, we were forecasting a budget gap of **£48m** in 2022/23, rising to **£130m** in 2024/25. The most significant driver of these gaps was **inflation** (primarily related to National Living Wage increases), which accounted for **£80m**, followed by **new burdens** and **other** cost pressures of **£42m** and then **demographic growth** of **£16m**.

Some progress had been made towards balancing the budget over the medium-term. The remaining **1.5%** of social care precept in 2022/23 will increase funding through Council Tax. We have also identified new savings of **£23m** in 2022/23, **£9m** in 2023/24 and **£7m** in 2024/25.

We need to identify options for addressing the residual budget gap. Work will continue throughout 2021/22 to identify options for closing the budget gap beyond next year. We are fully cognisant of the challenges faced, including the funding uncertainty. Drawing on our successful track record of identifying and delivering savings, we are determined to continue to transform how we operate to tackle this enormous task and we are committed to delivery of savings and generating the income required to reach a balanced budget position, but also to deliver better services for residents.

Further details of the Council's revenue investment plans are included in the Essex County Council Organisation Plan 2021/22, which is available on the Council's website.

Capital investment

Background to the 2020/21 Capital Programme

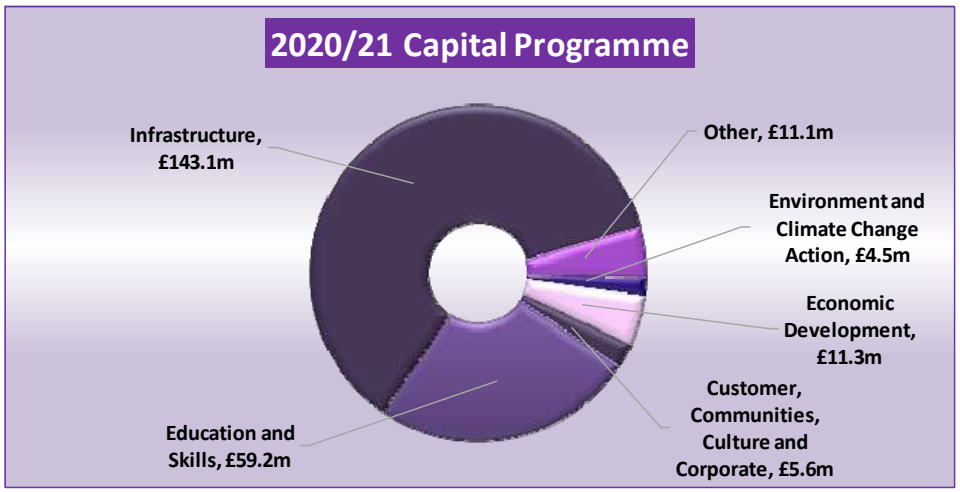
Capital investment is essential to transform our capacity to meet future needs, to maintain our assets, generate additional income and deliver revenue savings. Our approach to setting the Capital Investment Programme for 2020/21 was to maximise and make the best use of the available funding to deliver projects that represent the key priorities of the Council and enable us to respond to residents' needs.

Overall, the Capital Programme for 2020/21 was originally set at **£234.8m** and comprised a diverse portfolio of activity, with elements that generate income and growth, drive savings and ensure the quality of infrastructure, for the benefit of Essex residents:

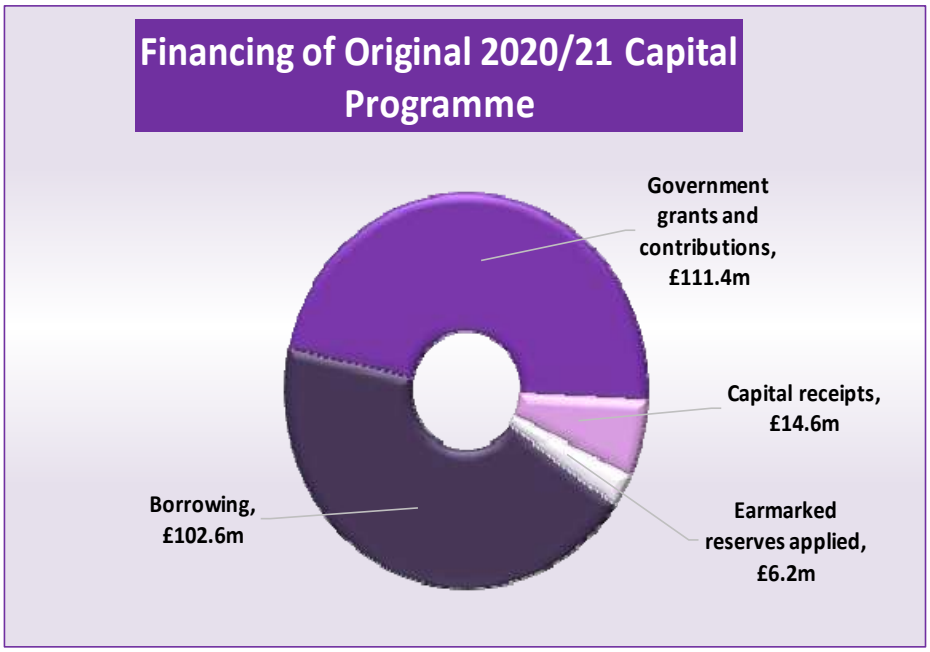
- **Invest to Grow** (**£87m**) – including economic growth schemes in infrastructure and highways, and the creation of new school places to meet additional demand from demographic changes and new housing developments and enhancing skills in key growth areas.

- **Invest to save / generate return** (**£21m**) – schemes that generate a return or saving, including accommodation for older people and people with disabilities, LED street lighting and the Essex Housing Programme.
- **Invest to maintain** (**£126.8m**) – projects intended to maintain but extend the life of our assets, including highways maintenance schemes countywide.

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



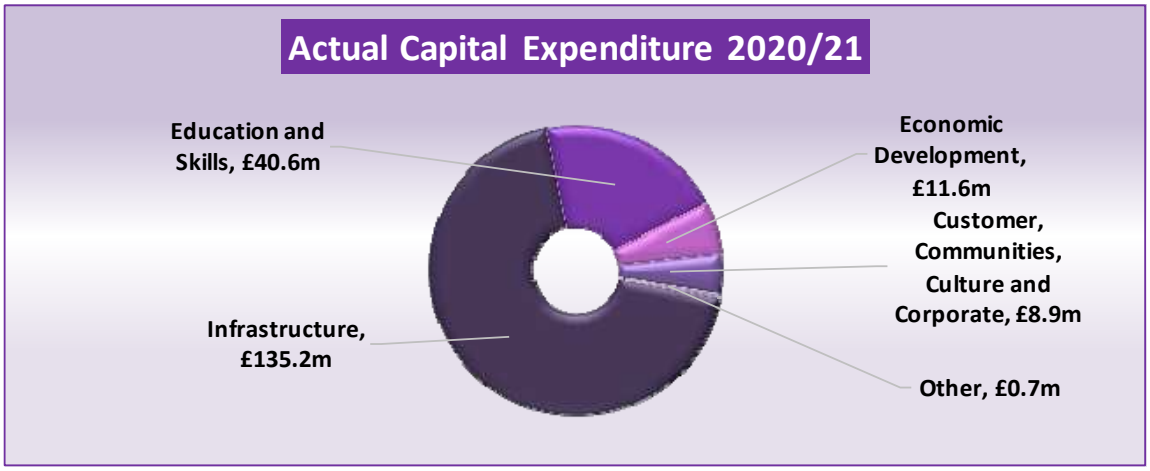
It was intended to finance the 2020/21 Capital Programme from a combination of borrowing (**£102.6m**) and from grants, contributions, capital receipts and reserves (**£132.2m**).



Narrative Report

2020/21 Outturn position

The final approved capital payments budget amounted to **£214.9m**. In comparison, actual expenditure amounted to **£197m**. This was **£17.9m** (8%) lower than budgeted (compared with an under spend of £23.7m (7%) in 2019/20).



During 2020/21, around **400** schemes were undertaken, including:

- Creating **1,700** new school places through school expansions, as well as a new primary school in Colchester (Lakelands Primary) providing **420** school places.
- Significant packages of transport improvement work, including progression of new connections at the M11 Junction 7A and at the Fairglen Interchange. Several other schemes were successfully completed too, including the Harlow Enterprise Zone Edinburgh Way, Basildon Town Centre and the Ipswich / Harwich Road Colchester Roundabout.
- Essex Highways had another busy year delivering essential work to maintain a safe road network and contribute to longer-term economic growth, thereby helping to deliver our vision for Safer, Greener and Healthier travel.
- **13** Essex capital build projects that will help regenerate the economy, made possible because of securing **£26.5m** of Get Building Funding (funding designed to allow 'shovel ready' projects to start quickly).

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

	Original approved expenditure £000	Final approved expenditure £000	Actual Capital Payments £000	Variance from approved expenditure over / (under) £000
Capital payments				
Children and Families	1,040	545	**454**	(91)
Customer, Communities, Culture and Corporate	5,564	5,416	**8,946**	3,530
Economic Development	11,165	20,640	**11,581**	(9,059)
Education and Skills	59,224	42,874	**40,571**	(2,303)
Environment and Climate Change Action	4,469	3,807	**2,076**	(1,731)
Finance	9,805	11,972	**(1,978)**	(13,950)
Health and Adult Social Care	421	208	**198**	(10)
Infrastructure	143,098	129,429	**135,187**	5,758
Total of capital payments financed	**234,786**	**214,891**	**197,035**	**(17,856)**
Financed by				
Borrowing	(102,557)	(86,781)	**(67,837)**	18,944
Government grants and contributions	(111,407)	(118,529)	**(125,821)**	(7,292)
Capital receipts	(14,580)	(9,581)	**(3,377)**	6,204
Earmarked reserves applied	(6,242)	-	**-**	-
Total financing	**(234,786)**	**(214,891)**	**(197,035)**	**17,856**

The actual capital payments figure in the above table is less than the total capital investment disclosed in Note 16 to the Statement of Accounts (on page 75) because that note includes increases for assets acquired under finance leases and for the Landfill aftercare provision (see note 25 on page 92).

During 2020/21, we disposed of some of our land and buildings and other assets. The most significant asset disposals during 2020/21 were as follows:

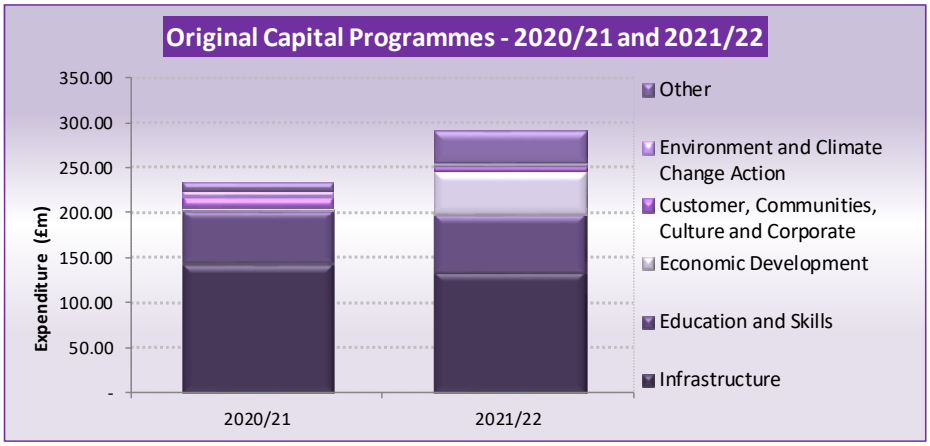
Significant disposals	Capital receipts (£m)
▪ Sale of shares in Building Schools for the Future LLP	**2.7**
▪ 3-5 Keepers Cottages (Brentwood)	**1.3**
▪ Meadgate Centre (Chelmsford)	**0.6**
▪ Wivenhoe Centre (Colchester)	**0.5**
▪ Takeley Station House (Braintree)	**0.4**
▪ Caretakers House (Chelmsford)	**0.3**

The sale proceeds have partly been set aside to fund our capital investment programme in 2021/22 and beyond, but the Council used **£3.4m** of its capital receipts in 2020/21, under the terms of the government's initiative permitting the flexible use of capital receipts, to meet expenditure designed to generate ongoing revenue savings, and transform service delivery.

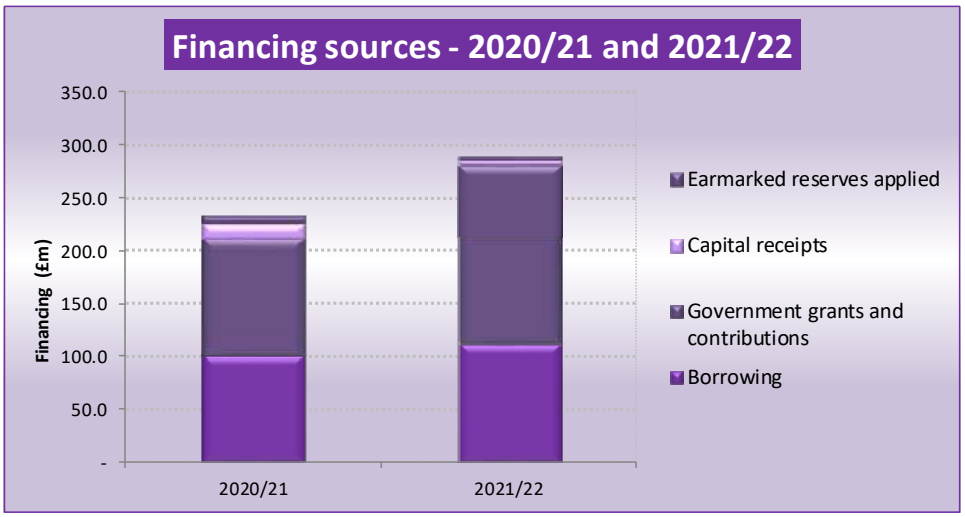
At 31 March 2021, the Council had **£6.4m** of properties held for sale, with sales expected to take place within the next twelve months, and a further **£53.9m** of surplus assets where disposal is anticipated but the timeframe for completion of the sales is less certain.

Capital investment plans for 2021/22

Overall, the Capital Programme for 2021/22 has been set at **£290.3m**, which is **£55.5m** more than the programme originally set for 2020/21. Our longer-term capital programme aspirations remain significant too, as we recognise that investment is essential to meet future needs, generate additional income and deliver revenue savings and cost reductions.



The 2021/22 Capital Programme will be financed from a combination of borrowing (**£114.5m**) and from grants, contributions, capital receipts and reserves (**£175.8m**).



We will continue to develop a future programme of investments which is affordable, within the financial envelope available, and will help transform service delivery to improve the quality of life for residents. Our overall aim is to have a diverse portfolio of activity, ensuring the creation of new assets, while maintaining the quality of existing infrastructure for the benefit of our residents and businesses. This is because continued investment is vital to achieving our ambitions for the County to generate economic growth, reduce congestion and unlock land to develop homes.

Narrative Report

Having secured Housing Infrastructure Funding (HIF) in 2020/21, schemes are now progressing through the design phase, such as Beaulieu Station and Chelmsford North East bypass that will deliver a new train station and road improvements, and the A133-A120 Link HIF and Colchester Rapid Transit System schemes, supporting delivery of the Tendring/Colchester Borders Garden Community.

We have also secured Get Building funding, which will enable us to undertake a regeneration programme focussing on town and city centre modernisation through targeted infrastructure investments that unlock longer term economic potential, create new jobs and homes.

We will also continue to deliver on significant packages of road improvement works such as new connections at M11 Junctions 7A and 8 and at the A127 / A130 Fairglen Interchange. We will continue to work closely with the Department of Transport and Highways England to secure funding for our long-term pipeline too.

Essex Housing, our development arm which works with public sector partners to help address general, specialist and affordable housing need, continues to bring forward private units which offset the costs of the affordable and specialist units to help promote independence for some of the most vulnerable in the County, improve outcomes and reduce the costs of social care provision.

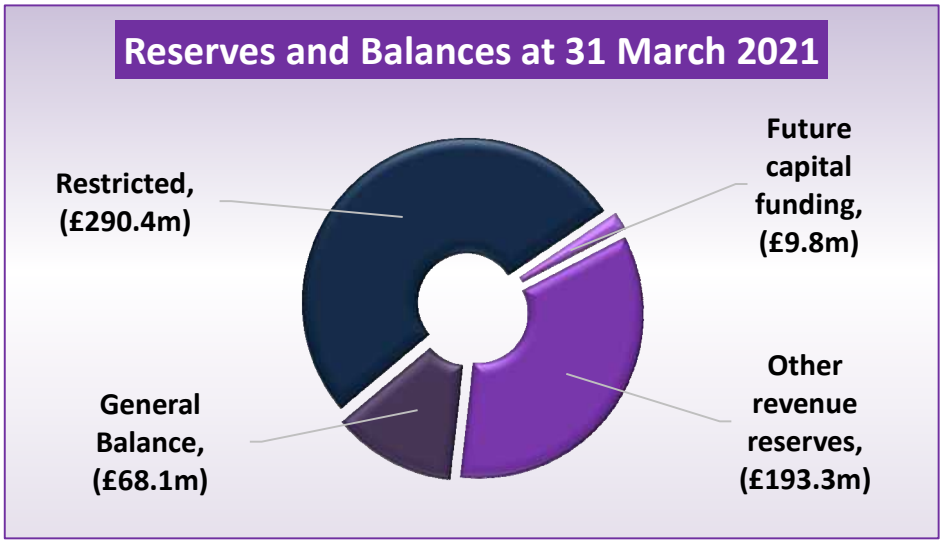
Finally, the Council will deliver a range of other schemes to enhance, maintain and deliver new assets; schemes such as superfast broadband.

Further details of the Council's capital investment plans are included in the Essex County Council Organisation Plan 2021/22, which is available on the Council's website.

Revenue Reserves and Balances

Our revenue reserves play an essential part in the financial strategy of the Council, by ensuring we have some resilience to cope with unpredictable financial pressures and long-term contractual commitments.

The Council has built specific reserves to manage known financial liabilities and possible risks.



A substantial amount of the Council's reserves is 'restricted' in use (**£290.4m**). This means the funds are ring-fenced very specifically to long-term contractual commitments such as Private Finance Initiative schemes, or they are funds held on behalf of others (including schools and partnerships) and are not available to support spending by the Council. These reserves are important in terms of risk management, as they have the potential to alleviate pressure on remaining reserves. However, they should not be considered available to support more general pressures facing the Council.

A further **£193.3m** of our reserves provide a cushion against the significant risks the Council faces and a source of funding to change the way the Council provides services and achieves future efficiencies.

A further **£9.8m** has been earmarked for funding future capital investment.

The remainder (**£68.1m**) is the General Balance, which is not ring-fenced and provides a working balance to protect the Council against unexpected cost pressures. This is **£11.7m** higher than in 2019/20 but reflects the significantly higher risk profile for demand, the economic outlook and local government funding. This is particularly critical during volatile economic times. With a significant degree of uncertainty around future local government finance, in particular delayed government reviews of Fair Funding, Rates Reform and social care, this will remain under close review. The current balance is enough to fund **24** days of operational expenditure.

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

Further details on the reserves held by the Council are provided within the Statement of Accounts (see page 63).

Cash Flow management

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

Some short-term loans were secured during 2020/21, primarily in accordance with the Council's agreement to temporarily borrow the surplus cash balances of Essex Cares Ltd (which is a wholly owned subsidiary of the Council). No substantial longer-term borrowing was undertaken in the year, despite an increase in the Council's capital financing requirement of **£30.1m** (see page 75 for further details).

The Council held substantial cash balances during 2020/21, largely because of receiving multi-year government funding for COVID-19 during 2020/21. These funds were mainly invested for periods of less than 1 year with the UK Government, money market funds, bodies with high credit ratings and other local authorities. Further details are provided in the Statement of Accounts (see page 81).

Statement of Accounts

The Council is required by statute to prepare a Statement of Accounts in accordance with proper practices in relation to accounts, defined to include the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (i.e. the 'Code of Practice'). The Statement of Accounts for 2020/21 is presented within this document, commencing on page 23.

The key aim of the Statement of Accounts is to provide a 'true and fair' view of the Council's financial position at 31 March 2021 and of its income and expenditure for the 2020/21 financial year. The Statement of Accounts is therefore an essential feature of public accountability, reporting on the Council's use of funds raised from the public and provided by central government and confirming the availability of balances and reserves for future use.

The Financial Statements (shown on pages 29 to 34) summarise the financial effects of transactions and events that occurred during 2020/21. All other information included within the Statement of Accounts is intended to aid interpretation of the financial statements and/or to provide further information on the financial performance of the Council during 2020/21.

The primary financial statements comprise:

- **Comprehensive Income and Expenditure Statement** – presents information on resources generated and consumed during the year, based on generally accepted accounting practice.
- **Movement in Reserves Statement** – presents the financial resources available to the Council to support future service delivery and cope with unexpected events.

- **Balance Sheet** – summarises the financial position of the Council at 31 March 2021 including the net assets it has available after settling its liabilities, and its reserves.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents during 2020/21.

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

The accounting cost in the year of providing services (as presented in the Comprehensive Income and Expenditure Statement) differs from the amount to be funded from taxation. For this reason, the Expenditure and Funding Analysis (shown in Note 5 of the Statement of Accounts, on page 55) provides a reconciliation between the accounting cost of service provision and the amounts spent under the Council's rules for monitoring expenditure against the funding in the annual budget. The reasons for the differences between the two sets of figures are also explained in Note 5.

Accounting policies (see pages 37 to 50) explain how the financial effects of transactions and other events are reflected in the financial statements. The Council must make certain judgements about complex transactions or those involving uncertainty about future events when applying its accounting policies. Explanations are provided in notes 2 (page 51) and 3 (page 52) of the judgements and estimates made in 2020/21.

Other notes to the accounts (see pages 55 to 121) provide further information on the Council's financial performance and, where relevant, detailed analysis of the amounts provided in the primary financial statements. Information relating to transactions and events is included in these notes if it is material to the Council's financial statements. Information is considered material if omitting it or misstating it could influence decisions made based on the information presented.

Group accounts are presented in the Statement of Accounts in addition to the Council's own accounts. The Group accounts consolidate the Council's own accounts with those of its subsidiaries (Essex Cares Ltd and Essex Housing Development LLP) to provide a full picture of the Council's economic activities and financial position. The Essex Housing Development LLP only commenced trading during 2020/21.

Annual Governance Statement

Our Annual Governance Statement (which commences on page 194 of this publication) summarises the outcome of our review of the Governance Framework that has been in place during 2020/21. 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.

Conclusion

Through careful planning and management, Essex County Council has been able to close its 2020/21 accounts showing a robust position. This will support the Council in meeting the financial challenges of 2021/22 and beyond, particularly as our focus shifts to how we fare as the COVID-19 restrictions in place throughout 2020/21 start to ease.

While a balanced budget has been set for 2021/22, it is highly probable that there will continue to be volatility as we start to comprehend the fall out of the past year. In particular, there may be volatility resulting from pent up demand in Adult and Children's social care and home to school transport. Also, changes in residents' behaviour may impact on the volume of household waste.

Current projections for future years currently indicate a gap between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues with its Transformation and Efficiency programme to identify further savings opportunities to ensure future balanced budgets can be set.

Nicole Wood
Executive Director, Corporate Services
Date TBD

Statement of Accounts 2020/21

Statement of Accounts

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Notes to the Financial Statements	35
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Pension Fund Accounts	137
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Statement of Accounts - Introduction

Financial Statements

The Council's financial statements for 2020/21 are set out on pages 29 to 34, and comprise:

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

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

Notes to the Accounts

Supplementary information is set out within the notes to the accounts (see pages 35 to 121) to provide further detail on the financial performance of the Council during 2020/21.

The notes to the accounts include the Council's accounting policies. The accounting policies specify how the financial effects of transactions and other events are reflected in the financial statements. All the accounting policies adopted that are material in the context of the Council's 2020/21 financial statements are described in **Note 1** to the Accounts, which commences on page 37.

The notes to the accounts also include an **Expenditure and Funding Analysis** (*see Note 5, commencing on page 55*). The Expenditure and Funding Analysis provides a reconciliation between how annual expenditure is funded from resources and the accounting cost of providing services in the year.

Group Accounts

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

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

These statements, together with explanatory notes, are set out on page 122 to 136.

Pension Fund

The Essex Pension Fund provides pensions and other benefits to employees of the Council, city, district, borough and unitary councils and other scheduled and admitted bodies. An annual report and accounts

are published for the Fund. However, the accounting statements of the Fund are also included within this Statement of Accounts.

The Essex Pension Fund accounts comprise:

- **Fund Account -** summarises the financial transactions of the Pension Fund for the year.
- **Net Assets Statement -** summarises the net assets relating to the provision of pensions and other benefits payable to former employees of the Council and other admitted bodies.

The Pension Fund accounts are set out on pages 137 to 187.

Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 188 to 193.

Statement of Accounts - Statement of Responsibilities

Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. At Essex County Council that officer is the **Executive Director, Corporate 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, Governance and Standards Committee**.

Executive Director, Corporate Services responsibilities

The Executive Director, Corporate 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, Corporate 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, Corporate Services has also:

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

Executive Director, Corporate 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 2021 and its expenditure and income for the year then ended.

Nicole Wood
Executive Director, Corporate Services
Date TBD

Statement of Accounts - Statement of Responsibilities

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

I confirm that this Statement of Accounts was considered and approved by the Audit, Governance and Standards Committee at its meeting on **25 January 2024**.

Cllr Anthony Hedley
Chairman of the Audit, Governance and Standards Committee
25 January 2024

Statement of Accounts - Financial Statements

Introduction

The financial statements comprise:

- **Comprehensive Income and Expenditure Statement (page 30)**

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

- **Movement in Reserves Statement (page 31)**

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

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

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

- **Balance Sheet (page 32)**

  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 (page 34)**

  The Cash Flow Statement shows the changes, during the reporting period, in cash and cash equivalents of the Council, net of bank overdrafts. 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 (page 35 to 121)**

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

  The Expenditure and Funding Analysis, which is presented in Note 5 (commencing on page 55) to the Accounts, provides a reconciliation between the accounting cost of providing services in accordance with generally accepted accounting practices (as presented in the Comprehensive Income and Expenditure Statement), and the amounts to be funded from taxation.

Comprehensive Income and Expenditure Statement

For year ended 31st March 2021

2019/20				Note		2020/21			
Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000			Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000
154,969	(16,381)	(7,741)	130,847		Children and Families	169,390	(24,412)	(7,993)	136,985
31,317	(182)	(9,498)	21,637		Customer, Communities, Culture and Corporate	34,980	(15,341)	(6,379)	13,260
18,099	(2,118)	(1,121)	14,860		Economic Development	27,019	(25,063)	(892)	1,064
					Education and Skills				
547,362	(508,393)	(37,104)	1,865		Dedicated Schools Budget	541,623	(541,486)	(22,248)	(22,111)
271,473	(26,604)	(43,121)	201,748		Non Dedicated Schools Budget	196,861	(38,315)	(36,666)	121,880
96,187	(1,824)	(9,194)	85,169		Environment and Climate Change Action	100,807	(6,176)	(5,323)	89,308
16,106	(247)	(901)	14,958		Finance	13,051	(331)	(14,086)	(1,366)
668,330	(107,587)	(145,160)	415,583		Health and Adult Social Care	766,222	(174,165)	(165,335)	426,722
95,460	(4,895)	(17,420)	73,145		Infrastructure	119,753	(6,899)	(29,687)	83,167
953	(43)	143	1,053		Leader	4,138	(286)	(8)	3,844
1,942	-	(128)	1,814		Performance, Business Planning and Partnerships	3,074	(279)	(144)	2,651
					Strategic Support Services				
75,036	-	-	75,036		Customer, Communities, Culture and Corporate	86,086	-	-	86,086
19,162	-	-	19,162		Finance	20,296	-	-	20,296
2,384	-	-	2,384		Leader	3,124	-	-	3,124
8,836	-	-	8,836		Performance, Business Planning and Partnerships	10,597	-	-	10,597
2,007,616	(668,274)	(271,245)	1,068,097		Cost of services - continuing operations	2,097,021	(832,753)	(288,761)	975,507
49,504	-	-	49,504	9	Other Operating Expenditure	35,149	-	-	35,149
123,790	-	(59,042)	64,748	10	Financing and Investment Income and Expenditure	100,060	-	(39,151)	60,909
-	(329,416)	(721,420)	(1,050,836)	12	Taxation and Non-Specific Grant Income	-	(364,569)	(731,298)	(1,095,867)
2,180,910	(997,690)	(1,051,707)	131,513		(Surplus) / deficit on Provision of Services	2,232,230	(1,197,322)	(1,059,210)	(24,302)
			(83,918)	26.2	(Surplus) / deficit arising on revaluation of non-current assets				2,668
			(160,849)	26.5	Re-measurements of the net defined benefits pension liability				68,756
			(244,767)		Other Comprehensive Income and Expenditure				71,424
			(113,254)		Total Comprehensive Income and Expenditure				47,122

Note: The service groupings shown above reflect the alignment of spending to Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet during 2020/21; comparative figures for 2019/20 have been restated on a consistent basis.

Movement in Reserves Statement

For the years ended 31st March 2020 and 31st March 2021

	Notes	Usable Reserves					Total Unusable Reserves	Total Council Reserves
		Earmarked General Reserves £000	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	£000	£000
Balance at 31 March 2019		(294,878)	(56,610)	-	(4,220)	(355,708)	(820,441)	(1,176,149)
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure		-	131,513	-	-	131,513	(244,767)	(113,254)
Adjustments between accounting basis and funding under regulations	7	-	(175,481)	(9,581)	2,962	(182,100)	182,100	-
Net (increase)/decrease before transfers to earmarked reserves		-	(43,968)	(9,581)	2,962	(50,587)	(62,667)	(113,254)
Transfers to Earmarked Reserves	8	(44,139)	44,139	-	-	-	-	-
(Increase) / decrease in 2019/20		(44,139)	171	(9,581)	2,962	(50,587)	(62,667)	(113,254)
Balance at 31 March 2020		(339,017)	(56,439)	(9,581)	(1,258)	(406,295)	(883,108)	(1,289,403)
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure		-	(24,302)	-	-	(24,302)	71,424	47,122
Adjustments between accounting basis and funding under regulations	7	-	(141,893)	(1,326)	(1,014)	(144,233)	144,233	-
Net (increase)/decrease before transfers to earmarked reserves		-	(166,195)	(1,326)	(1,014)	(168,535)	215,657	47,122
Transfers to Earmarked Reserves	8	(154,538)	154,538	-	-	-	-	-
(Increase) / decrease in 2020/21		(154,538)	(11,657)	(1,326)	(1,014)	(168,535)	215,657	47,122
Balance at 31 March 2021		(493,555)	(68,096)	(10,907)	(2,272)	(574,830)	(667,451)	(1,242,281)

Statement of Accounts - Financial Statements

Balance Sheet as at 31st March 2021

31 March 2020 £000	Note		31 March 2021 £000
		Property, Plant and Equipment	
		Operational assets	
1,398,104		Land and buildings	1,343,573
9,644		Vehicles, plant and equipment	7,317
1,180,934		Infrastructure	1,218,323
3,275		Community assets	3,671
		Non operational assets	
137,519		Assets under construction	162,180
52,338		Surplus assets held pending disposal	53,872
2,781,814	15	**Total Property, Plant and Equipment**	2,788,936
14,667	15	Heritage assets	14,678
39,181	15	Investment property	38,446
8,582	15	Intangible assets	5,436
12,705	19	Long term investments	11,167
15,942	21	Long term debtors	11,107
2,872,891		**Long term assets**	2,869,770
115,191	19	Short term investments	96,595
2,413	15	Assets held for sale	6,438
9,269	20	Inventories	6,435
129,249	21	Short term debtors	168,035
326,354	22	Cash and cash equivalents	504,691
582,476		**Current Assets**	782,194
(17,718)	19	Bank overdraft	(34,632)
(25,548)	19	Short-term borrowing	(40,704)
(324,397)	23	Creditors	(331,677)
(13,096)	25	Provisions (current)	(12,497)
(31,694)	24	Revenue grant receipts in advance (current)	(30,368)
(69,181)	24	Capital grant receipts in advance (current)	(99,493)
-		Donated Inventories Account	(2,534)
(7,629)	17	Finance Lease obligations (current)	(12,595)
(489,263)		**Current liabilities**	(564,500)
(1,215)	23	Creditors (non-current)	(1,432)
(1,956)	24	Revenue grant receipts in advance (non current)	-
(25,922)	24	Capital grant receipts in advance (non current)	(63,266)
(33,755)	25	Provisions (non-current)	(37,721)
(598,941)	19	Long term borrowing	(586,398)
		Other long term liabilities	
(115,580)	17	Finance lease obligations	(103,106)
(11,231)		Deferred credits	(10,584)
(888,101)	31	Net Pensions Liability	(1,042,676)
(1,676,701)		**Long term liabilities**	(1,845,183)
1,289,403		**Net Assets**	1,242,281

Statement of Accounts - Financial Statements

Balance Sheet as at 31st March 2021

31 March 2020 £000	Note		31 March 2021 £000
		Usable reserves	
(339,017)	8	Earmarked reserves	(493,555)
(56,439)		General Fund Balance	(68,096)
(9,581)		Usable capital receipts reserve	(10,907)
(1,258)		Capital grants unapplied	(2,272)
(406,295)			(574,830)
	26	**Unusable reserves**	
(634,629)		Revaluation reserve	(596,239)
(1,150,386)		Capital Adjustments Account	(1,159,158)
12,452		Financial Instruments Adjustment Account	11,610
(636)		Pooled Investment Funds Adjustment Account	(560)
888,101		Pension reserve	1,042,676
(334)		Deferred capital receipts	(71)
(9,085)		Collection Fund Adjustment Account	18,541
11,409		Accumulated Absences Account	15,750
(883,108)			(667,451)
(1,289,403)		**Total Reserves**	(1,242,281)

These statements replace the unaudited draft financial statements I certified on 30 June 2021:

Nicole Wood - Executive Director, Corporate Services - Date TBD

Cash Flow Statement

For year ended 31st March 2021

2019/20 £000	Notes		2020/21 £000
(27,227)	27	Operating activities	(141,022)
(17,316)		Investing activities	(84,628)
(106,515)		Financing activities	64,227
(151,058)		Net increase in cash and cash equivalents	(161,423)
157,578		Cash and cash equivalents at 1 April	308,636
308,636		Cash and cash equivalents at 31 March	470,059

Statement of Accounts - Notes to the Financial Statements

Introduction

This section contains notes which are intended to aid interpretation of the financial statements (as set out on pages 29 to 34) and provide further information on the financial performance of the Council during 2020/21. The notes set out within this section are as follows:

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Statement of Accounts - Notes to the Financial Statements

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Statement of Accounts - Notes to the Financial Statements

1. Accounting policies

1.1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year, and its position as at 31 March 2021. 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 2020/21 Statement of Accounts, are set out within the following paragraphs.

1.2 General principles

The Council's Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

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

1.3 Accruals of income and expenditure

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

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

1.4 Provisions and contingencies

1.4.1 Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

1.4.2 Contingencies

A contingent liability arises where:

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

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

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

1.5 Earmarked revenue reserves

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

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

1.6 Government grants and contributions

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

- The Council will comply with any conditions attached to the payments; and
- The grants and contributions will be received.

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

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

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

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

1.7 Council Tax and Non Domestic Rates

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

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

1.8 Employee benefits

1.8.1 Benefits payable during employment

Short-term employee benefits (including salaries, paid annual leave, bonuses and non-monetary benefits) are recognised as an expense in the year in which employees render service to the Council.

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

1.8.2 Termination benefits

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

1.8.3 Post-employment (retirement) benefits

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

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

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

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate 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**, comprising:
    - **Current service cost** – charged to the Comprehensive Income and Expenditure Statement (i.e. to the services for which the employees worked).
    - **Past service cost** - charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
    - **Net interest on the net defined benefit liability** – charged or credited to the 'Financing and Investment Income and Expenditure' line within the Comprehensive Income and Expenditure Statement.
  - **Re-measurements of the net pension liability** (comprising **Return on plan assets** and **Actuarial gains and losses**) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - **Contributions paid to the LGPS** – not accounted for as an expense within the Comprehensive Income and Expenditure Statement.

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

1.8.4 Discretionary benefits

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

1.9 Overheads and support services

Support Services are shown as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services, reflecting the Council's arrangements for accountability and performance. Other overhead costs are recharged to those who benefit from the supply or service, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2020/21 (SeRCOP).

1.10 Value added tax

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

1.11 Inventories

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

The cost of inventory acquired other than by purchase is deemed to be its fair value and it is recognised in the donated inventories account until the items are distributed.

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

1.12 Property, Plant and Equipment

1.12.1 Recognition of Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a period extending beyond one year, and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure on furniture and fittings is not capitalised.

1.12.2 Measurement

Items of Property, Plant and Equipment are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

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

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

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

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

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

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.

Infrastructure assets are measured at depreciated historical cost. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only includes expenditure on acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed on or before 31 March 1994.

1.12.3 Depreciation

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

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

Asset category	Depreciation basis	
Roads and other infrastructure	Depreciation is provided on a straight-line basis over the following periods:	
	▪ Carriageways	**30** years (40 years, prior to 2020/21)
	▪ Footways and cycletracks	**20** years (40 years, prior to 2020/21)
	▪ Structures (eg: bridges)	**100** years (120 years prior to 2020/21)
	▪ Off-highways drainage	**100** years
	▪ Street lighting	**40** years
	▪ Traffic management	**25** years (30 years prior to 2020/21)
	▪ Road signage	**20** years (30 years prior to 2020/21)
	▪ Other infrastructure	**20** years (15 to 20 years prior to 2020/21)
	▪ Additions prior to 2008/09	**30** to **35** years
Assets under construction	Assets are re-categorised upon completion, from which point depreciation will be charged in accordance with the policies set out above.	

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

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

1.12.4 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, the asset is re-valued and is then classified as an asset 'Held for Sale' and carried at the lower of the revalued amount or the fair value less costs to sell the asset.

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

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

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.

1.13 Investment property

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

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

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

1.14 Charges to revenue for non-current assets

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

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

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

1.15 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but which 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 in the year.

1.16 Private Finance Initiative and similar contracts

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

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

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

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

Element of charge	Accounting treatment
Services received *Services that the operator must provide with the Property, Plant and Equipment.*	Charged to the 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 using the Property, Plant and Equipment.*	Credited to the relevant service in the Comprehensive Income and Expenditure Statement.
Finance cost *Interest charge on the 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 for the Property, Plant and Equipment.*	Applied to write down the Balance Sheet liability towards the PFI operator.
Lifecycle replacement *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.

1.17 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 inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent payments are apportioned between:

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

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

1.18 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.

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

1.19 Financial instruments

1.19.1 Financial liabilities

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

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund to be spread over the term that was remaining on the loan against with the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required again the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.19.2 Financial Assets

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument.

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

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

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

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

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

1.20 Fair value measurement

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

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

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

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

1.21 Joint operations

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

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

- Its expenses, including its share of any expenses incurred jointly.

1.22 Schools

While 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.

1.23 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments are made to comparative figures because of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively.

1.24 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of event may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2. Critical judgements in applying accounting policies

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

The critical judgements made in applying the accounting policies for 2020/21 are as follows:

- **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.

  Regarding the Waste Treatment Plant, the Council determined that the asset and the associated PFI liability should not be recognised within its financial statements for 2020/21 as the Plant remained in is commissioning phase at year end. The contract has since been amended as a consequence of a settlement between the parties, following acknowledgement by UBB (Essex Waste) Ltd that the Facility did not meet the contractual specifications (see page 79 for further details).

- **Collaborative arrangements**

  - **Group entities**

    While the Council is involved in several collaborative arrangements, it has concluded that it is only necessary to consolidate the accounts of **Essex Cares Ltd** and **Essex Housing Development LLP** into its Group Accounts. Although the majority of Essex Cares' turnover arises in respect of contracts with the Council, and the Essex Housing Development LLP only commenced trading formally in February 2021, consolidation of their financial results into the Council's Group Accounts is considered appropriate on qualitative grounds, to provide a full picture of the Council's economic activities and financial position.

  - **South East Local Enterprise Partnership**

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

    All funding allocated to the SELEP by the Government is transferred to the Council, and the Council is responsible for the disbursement of this funding in accordance with the funding decisions made by the SELEP's Accountability Board. The Council is not therefore able to direct the use of the SELEP's funding for its own, or any other, purposes.

    The Council has concluded that it acts as an agent for the SELEP, which means that the SELEP's transactions are not reflected within the Council's financial statements. However, the Council recognises a creditor in its Balance Sheet for the cash it holds on behalf of the SELEP. At 31 March 2021, this creditor amounted to **£38.860m** (2019/20: £96.622m).

- **Pooled budgets**

  Pooled budgets occur where several partners agree to set aside funds for a specific purpose that they will pursue jointly, usually because it enables them to address common objectives or realise benefits from working together. The Council currently participates in, and hosts, three pooled budgets:

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

  Further details of these pooled budgets are provided in Note 34, which commences on page 109.

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

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

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

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

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

The items in the Balance Sheet at **31 March 2021** for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

	Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Property, Plant & Equipment and Investment Property	The Council operates a rolling programme of valuations which ensures that all operational land and buildings are valued by a RICS registered valuer at intervals of no greater than five years. At each year end, a review is undertaken by the valuer to determine whether the carrying amount of these assets is consistent with their current value. Where this review indicates that the carrying amounts are inconsistent with their current value, the carrying amounts are adjusted by indices advised by the Valuer. The carrying amount of operational land and buildings has been reduced by **£33.673m** based on the Valuer's review as at 31 March 2021. Because of the COVID-19 pandemic, the Council's valuer was able to attach less weight to previous market evidence to inform opinions of value as at 31 March 2020. The Council's valuer therefore reported '*material valuation uncertainty*' as per VSP 3 and VPGA of the RICS Red Book Global in relation to 31 March 2020 values. The UK property markets are mostly functioning again now, with an adequate quantum of market evidence upon which to base opinions of value. The Council's valuer has not therefore reported valuations completed in 2020/21 as being subject to 'material valuation uncertainty'. However, there is potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19. Given the unknown future impact that COVID-19 might have on the UK real estate market, the following gross book valuation figures as at 31 March 2021 will be kept under frequent review: · Land and buildings = **£1.365bn** · Surplus assets = **£54.352m** · Assets held for sale = **£6.438m** · Investment property = **£38.446m**	A **10%** movement in the current value of these assets would equate to a gain or loss of **£146.422m**. A reduction in the gross book value of **land and buildings** and **surplus assets** would result in a reduction to the Revaluation Reserve and / or a loss being recorded in the Comprehensive Income and Expenditure Statement. Conversely, an increase in values would increase the Revaluation Reserve and / or reverse any downward revaluations previously charged to the Comprehensive Income and Expenditure Statement. A movement in value of **investment properties** would be posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. A movement in the value of **assets held for sale** would be reflected in the gain (or loss) on the disposal of non-current assets written off to Other Operating Costs line in the Comprehensive Income and Expenditure Statement.	Given the unknown future impact that COVID-19 might have on the UK real estate market, the valuation figures on the Council's property portfolio as at 31 March 2021 will be kept under frequent review.

	Uncertainties	Effect if actual results differ from assumptions	Comments on uncertainty
Fair value valuations	When the fair values of financial and non-financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques based on observable data.	Significant changes in any of the valuation inputs would result in a significantly lower or higher fair value measurement for the financial assets and liabilities.	The Council employs experts to identify the most appropriate valuation techniques to determine fair value. Information about the techniques used to determine the fair value is disclosed in notes 15.3, 19.3 and 19.5.
Pensions liability	Estimation of the net pension liability to pay pensions depends on several complex judgements. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The net pension liability in the accounts amounts to **£1.043bn** at 31 March 2021. The effect on the net pensions' liability as a result of changes in individual assumptions is detailed within note 31.4 which commences on page 106.	The pensions liability increased by **£154.575m** in 2020/21 because of changes in demographic, financial and other assumptions. Adjustments are likely to arise in future years, due to the complex nature of the judgements made to estimate the liability.
Collection Fund	The Council's Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Non Domestic Rates arrears and allowances for doubtful debts. As it is the responsibility of the borough, city and district councils across Essex to collect Council Tax and NDR, the Council's share of the arrears and allowances for doubtful debts related to Council Tax and NDR is derived from the accounting estimates produced by these billing authorities. It will not be possible to assess the full effect of the COVID-19 pandemic on collection rates for Council Tax and non-domestic rates for many months, making it difficult to make a reliable assessment of credit losses as at 31 March 2021.	Because of the statutory rules related to Council Tax and non-domestic rates, a deterioration in collection rates would not immediately impact on the Council – the impact would crystallise in cash terms in the distribution of the Collection Fund surpluses and deficits by the Essex city, district and borough councils in 2021/22.	The Council's share of Council Tax and Non Domestic Rate debtors amounted to **£69.435m** at 31 March 2021, and its share of the allowances for credit losses amounted to **£24.649m**. These sums were determined by the Essex city, district and borough councils.

4. Accounting Standards issued but not yet adopted

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

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

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted by the Code, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. It had been anticipated that IFRS 16 would originally be adopted in the 2020/21 financial year, but mandatory implementation has now been deferred to the 2024/25 financial year.

5. Expenditure and Funding Analysis

5.1 Introduction

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

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

The reasons for the differences between the two amounts for each portfolio / strategic support service are explained in Note 5.3 (see page 57).

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

5.2 Expenditure and Funding Analysis

2019/20				2020/21		
Net expenditure chargeable to General Fund £000	Adjustments between the Funding and Accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000		Net expenditure chargeable to General Fund £000	Adjustments between the Funding and Accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
122,909	7,938	130,847	Children and Families	124,575	12,410	136,985
16,571	5,066	21,637	Customer, Communities, Culture and Corporate	7,770	5,490	13,260
6,692	8,168	14,860	Economic Development	8,097	(7,033)	1,064
			Education and Skills			
451	1,414	1,865	Dedicated Schools Budget	(11,883)	(10,228)	(22,111)
89,140	112,608	201,748	Non Dedicated Schools Budget	80,291	41,589	121,880
81,072	4,097	85,169	Environment and Climate Change Action	82,748	6,560	89,308
15,437	(479)	14,958	Finance	(599)	(767)	(1,366)
407,305	8,278	415,583	Health and Adult Social Care	414,795	11,927	426,722
48,058	25,087	73,145	Infrastructure	32,976	50,191	83,167
5,862	(4,809)	1,053	Leader	6,841	(2,997)	3,844
1,740	74	1,814	Performance, Business Planning and Partnerships	2,324	327	2,651
			Strategic Support Services			
61,772	13,264	75,036	Customer, Communities, Culture and Corporate	62,510	23,576	86,086
17,527	1,635	19,162	Finance	16,160	4,136	20,296
2,227	157	2,384	Leader	2,774	350	3,124
7,959	877	8,836	Performance, Business Planning and Partnerships	8,853	1,744	10,597
884,722	183,375	1,068,097	**Cost of services - continuing operations**	838,232	137,275	975,507
(928,690)	(7,894)	(936,584)	Other income and expenditure not charged to services	(1,004,427)	4,618	(999,809)
(43,968)	175,481	131,513	**Surplus on Provision of Services**	(166,195)	141,893	(24,302)
			General Fund Balance			
(56,610)			Balance as at 1 April	(56,439)		
(43,968)			Surplus on Provision of Services	(166,195)		
44,139			Transfers to Earmarked Revenue Reserves	154,538		
(56,439)			**Balance as at 31 March**	(68,096)		

Notes:

- *The service groupings shown above reflect the alignment of spending to Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet during 2020/21; comparative figures for 2019/20 have been restated on a consistent basis.*

5.3 Notes to Expenditure and Funding Analysis

5.3.1 Adjustments between Funding and Accounting basis

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

2019/20	Adjustments for capital purposes Note 5.3.2 £000	Net change for Pension Adjustments Note 5.3.3 £000	Other adjustments between funding and accounting Note 5.3.4 £000	Other differences Note 5.3.5 £000	Adjustments between the Funding and Accounting basis £000
Children and Families	1,680	5,659	599	-	7,938
Customer, Communities, Culture and Corporate	3,343	1,635	88	-	5,066
Economic Development	7,500	606	62	-	8,168
Education and Skills					
Dedicated Schools Budget	-	-	(1,045)	2,459	1,414
Non Dedicated Schools Budget	107,720	13,690	241	(9,043)	112,608
Environment and Climate Change Action	3,423	632	53	(11)	4,097
Finance	6	(35)	1	(451)	(479)
Health and Adult Social Care	3,174	4,576	528	-	8,278
Infrastructure	34,352	953	73	(10,291)	25,087
Leader	(4,261)	(713)	9	156	(4,809)
Performance, Business Planning and Partnerships	-	62	12	-	74
Strategic Support Services					
Customer, Communities, Culture and Corporate	10,020	3,034	210	-	13,264
Finance	-	1,831	14	(210)	1,635
Leader	-	141	16	-	157
Performance, Business Planning and Partnerships	-	841	36	-	877
Cost of services - continuing operations	**166,957**	**32,912**	**897**	**(17,391)**	**183,375**
Other income and expenditure not charged to services	(61,906)	24,161	12,460	17,391	(7,894)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**105,051**	**57,073**	**13,357**	**-**	**175,481**

2020/21	Adjustments for capital purposes Note 5.3.2 £000	Net change for Pension Adjustments Note 5.3.3 £000	Other adjustments between funding and accounting Note 5.3.4 £000	Other differences Note 5.3.5 £000	Adjustments between the Funding and Accounting basis £000
Children and Families	539	10,581	1,290	-	12,410
Customer, Communities, Culture and Corporate	2,453	2,821	216	-	5,490
Economic Development	(8,341)	1,105	203	-	(7,033)
Education and Skills					
Dedicated Schools Budget	-	-	(1,922)	(8,306)	(10,228)
Non Dedicated Schools Budget	25,816	22,923	647	(7,797)	41,589
Environment and Climate Change Action	5,355	1,063	153	(11)	6,560
Finance	3,750	(37)	(4)	(4,476)	(767)
Health and Adult Social Care	1,060	9,097	1,770	-	11,927
Infrastructure	58,397	1,603	375	(10,184)	50,191
Leader	(2,541)	(2,409)	49	1,904	(2,997)
Performance, Business Planning and Partnerships	-	280	47	-	327
Strategic Support Services					
Customer, Communities, Culture and Corporate	16,765	6,188	623	-	23,576
Finance	-	3,710	615	(189)	4,136
Leader	-	297	53	-	350
Performance, Business Planning and Partnerships	-	1,550	194	-	1,744
Cost of services - continuing operations	**103,253**	**58,772**	**4,309**	**(29,059)**	**137,275**
Other income and expenditure not charged to services	(78,380)	27,047	26,892	29,059	4,618
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**24,873**	**85,819**	**31,201**	**-**	**141,893**

5.3.2 *Adjustments for capital purposes*

This column adds the following amounts into service lines:

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

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

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

5.3.3 *Net change for Pensions Adjustments*

The net change for Pension adjustments comprises:

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

5.3.4 *Other adjustments between funding and accounting*

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

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

5.3.5 *Other differences*

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

6. Expenditure and income analysed by nature

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

2019/20 £000		2020/21 £000
	Expenditure	
530,470	Employee expenses	569,063
1,345,308	Other service expenditure	1,428,063
131,838	Depreciation, amortisation and impairment	99,895
47,147	Interest payable and similar charges	37,614
3,313	Precepts and levies	3,366
46,191	(Gain) / loss on disposal of fixed assets	31,783
76,643	Corporate amounts	62,446
2,180,910	**Total expenditure**	2,232,230
	Income	
(271,390)	Fees, charges and other service income	(288,761)
(2,051)	Interest and investment income	(1,010)
(56,846)	Corporate amounts	(38,141)
(721,420)	Income from council tax and non domestic rates	(731,298)
(997,690)	Government grants and contributions	(1,197,322)
(2,049,397)	**Total income**	(2,256,532)
131,513	**(Surplus) / deficit on Provision of Services**	(24,302)

7. Adjustments between Accounting Basis and Funding under Regulations

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

2019/20	Notes	Usable Reserves				
		Earmarked General Reserves £000	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000
Adjustments involving the Capital Adjustment Account (CAA)	26.3					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Depreciation and impairment of non current assets		-	(128,854)	-	-	(128,854)
Amortisation of intangible assets		-	(2,984)	-	-	(2,984)
Impairment of assets held for sale		-	(6)	-	-	(6)
Movement in market value of investment properties		-	1,269	-	-	1,269
Capital grants and contributions applied		-	109,016	-	-	109,016
Revenue expenditure funded from capital under statute		-	(74,640)	-	-	(74,640)
Value of assets disposed of during the year		-	(72,931)	-	-	(72,931)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment		-	37,122	-	-	37,122
Adjustments involving the Capital Adjustment Account		-	(132,008)	-	-	(132,008)
Adjustments involving the Capital Grants Unapplied Account						
Grants applied to financing (transferred to the CAA)		-	-	-	2,962	2,962
Adjustments involving the Capital Grants Unapplied A/C		-	-	-	2,962	2,962
Adjustments involving the Capital Receipts Reserve						
Sale proceeds (part of gain/loss on disposal)		-	26,957	(29,142)	-	(2,185)
Loan repayments - loans awarded for capital purposes		-	-	(19)	-	(19)
Use of reserve to finance new capital expenditure		-	-	17,935	-	17,935
Use of capital receipts to repay debt		-	-	1,645	-	1,645
Adjustments involving the Capital Receipts Reserve		-	26,957	(9,581)	-	17,376
(FIAA)	26.4					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from costs chargeable in accordance with statutory requirements		-	(9,449)	-	-	(9,449)
Adjustments involving the FIAA		-	(9,449)	-	-	(9,449)
Adjustments involving the Pooled Investment Funds Adjustment Account						
Gain or loss on the valuation of pooled investment funds		-	(394)	-	-	(394)
Adjustments involving the Pooled Invest Funds Adj Account		-	(394)	-	-	(394)
Adjustments involving the Pensions Reserve	26.5					
Reversal of items debited/credited to the CIES		-	(113,810)	-	-	(113,810)
Employers' pension contributions payable in the year		-	56,737	-	-	56,737
Adjustments involving the Pensions Reserve		-	(57,073)	-	-	(57,073)
Adjustments involving the Collection Fund Adjustment Account	26.6					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from council tax income calculated in accordance with statutory requirements		-	(2,638)	-	-	(2,638)
Adjustments involving the Collection Fund Adj Account		-	(2,638)	-	-	(2,638)
Adjustments involving the Accumulated Absences Account	26.7					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory requirements		-	(876)	-	-	(876)
Adjustments involving the Accumulated Absences Account		-	(876)	-	-	(876)
Total adjustments		-	(175,481)	(9,581)	2,962	(182,100)

2020/21	Notes	Usable Reserves				
		Earmarked General Reserves £000	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000
Adjustments involving the Capital Adjustment Account (CAA)	26.3					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Depreciation and impairment of non current assets		-	(96,603)	-	-	(96,603)
Amortisation of intangible assets		-	(3,292)	-	-	(3,292)
Movement in market value of investment properties		-	(735)	-	-	(735)
Capital grants and contributions applied		-	125,757	-	-	125,757
Revenue expenditure funded from capital under statute		-	(59,194)	-	-	(59,194)
Value of assets disposed of during the year		-	(37,630)	-	-	(37,630)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment		-	39,711	-	-	39,711
Adjustments involving the Capital Adjustment Account		-	(31,986)	-	-	(31,986)
Adjustments involving the Capital Grants Unapplied Account						
Grants applied to financing (transferred to the CAA)		-	-	-	64	64
Grants and contributions unapplied		-	1,078	-	(1,078)	-
Adjustments involving the Capital Grants Unapplied A/C		-	1,078	-	(1,014)	64
Adjustments involving the Capital Receipts Reserve						
Sale proceeds (part of gain/loss on disposal)		-	6,069	(6,332)	-	(263)
Loan repayments - loans awarded for capital purposes		-	-	(1,451)	-	(1,451)
Use of reserve to finance new capital expenditure		-	-	3,377	-	3,377
Use of capital receipts to repay debt		-	-	3,046	-	3,046
Use of capital receipts for adminstrative costs of non current asset disposal		-	(34)	34	-	-
Adjustments involving the Capital Receipts Reserve		-	6,035	(1,326)	-	4,709
Adjustments involving the Financial Instruments Adjustment Account (FIAA)	26.4					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from costs chargeable in accordance with statutory requirements		-	842	-	-	842
Adjustments involving the FIAA		-	842	-	-	842
Adjustments involving the Pooled Investment Funds Adjustment Account						
Gain or loss on the valuation of pooled investment funds		-	(76)	-	-	(76)
Adjustments involving the Pooled Invest Funds Adj Account		-	(76)	-	-	(76)
Adjustments involving the Pensions Reserve	26.5					
Reversal of items debited/credited to the CIES		-	(152,249)	-	-	(152,249)
Employers' pension contributions payable in the year		-	66,430	-	-	66,430
Adjustments involving the Pensions Reserve		-	(85,819)	-	-	(85,819)
Adjustments involving the Collection Fund Adjustment Account	26.6					
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		-	(27,626)	-	-	(27,626)
Adjustments involving the Collection Fund Adj Account		-	(27,626)	-	-	(27,626)
Adjustments involving the Accumulated Absences Account	26.7					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory requirements		-	(4,341)	-	-	(4,341)
Adjustments involving the Accumulated Absences Account		-	(4,341)	-	-	(4,341)
Total adjustments		-	(141,893)	(1,326)	(1,014)	(144,233)

8. Earmarked revenue reserves

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

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

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

Reserves	Purpose and usage
RESTRICTED USE	
Grant equalisation reserve	Equalise the timing differences between the recognition of grant income in the Comprehensive Income and Expenditure Statement and incurring the grant eligible expenditure.
COVID-19 equalisation	Government funding set aside for exceptional one-off costs related to the COVID-19 pandemic.
PFI equalisation reserves	Used to equalise the impact of expenditure and government grant over the life of the PFI contracts.
Waste reserve	To smooth the effects of future increases in the costs of waste disposal.
Partnerships	To retain unspent contributions from partners and to apply them in subsequent years.
Schools	Schools are permitted to retain unspent resources which are held in the Schools Reserves. The statutory authority to commit these reserves rests with school governing bodies.
Dedicated Schools Grant deficit	This reserve disclosed the accumulated deficit on the dedicated schools' budget. The Council could not fund the deficit from its General Fund without the approval of the Secretary of State for Education; the deficit therefore had to be recovered through future dedicated schools grant funding.
Trading activities	Surpluses generated by the Council's internal trading activities, to be applied by these activities in subsequent years.
OTHER RESERVES	
Adults Digital Programme	Established to enable investment in innovative and digital solutions for Adult Social Care.
Adults Transformation	Set up to support delivery of ongoing future sustainability work in relation to Adult Social Care.

Reserves	Purpose and usage
Ambition Fund	To support investment that will deliver service improvements.
Capital receipts pump priming	Used to meet costs associated with bringing properties into readiness for disposal.
Carbon reduction	Used to finance measures aimed at reducing the Council's carbon footprint.
Carry Forwards	Used to carry under spends in the year of account forward to support expenditure plans in the forthcoming financial year.
Children's Transformation	Set up to support transformation capability in relation to the Children's sustainability programme.
Collection Fund Investment Risk	Established to mitigate the risks of falling collection rates for Council Tax and Non Domestic Rates.
Commercial investment in Essex places	Established to fund commercial investment in Essex places that aligns to the Council's housing growth and town centre agendas.
EES Pension Risk	To be used to meet future pension liabilities arising in relation to the staff who transferred to new owner of EES for Schools.
Emergency	Established as funding to address emerging budget pressures.
Essex Climate Change Commission	To be used to reduce carbon emissions and promote green infrastructure initiatives.
Health and safety	Used to meet the costs of undertaking asbestos, legionella and disability discrimination act surveys.
Insurance	Provides for future potential and contingent liabilities for insurance claims.
Renewal Fund	To support COVID-19 recovery activity.
Technology solutions	Established to meet the future cost of replacing key Council technology systems.
Transformation	Used to meet costs associated with project and change management aspects of the Council's ambitious programme of transformation.

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

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

	Balance 1 April 2019	2019/20 movements		Balance 31 March 2020	2020/21 movements		Balance 31 March 2021
		Contributions	Withdrawals		Contributions	Withdrawals	
	£000	£000	£000	£000	£000	£000	£000
Restricted use							
Grant equalisation reserve	(12,636)	(39,861)	2,644	(49,853)	(39,845)	39,289	(50,409)
COVID-19 equalisation	-	-	-	-	(38,505)	1,009	(37,496)
PFI equalisation reserves	(50,554)	(600)	10,481	(40,673)	(3,726)	5,424	(38,975)
Waste reserve	(103,631)	(9,245)	600	(112,276)	(4,574)	-	(116,850)
Partnership reserves	(1,621)	(74)	237	(1,458)	(426)	120	(1,764)
Schools	(38,025)	(4,022)	7,405	(34,642)	(11,378)	2,419	(43,601)
Dedicated Schools Grant deficit	-	-	5,359	5,359	(5,359)	-	-
Trading activities	(651)	(230)	53	(828)	(513)	-	(1,341)
Total restricted reserves	(207,118)	(54,032)	26,779	(234,371)	(104,326)	48,261	(290,436)
Reserves earmarked for future use							
Future capital funding	(12,061)	10,156	-	(1,905)	(7,942)	-	(9,847)
Other reserves							
Adults Digital Programme	(5,256)	(1,030)	3,417	(2,869)	(877)	2,458	(1,288)
Adults Transformation	-	-	-	-	(3,500)	-	(3,500)
Ambition Fund	-	(6,941)	2,970	(3,971)	(13,819)	1,212	(16,578)
Capital receipts pump priming	(3,204)	-	-	(3,204)	(1,000)	-	(4,204)
Carbon reduction	(2,303)	(313)	1,994	(622)	(550)	76	(1,096)
Carry forwards	(23,250)	(14,804)	23,250	(14,804)	(19,933)	13,464	(21,273)
Children's Transformation	-	-	-	-	(1,314)	-	(1,314)
Collection Fund investment risk	(1,412)	-	-	(1,412)	(2,617)	-	(4,029)
Commercial investment in Essex places	-	(12,583)	-	(12,583)	-	-	(12,583)
EES pension risk reserve	-	(4,000)	-	(4,000)	-	-	(4,000)
Emergency	-	(4,000)	4,000	-	(33,069)	20,505	(12,564)
Essex Climate Change Commission	-	(250)	-	(250)	(5,000)	250	(5,000)
Health and safety	(881)	(2,219)	-	(3,100)	(681)	969	(2,812)
Insurance	(8,061)	-	650	(7,411)	(1,238)	1,151	(7,498)
Renewal Fund	-	(2,900)	-	(2,900)	(26,018)	1,018	(27,900)
Technology solutions	-	(3,785)	-	(3,785)	(9,129)	4,165	(8,749)
Transformation	(25,193)	(19,783)	7,575	(37,401)	(25,705)	8,420	(54,686)
Other reserves	(6,139)	(2,229)	3,939	(4,429)	(1,176)	1,407	(4,198)
Total other reserves	(75,699)	(74,837)	47,795	(102,741)	(145,626)	55,095	(193,272)
Total earmarked revenue reserves	(294,878)	(118,713)	74,574	(339,017)	(257,894)	103,356	(493,555)

9. Other operating expenditure

Other operating expenditure is comprised of the following:

2019/20 £000		2020/21 £000
	(Gains)/losses on the disposal of non current assets	
(26,957)	Disposal proceeds	(6,069)
72,931	Carrying value of assets disposed of during the year	37,630
6	Impairment of Assets Held for Sale	-
211	Disposal costs	222
46,191	**Total losses on the disposal of non current assets**	31,783
	Precepts and levies	
1,255	Lee Valley Regional Park	1,254
1,674	Environment Agency	1,722
384	Kent and Essex Inshore Fisheries and Conservation Authority	390
3,313	**Precepts and levies**	3,366
49,504	**Total Other Operating Expenditure**	35,149

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

10. Financing and investment income and expenditure

Financing and investment income and expenditure is comprised of the following:

2019/20 Restated £000		2020/21 £000
	Net interest on the net defined benefit liability	
77,713	Interest cost	61,537
(53,885)	Interest on assets	(34,922)
23,828		26,615
47,147	Interest payable and similar charges	37,614
(2,051)	Interest receivable and similar income	(1,010)
(3,167)	Income and expenditure related to investment properties and changes in their value	(1,005)
(675)	Net surplus on trading activities	(353)
(334)	Other investment income (Dividends receivable)	(952)
64,748	**Financing and Investment income and expenditure**	60,909

11. Trading operations

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

Trading activity	Purpose
▪ Music Services	Delivers music services to schools.
▪ Place Services	Provides environmental planning support and arboriculture services.
▪ EES for Schools	Delivered advisory and inspection, governor, library services and financial management support to schools until **December 2019**.
▪ Information Services infrastructure	Monitored the decommissioning and refresh of IT equipment within the Council until **31 March 2020**, when the trading account was closed.

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

	Music Services £000	Place Services £000	EES for Schools £000	Information Services £000	Total £000
1 April 2019	(168)	(483)	-	-	**(651)**
Income	(4,428)	(3,099)	(6,776)	(1,406)	**(15,709)**
Expenditure	4,416	2,830	6,603	1,185	**15,034**
Financing items	-	-	-	-	**-**
Net (surplus)/ deficit	(12)	(269)	(173)	(221)	**(675)**
Appropriations	65	39	173	221	**498**
31 March 2020	**(115)**	**(713)**	**-**	**-**	**(828)**
Income	(3,790)	(3,264)	-	-	**(7,054)**
Expenditure	3,805	2,896	-	-	**6,701**
Financing items	-	-	-	-	**-**
Net (surplus)/ deficit	15	(368)	-	-	**(353)**
Appropriations	(128)	(32)	-	-	**(160)**
31 March 2021	**(228)**	**(1,113)**	**-**	**-**	**(1,341)**

12. Taxation and non-specific grant income

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

2019/20 £000		2020/21 £000
	Taxation	
(678,882)	Council tax	(709,221)
(42,538)	Non domestic rates	(22,077)
(329,416)	**Non specific grant income**	(364,569)
(1,050,836)	**Taxation and non specific grant income**	(1,095,867)

13. Grant income

13.1 Amounts credited to Taxation and Non-Specific Grant income

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

2019/20 £000		2020/21 £000
	Non ring-fenced grants	
(133,768)	Non Domestic Rates *(Top up grant and Safety net / levy)*	(136,057)
(37,395)	COVID-19 Emergency Funding	(47,170)
(27,123)	Private Finance Initiative Grants	(27,123)
(18,300)	Revenue Support Grant	(18,598)
(4,721)	New Homes Bonus / New Homes Bonus Adjustment Grant	(4,826)
(10,112)	Social Care Grant	(33,252)
(5,089)	Independent Living Fund Grant	(5,089)
(11,423)	Business Rates (Section 31 Grants)	(12,283)
(1,249)	Other non ring-fenced grants	(1,130)
(249,180)		(285,528)
	Capital grants and contributions	
(8,104)	Department for Education grants	(798)
	Department for Transport grants	
(23,932)	Direct funding	(23,893)
(6,924)	Integrated transport grant	(6,409)
(15,197)	Other	(22,878)
(13,298)	South East Local Enterprise Partnership (Local Growth & Get Building funding)	(7,224)
(2)	Homes England - Housing Infrastructure Fund	(11,159)
(12,779)	Other grants and contributions	(6,680)
(80,236)		(79,041)
(329,416)	**Total non-specific grant income**	(364,569)

13.2 Amounts credited to Services

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

2019/20				2020/21		
Capital grants £000	Specific revenue grants £000	Total £000		Capital grants £000	Specific revenue grants £000	Total £000
			Department for Education (incl. Education and Skills Funding Agency)			
(12,808)	(3,989)	(16,797)	Department for Education grants	(20,440)	(10,993)	(31,433)
			Education and Skills Funding Agency grants			
-	(464,793)	(464,793)	Dedicated Schools grant	-	(488,600)	(488,600)
-	(17,362)	(17,362)	Pupil Premium grant	-	(16,853)	(16,853)
-	(6,350)	(6,350)	Teachers Pensions grant	-	(12,197)	(12,197)
-	(9,783)	(9,783)	Universal Infants Free School Meals	-	(9,621)	(9,621)
-	(7,945)	(7,945)	Adult Community Learning	-	(7,141)	(7,141)
-	(10,826)	(10,826)	Other Education and Skills Funding Agency grants	-	(10,794)	(10,794)
(12,808)	(521,048)	(533,856)		(20,440)	(556,199)	(576,639)
			Department of Health and Social Care			
-	(60,829)	(60,829)	Public Health grant	-	(63,203)	(63,203)
-	-	-	Infection Control grant	-	(31,020)	(31,020)
-	-	-	Contain Outbreak Management Fund	-	(35,644)	(35,644)
-	-	-	Other COVID-19 related grants	-	(9,989)	(9,989)
-	(2,359)	(2,359)	Other Department of Health and Social Care grants	-	(5,238)	(5,238)
-	(63,188)	(63,188)		-	(145,094)	(145,094)
			Ministry of Housing, Communities and Local Government (MHCLG)			
-	(39,983)	(39,983)	Additional Better Care Fund grant	-	(41,070)	(41,070)
-	-	-	Income Compensation Scheme	-	(14,766)	(14,766)
-	(3,782)	(3,782)	Other MHCLG grants	-	(4,944)	(4,944)
-	(43,765)	(43,765)		-	(60,780)	(60,780)
			Grants awarded by other bodies			
(972)	-	(972)	Department for Digital, Culture, Media and Sports	(1,935)	-	(1,935)
-	(2,680)	(2,680)	Department for Transport	(4,080)	(5,316)	(9,396)
-	-	-	Homes England - Housing Infrastructure Fund	(2,064)	-	(2,064)
-	(7,133)	(7,133)	Home Office	-	(7,028)	(7,028)
(4,529)		(4,529)	South East Local Enterprise Partnership - Local Growth & Get Building funding	(8,207)	-	(8,207)
(1,525)	(10,626)	(12,151)	Other grants	(4,977)	(16,633)	(21,610)
(7,026)	(20,439)	(27,465)		(21,263)	(28,977)	(50,240)
(19,834)	(648,440)	(668,274)		(41,703)	(791,050)	(832,753)

Note: Comparative figures for the prior year have been grouped on a basis consistent with 2020/21.

14. Dedicated Schools Grant

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

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018.

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 2020/21 are provided in the following table.

2019/20 £000		2020/21 Total £000	Deployment in 2020/21 Central Expenditure £000	Deployment in 2020/21 Individual Schools Budget £000
(1,090,849)	Final DSG for the year (before Academy recoupment)	(1,167,390)		
623,430	Academy figure recouped	676,883		
(467,419)	Total DSG after Academy recoupment	(490,507)		
3,019	Brought forward from previous year	5,359		
(464,400)	Agreed initial budgeted distribution	(485,148)	(82,233)	(402,915)
(1,627)	In year adjustments	(1,066)		(1,066)
(466,027)	Final budgeted distribution	(486,214)	(82,233)	(403,981)
471,386	Actual central expenditure / ISB deployed	484,506	80,525	403,981
5,359	(Surplus) / deficit carried forward to next year	(1,708)	(1,708)	-

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

15.1 Movement in balances – 2019/20

	Property, plant and equipment						Intangible Assets	Investment Property	Heritage Assets	Assets held for sale
	Land and buildings	Vehicles and equipment	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2019	1,446,356	54,952		3,360	168,935	56,013	16,490	38,337	14,610	6,124
Additions	(375)	2,606	-	-	107,477	-	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	39,008	-	-	-	-	11,185	-	-	-	-
Surplus/Deficit on the provision of services	(61,684)	-	-	-	-	3,390	-	1,269	-	(6)
Derecognition - disposals	(59,043)	(2,947)	-	(2)	-	(5,818)	(972)	(432)	-	(5,828)
Reclassifications to / (from) other categories	9,971	-	-	-	-	(12,094)	-	-	-	2,123
Transfers from assets under construction	51,333	204	82,481	216	(138,893)	317	4,237	7	98	-
As at 31 March 2020	**1,425,566**	**54,815**		**3,574**	**137,519**	**52,993**	**19,755**	**39,181**	**14,708**	**2,413**
Depreciation / Amortisation										
As at 1 April 2019	(38,688)	(43,922)		(230)	-	(889)	(9,161)	-	(38)	-
Depreciation / amortisation for the year	(28,525)	(3,364)	(42,916)	(69)	-	(310)	(2,984)	-	(3)	-
Revaluations and restatements written out to:										
Revaluation Reserve	33,650	-	-	-	-	75	-	-	-	-
Surplus/Deficit on the provision of services	4,598	-	-	-	-	28	-	-	-	-
Derecognition - disposals	1,514	2,115	-	-	-	430	972	-	-	-
Reclassifications to / (from) other categories	(11)	-	-	-	-	11	-	-	-	-
As at 31 March 2020	**(27,462)**	**(45,171)**		**(299)**	**-**	**(655)**	**(11,173)**	**-**	**(41)**	**-**
Net Book Value at 31 March 2019	**1,407,668**	**11,030**	**1,141,369**	**3,130**	**168,935**	**55,124**	**7,329**	**38,337**	**14,572**	**6,124**
Net Book Value at 31 March 2020	**1,398,104**	**9,644**	**1,180,934**	**3,275**	**137,519**	**52,338**	**8,582**	**39,181**	**14,667**	**2,413**
Movement in Net Book Value in 2019/20	**(9,564)**	**(1,386)**	**39,565**	**145**	**(31,416)**	**(2,786)**	**1,253**	**844**	**95**	**(3,711)**
Analysis of movements in Net Book Value in 2019/20										
Additions	(375)	2,606	-	-	107,477	-	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	72,658	-	-	-	-	11,260	-	-	-	-
Surplus/Deficit on the provision of services	(57,086)	-	-	-	-	3,418	-	1,269	-	(6)
Derecognition - disposals	(57,529)	(832)	-	(2)	-	(5,388)	-	(432)	-	(5,828)
Reclassifications to / (from) other categories	9,960	-	-	-	-	(12,083)	-	-	-	2,123
Transfers from assets under construction	51,333	204	82,481	216	(138,893)	317	4,237	7	98	-
Depreciation / amortisation for the year	(28,525)	(3,364)	(42,916)	(69)	-	(310)	(2,984)	-	(3)	-
Total movement in Net Book Value	**(9,564)**	**(1,386)**	**39,565**	**145**	**(31,416)**	**(2,786)**	**1,253**	**844**	**95**	**(3,711)**

15.2 Movement in balances – 2020/21

	Property, plant and equipment						Intangible Assets	Investment Property	Heritage Assets	Assets held for sale
	Land and buildings	Vehicles and equipment	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 2020	1,425,566	54,815		3,574	137,519	52,993	19,755	39,181	14,708	2,413
Additions	4,873	370	-	-	137,302	4,314	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	(32,828)	-	-	-	-	2,795	-	-	-	-
Surplus/Deficit on the provision of services	(17,700)	-	-	-	-	(111)	-	(735)	-	-
Derecognition - disposals	(35,169)	(2,955)	-	(48)	-	(5)	-	-	-	(2,074)
Reclassifications to / (from) other categories	(336)	-	1	-	-	(5,764)	-	-	-	6,099
Transfers from assets under construction	20,575	305	90,957	515	(112,641)	130	146	-	13	-
As at 31 March 2021	**1,364,981**	**52,535**		**4,041**	**162,180**	**54,352**	**19,901**	**38,446**	**14,721**	**6,438**
Depreciation / Amortisation										
As at 1 April 2020	(27,462)	(45,171)		(299)	-	(655)	(11,173)	-	(41)	-
Depreciation / amortisation for the year	(27,322)	(2,947)	(53,569)	(76)	-	(304)	(3,292)	-	(2)	-
Revaluations and restatements written out to:										
Revaluation Reserve	26,932	-	-	-	-	433	-	-	-	-
Surplus/Deficit on the provision of services	5,382	-	-	-	-	46	-	-	-	-
Derecognition - disposals	1,062	2,900	-	5	-	-	-	-	-	-
As at 31 March 2021	**(21,408)**	**(45,218)**		**(370)**	**-**	**(480)**	**(14,465)**	**-**	**(43)**	**-**
Net Book Value at 31 March 2020	**1,398,104**	**9,644**	**1,180,934**	**3,275**	**137,519**	**52,338**	**8,582**	**39,181**	**14,667**	**2,413**
Net Book Value at 31 March 2021	**1,343,573**	**7,317**	**1,218,323**	**3,671**	**162,180**	**53,872**	**5,436**	**38,446**	**14,678**	**6,438**
Movement in Net Book Value in 2020/21	**(54,531)**	**(2,327)**	**37,389**	**396**	**24,661**	**1,534**	**(3,146)**	**(735)**	**11**	**4,025**
Analysis of movements in Net Book Value in 2020/21										
Additions	4,873	370	-	-	137,302	4,314	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	(5,896)	-	-	-	-	3,228	-	-	-	-
Surplus/Deficit on the provision of services	(12,318)	-	-	-	-	(65)	-	(735)	-	-
Derecognition - disposals	(34,107)	(55)	-	(43)	-	(5)	-	-	-	(2,074)
Reclassifications to / (from) other categories	(336)	-	1	-	-	(5,764)	-	-	-	6,099
Transfers from assets under construction	20,575	305	90,957	515	(112,641)	130	146	-	13	-
Depreciation / amortisation for the year	(27,322)	(2,947)	(53,569)	(76)	-	(304)	(3,292)	-	(2)	-
Total movement in Net Book Value	**(54,531)**	**(2,327)**	**37,389**	**396**	**24,661**	**1,534**	**(3,146)**	**(735)**	**11**	**4,025**

In accordance with the temporary relief offered by the Update to the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (published in November 2022), the above tables do not include disclosure of gross cost and accumulated depreciation for infrastructure assets. This is because historical reporting practices and resultant information deficits mean that inclusion of this information would not faithfully represent the asset position it purports to represent.

The Council has also determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England and Wales) (Amendment) Regulation 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil. This is consistent with the Council's economic model of not replacing parts of the highways network until it is no longer possible to defer maintenance activity and of prioritising preventative maintenance to prolong service lives.

15.3 Fair value measurement

In accordance with Note 1.20 (page 49), the Council measures its surplus assets and investment property at fair value. The inputs into the valuation techniques are categorised as follows:

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

Information about the fair values of these assets as at 31 March 2021 is as follows:

31 March 2020				31 March 2021		
Level 1 *Quoted price in active market for identical assets* £000	Level 2 *Other significant observable inputs* £000	Fair value £000		Level 1 *Quoted price in active market for identical assets* £000	Level 2 *Other significant observable inputs* £000	Fair value £000
			Surplus properties			
5,025	24,462	29,487	Former school sites	-	30,429	30,429
2,521	8,390	10,911	Land	-	10,878	10,878
2,907	9,688	12,595	Other	-	13,045	13,045
10,453	42,540	52,993		-	54,352	54,352
			Investment properties			
-	12,250	12,250	Retail Park	-	9,000	9,000
-	10,200	10,200	Office Block	-	9,300	9,300
-	6,600	6,600	Industrial Unit	-	7,000	7,000
-	9,145	9,145	Agricultural tenancies	-	12,145	12,145
-	986	986	Other	-	1,001	1,001
-	39,181	39,181		-	38,446	38,446

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

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

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

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

15.4 Capital commitments

At 31 March 2021, the Council had entered contracts for the construction or enhancement of Property, Plant and Equipment. The commitments are summarised as follows:

31 March 2020 £000		31 March 2021 £000
43,878	Highways and Transportation	27,075
12,461	Education (schools)	15,610
14,542	Information Services	9,010
7,440	Other	2,831
78,321		54,526

15.5 Revaluations

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

	Held at historical value £000	Valued as at					Total cost or valuation £000
		1 April 2016 £000	1 April 2017 £000	1 April 2018 £000	1 April 2019 £000	1 April 2020 £000	
Operational Assets							
Land and buildings	-	105,613	65,813	113,203	296,359	783,993	1,364,981
Vehicles, plant & equipment	52,535	-	-	-	-	-	52,535
Infrastructure	1,726,053	-	-	-	-	-	1,726,053
Community Assets	4,041	-	-	-	-	-	4,041
Non-Operational Assets							
Surplus Assets	-	4,439	6,942	18,300	7,061	17,610	54,352
Assets under construction	162,180	-	-	-	-	-	162,180
Gross book value	1,944,809	110,052	72,755	131,503	303,420	801,603	3,364,142

The timing of the valuation of land and buildings (as reflected in the above table) is based on when the assets were last formally valued by the Council's property advisor. However, at each year end, a review is undertaken by the property advisor to determine whether the carrying amount of land and buildings not subject to valuation in the year of account is consistent with their current value. Where this review indicates that the carrying amounts are inconsistent with their current value, the carrying amounts are adjusted by indices advised by the Valuer.

Land and buildings are either valued at their 'existing use value' (EUV) or at 'depreciated replacement cost' (DRC). Where there is no active market for the land and buildings, because of their specialist nature, DRC is used as an estimate of current value (**94%** of the Council's land and buildings are estimated using DRC).

Depreciated historical cost (DHC) is used as a proxy for current value for assets which:

- Have low values and/or short lives (vehicles, plant and equipment).
- Are not used up as they provide services (community assets).
- Can only be used for the purpose originally constructed (infrastructure assets).
- Are still being constructed (assets under construction).

The current value measurement for surplus assets is 'fair value', estimated at highest and best use from a market participants perspective (see note 15.3, on page 73, for further details).

16. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease and PFI contracts), together with the resources that have been used to finance it.

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

2019/20 £000		2020/21 £000
1,056,856	Opening Capital Financing Requirement	1,076,153
	Capital investment	
109,170	Property, plant and equipment	146,714
7	Investment property	146
122	Intangible assets	-
	Inventories	
2,688	Expenditure	621
-	Written off balances	(4,636)
74,640	Revenue expenditure funded from capital under statute	59,194
1,350	Loans awarded for capital purposes	-
187,977	Total capital investment	202,039
	Sources of finance	
(19,580)	Capital receipts	(6,423)
(111,978)	Government grants and contributions	(125,821)
(37,122)	Revenue provision for the repayment of debt	(39,711)
(168,680)	Total sources of finance	(171,955)
19,297	Increase in the Capital Financing Requirement	30,084
1,076,153	Closing Capital Financing Requirement	1,106,237
	Explanation of movements in year	
17,226	Increase in underlying need to borrow	29,954
2,071	Increase for assets acquired under finance lease	130
19,297	Increase in the Capital Financing Requirement	30,084

17. Leases

17.1 Council as Lessee – Finance leases

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

31 March 2020			31 March 2021	
Short Term £000	Long Term £000		Short Term £000	Long Term £000
14	393	Property	9	385
1,038	3,901	Vehicles, plant and equipment	970	3,050
6,577	111,286	Private Finance Initiatives	11,616	99,671
7,629	115,580		12,595	103,106

Further detail on the liabilities related to Private Finance Initiative schemes is provided in Note 18, which commences on page 78.

17.2 Council as Lessee – Operating leases

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

31 March 2020				31 March 2021		
Property £000	Other £000	Total £000		Property £000	Other £000	Total £000
3,001	814	3,815	One year	2,940	694	3,634
9,611	1,191	10,802	Two to five years	8,461	1,161	9,622
47,234	120	47,354	Over five years	45,454	76	45,530
59,846	2,125	61,971	Total lease rentals	56,855	1,931	58,786

17.3 Council as Lessor

The Council has leased out several properties under the terms of a finance lease. The Council has a gross investment in these leases of **£71,000** as at 31 March 2021 (31 March 2020: £334,000), made up of the minimum lease payments expected to be received over the remaining term of the leases.

The Council also leases out properties under the terms of an operating lease. The properties leased under the terms of an operating lease are those within its Investment Property portfolio, (as detailed in Note 15.3 on page 73) and properties for the provision of community and voluntary services.

The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

31 March 2020 £000		31 March 2021 £000
3,246	Not later than one year	2,501
5,560	Later than one year and not later than five years	4,143
2,305	Later than five years	1,818
11,111	Total	8,462

The future minimum lease payments receivable as at 31 March 2021 reflect the amounts receivable up to the earliest date that the lessees can exit from the arrangements without penalty.

18. Private Finance Initiative and similar contracts

18.1 Nature and significant terms of PFI arrangements

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

Scheme	Nature and significant terms
A130 Bypass	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 construction of the road was complete. Construction and land costs were estimated at **£80m**. 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 if traffic flow is affected by road works. The road will be passed to the 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 it. Initial construction costs were in the region of **£15m**. The contractor is operating and maintaining the school facilities for a contract term of 25 years (i.e. until 2026). The amounts paid to the Contractor vary according to inflation, the proportion of time that the facilities are made available to the school and according to the achievement of performance goals.
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, which varies according to inflation, the proportion of the time that the facilities are made available to the schools, and the extent to which the Operator meets agreed performance goals.
Tendring Primary Schools	The Council entered into a contract in October 2001, with a 32 year term, for the provision and refurbishment of 12 primary schools within the Tendring area. Total construction costs were in the region of **£15m**. The Council voluntarily terminated this contract on **28 December 2019**. An early termination premium of **£9.767m** was payable to the contractor to extinguish the Council's liability on the effective date of termination. This premium was carried into the Financial Instruments Adjustment Account (see note 26.4 on page 96) and will be charged to the General Fund over the unexpired term that

Scheme	Nature and significant terms
	was outstanding on the contract when it was terminated.
Castleview, Cornelius Vermuyden and Columbus Schools	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. 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. It converted to academy status on 1 April 2015. 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 Plant – Basildon	This contract was entered into on 31 May 2012 with UBB (Essex Waste) Ltd and provided for the design, construction, finance and operation of a waste treatment plant in Basildon. Work on the physical construction commenced in March 2013; the Facility required capital expenditure in the region of **£107m** (borne by the private sector) and achieved the Readiness Date in November 2014. The Facility was accepting waste and achieving diversion from landfill but was mothballed before 31 March 2021. Although the contract remains in place, it has been amended to reflect a settlement being reached between the parties, following acknowledgement by UBB (Essex Waste) Ltd that the Facility did not meet the contractual specifications. No further commissioning payments have been made under the contract since the facility stopped taking waste, and it is no longer being funded by PFI credits. As a result of the changes to the contract, the facility will be demolished at the Contractor's cost, and the Council will then be handed back a clean site. On this date, the contract will terminate without any payments being made by the Council. The Facility, and associated PFI liability, are not recognised in the Council's Balance Sheet.

18.2 Details of payments to be made under PFI contracts

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

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

	Estimated timing of payments to PFI/PPP operators					
	Within one year £000	2 - 5 years £000	6 - 10 years £000	11 - 15 years £000	16 - 20 years £000	Total £000
Service charges	6,787	29,068	35,448	30,246	2,121	103,670
Interest and similar charges	19,565	63,620	28,258	14,716	920	127,079
Repayment of liability	11,616	45,011	22,163	28,286	4,211	111,287
Lifecycle replacement	2,205	11,003	16,540	4,794	534	35,076
Total	**40,173**	**148,702**	**102,409**	**78,042**	**7,786**	**377,112**

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.

18.3 Property, plant and equipment used to provide services

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

31 March 2020 £000		31 March 2021 £000
	Gross Book Value	
146,706	As at 1 April	**102,760**
	Additions	
	Revaluation increases / (decreases) recognised in:	
(1,555)	Revaluation Reserve	**591**
(1,165)	Surplus/Deficit on the provision of services	**510**
(41,226)	Assets no longer subject to PFI arrangement	**-**
102,760	**As at 31 March**	**103,861**
	Depreciation / Amortisation	
(35,589)	As at 1 April	**(37,089)**
498	Revaluations and restatements	**48**
16	Depreciation / amortisation on impairments	**-**
(2,283)	Depreciation / amortisation for the year	**(2,296)**
269	Depreciation on assets no longer subject to PFI arrangements	**-**
(37,089)	**As at 31 March**	**(39,337)**
111,117	***Net book value at 1 April***	***65,671***
65,671	***Net book value at 31 March***	***64,524***

18.4 Value of PFI liabilities for capital expenditure

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

2019/20 £000		2020/21 £000
(133,568)	Balance as at 1 April	(117,864)
15,704	Liabilities repaid	6,577
(117,864)	Balance as at 31 March	(111,287)

19. Financial instruments

19.1 Categories of Financial Instruments

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

31 March 2020				31 March 2021		
Long term £000	Short term £000	Total £000		Long term £000	Short term £000	Total £000
			Financial assets			
			Investments			
11,254	-	11,254	Fair value through Profit or Loss	11,167	-	11,167
1,451	115,191	116,642	Amortised cost	-	96,595	96,595
12,705	115,191	127,896		11,167	96,595	107,762
4,810	84,626	89,436	Debtors (contractual)	557	94,527	95,084
-	326,354	326,354	Cash and cash equivalents	-	504,691	504,691
17,515	526,171	543,686	Total	11,724	695,813	707,537
			Financial liabilities (amortised cost)			
(598,941)	(25,548)	(624,489)	Borrowing	(586,398)	(40,704)	(627,102)
(115,580)	(7,629)	(123,209)	PFI / Finance lease liabilities	(103,106)	(12,595)	(115,701)
(1,215)	(296,467)	(297,682)	Creditors (contractual)	(1,432)	(265,764)	(267,196)
-	(17,718)	(17,718)	Bank overdraft	-	(34,632)	(34,632)
(715,736)	(347,362)	(1,063,098)	Total	(690,936)	(353,695)	(1,044,631)

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

19.2 Income, expense, gains and losses

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

2019/20 £000		2020/21 £000
	Net gains / losses	
	Financial assets classified as:	
394	Fair value through profit or loss	76
394	**Net gains / losses**	**76**
	Interest revenue	
	Financial assets classified as:	
(644)	Fair value through profit or loss	(454)
(1,801)	Amortised cost	(632)
(2,445)	**Interest revenue**	**(1,086)**
47,147	**Interest expense**	**37,614**
45,096	**Net (gain) / loss for the year**	**36,604**

19.3 Fair values of financial assets carried at fair value

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

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

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

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

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

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

31 March 2020			31 March 2021	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Financial liabilities		
		Borrowing		
(537,144)	(633,784)	Public Works Loans Board	(520,940)	(652,585)
(77,937)	(128,395)	Money Market loans	(77,916)	(155,175)
(9,408)	(8,826)	Other	(28,246)	(28,250)
(624,489)	(771,005)	**Total borrowing**	(627,102)	(836,010)
(123,209)	(190,065)	PFI / finance lease liabilities	(115,701)	(181,341)
(17,718)	(17,718)	Bank overdraft	(34,632)	(34,632)
(297,682)	(297,682)	Creditors (contractual)	(267,196)	(267,196)
(1,063,098)	(1,276,470)	**Total Financial Liabilities**	(1,044,631)	(1,319,179)
		Financial Assets		
116,642	116,451	Investments at amortised cost	96,595	96,604
326,354	326,354	Cash and cash equivalents	504,691	504,691
89,436	89,436	Debtors (contractual)	95,084	95,084
532,432	532,241	**Total Financial Assets**	696,370	696,379

Financial liabilities

- The fair value of Public Works Loan Board (PWLB) loans measures the economic effect of terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed to be the PWLB '**new loan**' rate. The difference between the fair value of the PWLB loans (**£652.585m**) and the carrying amount (**£520.940m**) therefore measures the additional interest the Council will pay over the remaining term of the loans, against what would be paid if the loans were at prevailing 'new loan' rates. However, the Council would not simply be able to swap its existing loans for equivalent loans at the 'new loan' rate because the PWLB would raise a penalty charge for early redemption of **£226.237m** for the additional interest that would now not be paid. The exit price for the PWLB loans, including this penalty charge, would therefore be **£747.177m**.
- While the 'fair value' measurements provide an indication of the cost of prematurely repaying existing PWLB and Money Market loans at 31 March 2021, the Council has a Capital Financing Requirement (see note 16 on page 75) well in excess of these loans, and so does not foresee the need to prematurely repay these loans.

Investments and cash

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

Other

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

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

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

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

- **Financial Assets**
  - No early repayments or impairment is recognised.
  - Estimated ranges of interest rates at 31 March 2021 of **-0.01%** to **0.15%** for loans receivable, based on new lending rates for the remaining period of the deposits at that date.
  - The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- **Financial liabilities**
  - No early repayment is recognised.
  - Estimated ranges of interest rates at 31 March 2021 of **0.77%** to **2.19%** for loans payable based on new lending rates for equivalent loans at that date.
  - The fair value of trade and other payables is taken to be the invoiced or billed amount.

19.6 Nature and extent of risks arising from financial instruments

One of the main ways in which the Council is exposed to financial risks from financial instruments is as a consequence of depositing its funds with banks and financial institutions. These financial risks include:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market risk** – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates.

The Council's overall treasury risk management framework focuses on the unpredictability of financial markets and arrangements for minimising these risks in relation to depositing funds with banks and other financial institutions. This framework includes:

- 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).
- 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.
- Approving an annual investment strategy that establishes criteria for both investing and selecting counterparties in compliance with government guidance.
- Written principles for overall risk management and policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

The Council is also associated to financial risks by virtue of its transactions with its customers and suppliers. It seeks to mitigate these risks by collecting income in advance of providing services wherever this is possible, and by not paying suppliers in advance of goods and services being received.

Credit risk

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

UK banks and building societies, and non-UK banks domiciled in a country with a minimum sovereign rating of '**AA**', were considered for inclusion on the Council's lending list during 2020/21 if they had acceptable credit ratings in both of the following categories:

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

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

Nationalised / part-nationalised financial institutions were also included on the Council's lending list, together with low volatility net asset value (LVNAV) 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 2020/21 by the Council with any financial institution, at

any point in time, ranged between **£20m** and **£70m** (*i.e. the limit varied within this range, depending on the relative strength of financial institutions' credit ratings within the acceptable range*).

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

The Council's Investments Strategy also allowed for underlying cash balances to be invested on a longer-term basis (*i.e. for periods beyond 364 days*). Because it is not possible to respond to changes in credit risk as quickly, a limit was set within the annual treasury management strategy, upon the total amount that could be invested for periods beyond 364 days. For 2020/21, this limit was **£50m** (2019/20: £50m).

No credit limits were exceeded during 2020/21 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.

In relation to credit exposure associated with the Council's customers, the Council raises invoices for all work done, goods supplied and services rendered or other amounts due, to ensure that such amounts are properly recorded as due to the Council. The Council's Income Collection Team is then responsible for the recovery and enforcement of these debts, which it does in compliance with the Council's Debt Recovery Strategy to ensure that payment is secured within the agreed terms and to minimise the incidence of bad debts.

Liquidity risk

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

The maturity analysis of existing financial liabilities (principal and interest) is as follows:

31 March 2020				Repayment period	31 March 2021			
PWLB £000	Money Market £000	Other £000	Total £000		PWLB £000	Money Market £000	Other £000	Total £000
34,066	3,162	3,787	41,015	Less than one year	25,827	3,174	26,059	55,060
34,066	3,162	3,787	41,015	Short term borrowing	25,827	3,174	26,059	55,060
26,092	3,162	3,535	32,789	Between 1 and 2 years	25,799	3,162	1,289	30,250
83,970	9,487	2,086	95,543	Between 2 - 5 years	90,417	9,487	898	100,802
169,208	15,812	-	185,020	Between 5 - 10 years	170,659	15,812	-	186,471
349,831	47,434	-	397,265	Between 10 - 25 years	324,137	47,434	-	371,571
257,710	47,435	-	305,145	Between 25 - 40 years	249,708	47,435	-	297,143
-	31,623	-	31,623	Between 40 - 50 years	-	31,623	-	31,623
-	98,254	-	98,254	Over 50 years	-	95,092	-	95,092
886,811	253,207	5,621	1,145,639	Long term borrowing	860,720	250,045	2,187	1,112,952
920,877	256,369	9,408	1,186,654	Total borrowing	886,547	253,219	28,246	1,168,012

Market Risk

The Council is exposed to 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.
- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has several strategies for managing interest rate risk. The overall policy is to aim to keep a maximum of **30%** of borrowings in variable rate loans (2019/20: 30%).

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

If interest rates had been **1%** higher throughout 2020/21 (with all other variables held constant) the Council's net interest burden would have been lower than that shown in Note 19.2, as follows:

2019/20 £000		2020/21 £000
	Impact on the Comprehensive Income and Expenditure Statement	
366	Interest payable on variable rate borrowing	444
(1,347)	Interest receivable on variable rate investments	(1,675)
(981)	Net (gain) / loss	(1,231)

19.7 Credit risk management practices

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

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

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

	Credit risk rating			Gross carrying amount
	Low	Medium	High	
	£000	£000	£000	£000
Deposits with banks and other financial institutions	565,360	-	-	565,360
Loans to businesses	-	-	-	-
	565,360	-	-	565,360
Other debtors (contractual) - not subject to credit rating				95,084
Total amount exposed to credit risk				660,444

The following movements in the impairment loss allowances for financial assets took place in 2020/21:

	Cash and cash equivalents £000	Investments at amortised cost £000	Other debtors (contractual) £000	Total £000
Allowance at 1 April 2019	24	33	14,063	14,120
Assets derecognised	-	(21)	-	(21)
Assets recognised	34	-	2,339	2,373
Allowance at 31 March 2020	58	12	16,402	16,472
Assets derecognised	-	(4)	-	(4)
Assets recognised	32	-	(299)	(267)
Allowance at 31 March 2021	90	8	16,103	16,201

The total credit loss allowance for contractual debtors, at **£16.103m**, equates to **15.8%** of the debt outstanding at 31 March 2021 (31 March 2020: £16.402m, equating to 18% of the debt outstanding).

20. Inventories

The following table provides an analysis of the inventories held:

	Property acquired or constructed for sale £000	Personal Protective Equipment £000	Consumable Stores £000	Total £000
Balance as at 1 April 2019	9,852	-	44	9,896
Purchases	2,688	-	17	2,705
Recognised as an expense in the year	(3,328)	-	(4)	(3,332)
Balance as at 1 April 2020	9,212	-	57	9,269
Purchases	621	1,289	3	1,913
Donations	-	2,601	-	2,601
Recognised as an expense in the year	(1,345)	(1,356)	(11)	(2,712)
Written off balances	(4,636)	-	-	(4,636)
Balance as at 31 March 2021	3,852	2,534	49	6,435

21. Debtors

The following table analyses short and long-term debtors:

31 March 2020				31 March 2021		
Short term £000	Long term £000	Total £000		Short term £000	Long term £000	Total £000
74,925	679	75,604	Trade debtors	79,351	100	79,451
9,462	-	9,462	Recoverable Value Added Tax	9,656	-	9,656
			Council Tax and Non Domestic Rates			
10,752	-	10,752	Billing authorities	794	-	794
49,194	-	49,194	Taxpayers	69,435	-	69,435
19,619	425	20,044	Prepayments	27,267	396	27,663
4,436	-	4,436	Grants and accrued income	16,765	-	16,765
241	14,838	15,079	Other debtors	5,519	10,611	16,130
168,629	15,942	184,571		208,787	11,107	219,894
			Allowance for doubtful debts			
(16,402)	-	(16,402)	Sundry debtors	(16,103)	-	(16,103)
(22,978)	-	(22,978)	Council Tax and Non Domestic Rates	(24,649)	-	(24,649)
129,249	15,942	145,191	Total	168,035	11,107	179,142

22. Cash and cash equivalents

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

31 March 2020				31 March 2021		
Assets £000	Liabilities £000	Net total £000		Assets £000	Liabilities £000	Net total £000
			Amounts that are an integral part of the Council's cash management			
104,078	-	104,078	Cash repayable on demand	144,999	-	144,999
183,901	-	183,901	Cash equivalents	313,191	-	313,191
-	(17,803)	(17,803)	Bank overdraft	-	(34,719)	(34,719)
-	85	85	Petty cash balances	-	87	87
287,979	(17,718)	270,261		458,190	(34,632)	423,558
38,375		38,375	Cash held by schools	46,501	-	46,501
326,354	(17,718)	308,636	Total of cash and cash equivalents	504,691	(34,632)	470,059

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

23. Creditors

The following table analyses short and long term creditors:

31 March 2020				31 March 2021		
Short term £000	Long term £000	Total £000		Short term £000	Long term £000	Total £000
156,504	1,096	157,600	Trade creditors	182,092	1,135	183,227
104,988	-	104,988	Cash held on behalf of partnerships	45,786	-	45,786
			Council Tax and Non Domestic Rates			
7,742	-	7,742	Billing authorities	36,618	-	36,618
14,249	-	14,249	Taxpayers	21,065	-	21,065
22,276	-	22,276	Employee related creditors	25,239	-	25,239
12,699	-	12,699	Other creditors	12,647	-	12,647
5,939	119	6,058	Receipts in advance	8,230	297	8,527
324,397	1,215	325,612	Total	331,677	1,432	333,109

24. Grant receipts in advance

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

31 March 2020					31 March 2021			
Revenue		Capital			Revenue		Capital	
Short term £000	Long term £000	Short term £000	Long term £000		Short term £000	Long term £000	Short term £000	Long term £000
				Department for Education and related				
653	-	5,781	-	Department for Education grants	1,556	-	218	-
406	-	-	-	Education and Skills Funding Agency	2,573	-	-	-
1,059	-	5,781	-		4,129	-	218	-
				Ministry of Housing, Communities & L. Govnt				
12,133	-			Business Rates Relief grant	-	-	-	-
8,654	-	-	-	Other	14,666	-	-	-
20,787	-	-	-		14,666	-	-	-
				Other grants				
388	-	23,195	-	Department for Transport	3,160	-	38,374	3,900
710	-	-	-	Department of Health and Social Care	4,516	-	-	-
-	-	1,691	-	South East Local Enterprise Partnership	-	-	23,263	15,000
553	-	2,371	-	Other	3,883	-	9,129	-
1,651	-	27,257	-		11,559	-	70,766	18,900
23,497	-	33,038	-	Total of grant receipts in advance	30,354	-	70,984	18,900
8,197	1,956	36,143	25,922	Developer contributions (S106)	14	-	28,509	44,366
31,694	1,956	69,181	25,922	Total	30,368	-	99,493	63,266

Note: While prior year comparative figures are consistent overall with the figures presented in the 2019/20 Statement of Accounts, comparative figures have been analysed on a basis consistent with 2020/21.

25. Provisions and contingencies

25.1 Provisions

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

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

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

	Insurance Provision £000	Landfill aftercare £000	Non-domestic rating appeals £000	Other provisions £000	Total £000
Current provisions					
Balance at 31 March 2020	(5,000)	(425)	(5,892)	(1,779)	(13,096)
Amounts arising	-	(4,873)	(1,861)	(432)	(7,166)
Provisions reversed	-	-	-	710	710
Provisions utilised	340	488	1,315	957	3,100
Unwinding of discount	-	(11)	-	-	(11)
Amounts reclassified as (current) / non current	(340)	4,325	-	(19)	3,966
Balance at 31 March 2021	**(5,000)**	**(496)**	**(6,438)**	**(563)**	**(12,497)**
Non-current provisions					
Balance at 31 March 2020	(19,767)	(13,969)	-	(19)	(33,755)
Amounts arising	-	-	-	-	-
Provisions reversed	-	-	-	-	-
Provisions utilised	-	-	-	-	-
Amounts reclassified as current / (non current)	340	(4,325)	-	19	(3,966)
Balance at 31 March 2021	**(19,427)**	**(18,294)**	**-**	**-**	**(37,721)**
Total current and non-current provisions					
31 March 2020	*(24,767)*	*(14,394)*	*(5,892)*	*(1,798)*	*(46,851)*
31 March 2021	*(24,427)*	*(18,790)*	*(6,438)*	*(563)*	*(50,218)*

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 1983, until they ceased trading in 1992. Since ceasing trading, MMI dealt with all outstanding claims, operating under a contingent Scheme of Arrangements. This Scheme allows MMI to claw back monies paid (in the form of a levy) from the scheme participants if it has insufficient funds to pay remaining claims itself. This

Provision	Purpose
	Scheme was put in place to avoid winding up the company if a solvent run-off was not achievable. The Scheme of Arrangements was triggered, and therefore came into effect, on 13th November 2012. As a result, the Council has made two levy payments to the Scheme Administrator in previous years, equivalent to **25%** of all claims received since 1993, and is now required to meet **25%** of any subsequent claims. The Insurance Provision includes an allowance for this liability. The **25%** levy may be enough to enable MMI to continue its run-off for several years. However, because of the latent nature of many claims, it is not possible to guarantee that the current levy percentage of **25%** will remain adequate. The claims position has stabilised in recent years, and MMI are not anticipating a further levy in the short-term. However, it is possible that the levy will ultimately be closer to **40%**. Allowance has been made for this in the Insurance Reserve (see Note 8, which commences on page 63).
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 collectable could be affected by the requirement to make backdated refunds to non-domestic ratepayers who lodge appeals against the Valuation Rating Lists. For this reason, the Council's Balance Sheet includes an attributable share of the provisions raised by the billing authorities for non-domestic rating appeals.
Other	Various provisions have been established in respect of legal claims and constructive obligations.

25.2 Contingencies

As detailed in Note 18, on page 79, the Council entered into a Private Finance Initiative contract for the design, construction and operation of a waste treatment plant in Basildon in May 2012. The relevant acceptance tests were not achieved and therefore the plant remained in the commissioning phase as at 31 March 2021.

The Council was involved in ongoing discussions with the operator UBB Waste (Essex) Ltd regarding the delay in achieving services commencement. Matters where no agreement had been reached were referred to the Court for consideration and to determine an outcome. On **18 June 2020** The High Court

ruled in favour of the Council, and at a consequential hearing on 13 and 14 July 2020, awarded damages of **£9.038m** to February 2019 and **£99,563** per month thereafter (whilst the operator continued operating the Facility outside of contract terms), totalling **£10.592m** to the date of the ruling plus interest. UBB Waste (Essex) Ltd were awarded a compensation event of **£745,000**.

On **27 July 2020** UBB Waste (Essex) Ltd appointed Administrative Receivers Geoffrey Paul Rowley (Office Holder IP Number: 8919) and David Shambrook (Office Holder IP Number: 22290), both of 2nd Floor, 110 Cannon Street, London EC4N 6EU. Capacity of Office Holder: Joint Administrative Receivers

On **11 September 2020** The High Court awarded the terms of payment from the Courts ruling of June 2020. Since the operator had entered administrative receivership, the Council was of the view that the award (**£10.592m**) and the payment (**£745,000**) remained contingent as at **31 March 2021**.

Events have moved on since 31 March 2021, and an update is provided in **Note 39** on **Events after the Reporting Date** (which commences on page 121).

26. Unusable reserves

26.1 Introduction

The Council maintains several unusable reserves which are held for statutory reasons or to comply with proper accounting practice. The Council is not able to use these reserves to provide services. Notes 26.2 to 26.7 explain the purpose of the most significant of these unusable reserves and the movements in these reserves during the year.

26.2 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:

2019/20 £000		2020/21 £000
(601,983)	Balance as at 1 April	(634,629)
(135,013)	Revaluation of non current assets (increases)	(76,440)
51,095	Revaluation of non current assets (subsequent decreases)	79,108
(83,918)	(Surplus) / deficit on revaluations	2,668
14,555	Depreciation on revaluation gains	13,923
36,717	Accumulated gains on assets sold or scrapped	21,799
51,272	Amounts written off to the Capital Adjustment Account	35,722
(634,629)	Balance as at 31 March	(596,239)

26.3 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.

2019/20 £000		2020/21 £000
(1,208,599)	Balance as at 1 April	(1,150,386)
	Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
78,170	Depreciation	87,512
53,668	Impairment of non-current assets	12,383
6	Impairment of assets held for sale	-
74,640	Revenue expenditure financed from capital under statute	59,194
72,931	Cost / value of assets disposed of during the year	37,630
279,415		196,719
	Adjusting amounts written out of the Revaluation Reserve	
(14,555)	Difference between fair value and historical cost depreciation	(13,923)
(36,717)	Revaluation gains outstanding for assets upon disposal	(21,799)
(51,272)		(35,722)
228,143	Net written out amount of the cost of non current assets consumed in the year	160,997
	Capital financing applied in the year	
(37,122)	Statutory provision for the financing of capital investment	(39,711)
(19,580)	Capital receipts applied	(6,423)
	Capital grants and contributions applied to finance:	
(80,235)	Capital Expenditure	(78,968)
(28,781)	Revenue expenditure funded from capital	(46,789)
(2,962)	Application of grants from the Capital Grants Unapplied Account	(64)
(168,680)		(171,955)
19	Repayment of loans awarded for capital purposes	1,451
(1,269)	Movement in market value of investment properties	735
(1,150,386)	Balance as at 31 March	(1,159,158)

26.4 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.

2019/20				2020/21		
Premiums £000	Discounts £000	Total £000		Premiums £000	Discounts £000	Total £000
6,345	(3,342)	3,003	Balance as at 1 April	15,725	(3,273)	12,452
9,767	-	9,767	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-	-
(129)	19	(110)	Amortisation of premiums / discounts to the General Fund	(127)	18	(109)
(258)	50	(208)	Transfer from the General Fund for the difference between amounts debited/credited to the Comprehensive Income and Expendiure Statement and amounts payable / receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	(781)	48	(733)
15,725	(3,273)	12,452	Balance as at 31 March	14,817	(3,207)	11,610

26.5 Pension Reserve

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require the Council to finance benefits earned as it makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible.

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

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

2019/20				2020/21		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
962,835	29,042	991,877	**Balance as at 1 April**	862,099	26,002	888,101
			Pension Reserve appropriation to / (from) the General Fund for:			
113,228	582	113,810	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the Provision of Services in the Comprehensive Income Services in the Comprehensive Income and Expenditure Statement	151,693	556	152,249
(54,036)	(2,701)	(56,737)	Council contributions to the schemes	(63,809)	(2,621)	(66,430)
59,192	(2,119)	57,073	**Total appropriation from Pension Reserve**	87,884	(2,065)	85,819
(159,928)	(921)	(160,849)	Remeasurements of the net pension liability	67,051	1,705	68,756
862,099	26,002	888,101	**Balance as at 31 March**	1,017,034	25,642	1,042,676

26.6 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.

2019/20				2020/21		
Council Tax £000	Non-domestic rates £000	Total £000		Council Tax £000	Non-domestic rates £000	Total £000
(11,045)	(678)	(11,723)	**Balance at 1 April**	(9,894)	809	(9,085)
1,151	1,487	2,638	Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	5,872	21,754	27,626
(9,894)	809	(9,085)	**Balance as at 31 March**	(4,022)	22,563	18,541

26.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for paid absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £000		2020/21 £000
10,533	**Balance as at 1 April**	11,409
(10,533)	Settlement or cancellation of accrual made at the end of the preceding year	(11,409)
11,409	Amounts accrued for at the end of the current year	15,750
876	Amount by which officer remuneration charged on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	4,341
11,409	**Balance as at 31 March**	15,750

27. Cash Flows from operating, investing and financing activities

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

2019/20 £000		2020/21 £000
	Cash flows from operating activities	
	Cash inflows	
(724,058)	Taxation	(758,924)
(919,570)	Grants	(1,060,969)
(291,036)	Sales of goods and rendering of services	(276,888)
(3,353)	Interest received	(1,477)
(334)	Dividends received	(952)
(1,938,351)		(2,099,210)
	Cash outflows	
449,632	Cash paid to and on behalf of employees	460,019
48,050	Interest paid	38,209
1,227,281	Cash paid to suppliers of goods and services	1,285,880
74,640	Revenue expenditure funded from capital under statute	59,194
111,521	Other payments for operating activities (*incl. employer's national insurance and pension contributions*)	114,886
1,911,124		1,958,188
(27,227)	**Net inflow of cash from operating activities**	(141,022)
	Cash flows from investing activities	
	Cash inflows	
(29,161)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,783)
(523,713)	Proceeds from short and long term investments	(351,327)
(130,072)	Capital grants and other receipts from investing activities	(194,902)
(682,946)		(554,012)
	Cash outflows	
115,344	Purchase of property, plant and equipment, investment property and intangible assets	137,322
548,300	Purchase of short and long term investments	331,400
1,986	Other payments for investing activities	662
665,630		469,384
(17,316)	**Net inflow of cash from investing activities**	(84,628)
	Cash flows generated from financing activities	
	Cash inflows	
(107,194)	Cash receipts of short and long term borrowing	(20,662)
(20,166)	Other receipts from financing activities	-
(127,360)		(20,662)
	Cash outflows	
17,770	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	7,638
3,075	Repayment of short and long term borrowing	18,049
-	Repayment of cash held on behalf of external partnerships	59,202
20,845		84,889
(106,515)	**Net (inflow) / outflow of cash from financing activities**	64,227
(151,058)	**Net increase in cash and cash equivalents**	(161,423)

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.

28. Changes in liabilities arising from financing activities

	Long term borrowing £000	Short term borrowing £000	Lease liabilities £000	Total £000
Balance at 1 April 2019	**(511,798)**	**(8,572)**	**(138,908)**	**(659,278)**
Cash flows	(87,143)	(16,976)	17,770	**(86,349)**
Non cash adjustments	-	-	(2,071)	**(2,071)**
Balance at 31 March 2020	**(598,941)**	**(25,548)**	**(123,209)**	**(747,698)**
Cash flows	12,543	(15,156)	7,638	**5,025**
Non cash adjustments	-	-	(130)	**(130)**
Balance at 31 March 2021	**(586,398)**	**(40,704)**	**(115,701)**	**(742,803)**

29. Termination benefits

The Council terminated the contracts of a number of employees during the year. The liabilities were recognised in the Cost of Services, in the Comprehensive Income and Expenditure Statement, as follows:

2019/20 £000		2020/21 £000
85	Childrens and Families	-
122	Customer, Communities, Culture and Corporate	-
236	Economic Development	-
2,189	Education and Skills	**384**
50	Environment and Climate Change Action	**387**
3	Finance, Property and Housing	**52**
86	Health and Adult Social Care	**17**
15	Infrastructure	-
	Strategic Support Services	
618	Customer, Communities, Culture and Corporate	**333**
469	Finance, Property and Housing	**78**
30	Leader	-
189	Performance, Business Planning and Partnerships	-
4,092	**Total**	**1,251**

Notes: The above figures include provision for termination benefits arising from formal plans for the restructuring of certain services, where actual exit packages have yet to be agreed at 31 March. Provision is raised on the basis of the best estimate of costs.

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

2019/20				Value of exit packages	2020/21			
No. packages agreed in the year			Total cost of packages £000		*No. packages agreed in the year*			Total cost of packages £000
Compulsory	*Other*	*Total*			*Compulsory*	*Other*	*Total*	
83	*64*	*147*	**1,071**	Less than £20,000	*19*	*18*	*37*	**146**
13	*36*	*49*	**1,392**	£20,000 to £39,999	*2*	*3*	*5*	**149**
14	*10*	*24*	**1,772**	£40,000 to £199,999	*3*	*6*	*9*	**583**
110	*110*	*220*	**4,235**	**Total no. of agreed packages**	*24*	*27*	*51*	**878**
			(143)	**Other termination benefits**				**373**
			4,092					**1,251**

The exit packages include all redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

The Council is required to recognise the costs of termination benefits within the Comprehensive Income and Expenditure Statement when it can no longer withdraw the offer of those benefits, even if individual exit packages have yet to be agreed. For this reason, the total cost of packages agreed may differ from the amounts charged to the Comprehensive Income and Expenditure Statement in each year; the 'other termination benefits' line provides a reconciliation between the total cost of packages agreed and the amounts charged to the Comprehensive Income and Expenditure Statement.

30. 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 Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Teachers' Pension Scheme has in excess of **11,200** participating employers.

- **NHS Pension Scheme**

  Staff performing public health functions who were compulsorily transferred from a local primary care trust to the Council, and who had access to the NHS Pension Scheme on 31 March 2013, retained access to that Scheme on transfer to the Council on 1 April 2013.

  The NHS Pension Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on contribution rates set by the Secretary of State. The NHS Pension Scheme has approximately **8,300** 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 enough reliability for accounting purposes. For the purposes of this Statement of Accounts, both schemes are accounted for on the same basis as a defined contribution scheme.

The following table shows the amounts the Council paid for pension costs in relation to these schemes:

2019/20				2020/21		
Teachers £000	NHS £000	Total £000		Teachers £000	NHS £000	Total £000
27,476	127	27,603	Employer's contributions	30,974	103	31,077
12,002	96	12,098	Employee contributions	11,885	81	11,966
39,478	223	39,701	Total	42,859	184	43,043

The Council's contributions are set in relation to the current service period only. As such, the Council is not entitled to, or liable for, any of the underlying assets or liabilities of the schemes.

The amounts in the above table reflect:

	Teachers		NHS	
	2019/20	2020/21	2019/20	2020/21
Employer's contribution rate	16.48%, rising to 23.68% from Sept 2019	**23.68%**	16.88%	**14.38%**
Employee contribution rate	7.4% to 11.7%	**7.4% to 11.7%**	5.0% to 14.5%	**5.0% to 14.5%**

There were no contributions remaining payable as at 31 March 2021 (31 March 2020: Nil).

The employer's contributions due to be paid in 2021/22 are estimated to be **£29.4m** for the teachers' pension scheme and **£105,000** for the NHS pension scheme.

The Council is responsible for all pension payments relating to added years that it has awarded to teachers, together with the related increases. These costs are accounted for on a defined benefit basis and are detailed in note 31 below.

31. Defined Benefit Pension Schemes

31.1 Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two schemes:

- **The Local Government Pension Scheme (LGPS)**

  The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulation 2013 and currently provides benefits based on career average revalued earnings.

  The Administering Authority for the Fund is Essex County Council. The Essex Pension Fund Committee oversee the management of the Fund.

  As administering authority to the Fund, Essex County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement.

  Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at **31 March 2022** and will set contributions for the period from **1 April 2023** to **31 March 2026**. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

  In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

  - **Investment risk** - the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
  - **Interest rate risk** - the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
  - **Inflation risk** - all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
  - **Longevity risk** - in the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of these risks may also benefit the Council (*e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers*). However, these risks are also mitigated, to a certain extent, by the statutory requirements to charge to the General Fund the amounts required by statute as described in Note 1.8.3.

- **Discretionary post-retirement benefits upon early retirement in relation to the teachers' pension scheme**

  This is an unfunded defined benefits arrangement, under which the liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash must be generated to meet the actual pension payments as they eventually fall due.

31.2 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:

2019/20				2020/21		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
90,828	-	**90,828**	Current service cost	128,297	-	**128,297**
2,877	-	**2,877**	Past service cost	681	-	**681**
(3,723)	-	**(3,723)**	(Gain) / loss on settlement	(3,344)	-	**(3,344)**
89,982	**-**	**89,982**		**125,634**	**-**	**125,634**
			Financing and Investment Income and Expenditure			
23,246	582	**23,828**	Net interest expense	26,059	556	**26,615**
113,228	**582**	**113,810**	**Total charged to the Surplus / Deficit on Provision of Services**	**151,693**	**556**	**152,249**
			Re-measurements of the net pensions liability			
172,085	-	**172,085**	Return on scheme assets	(603,722)	-	**(603,722)**
			Actuarial (gains) / losses arising from changes in:			
(298,174)	(1,412)	**(299,586)**	Financial assumptions	764,783	2,378	**767,161**
(30,642)	(161)	**(30,803)**	Demographic assumptions	(51,277)	(333)	**(51,610)**
43,130	652	**43,782**	Experience (gain) / loss on defined benefit obligation	(42,733)	(340)	**(43,073)**
(46,327)	-	**(46,327)**	Other	-	-	**-**
(159,928)	**(921)**	**(160,849)**	**Total charged to Other Comprehensive Income and Expenditure**	**67,051**	**1,705**	**68,756**
(46,700)	**(339)**	**(47,039)**	**Total charged to Comprehensive Income and Expenditure Statement**	**218,744**	**2,261**	**221,005**
			Movement in Reserves Statement			
(113,228)	(582)	**(113,810)**	Reversal of net charges made to the Surplus / Deficit on the Provision of Services	(151,693)	(556)	**(152,249)**
54,036	2,701	**56,737**	Actual amount charged against the General Fund Balance for pensions in the year	63,809	2,621	**66,430**
(59,192)	**2,119**	**(57,073)**		**(87,884)**	**2,065**	**(85,819)**

31.3 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:

2019/20				2020/21		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,050,857	26,002	**3,076,859**	Present value of the defined benefit obligation	3,831,331	25,642	**3,856,973**
(2,188,758)	-	**(2,188,758)**	Fair value of plan assets	(2,814,297)	-	**(2,814,297)**
862,099	**26,002**	**888,101**	**Net liablity arising from defined benefit obligations**	**1,017,034**	**25,642**	**1,042,676**

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 **£1.043bn** (2019/20: £888.101m) 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:

2019/20				2020/21		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,256,736	29,042	3,285,778	Balance as at 1 April	3,050,857	26,002	3,076,859
90,828	-	90,828	Current service cost	128,297	-	128,297
77,131	582	77,713	Interest cost	60,981	556	61,537
17,110	-	17,110	Contributions by scheme participants	18,520	-	18,520
			Remeasurement (gains)/losses:			
(30,642)	(161)	(30,803)	Actuarial (gains) / losses arising from changes in demographic assumptions	(51,277)	(333)	(51,610)
(298,174)	(1,412)	(299,586)	Actuarial (gains) / losses arising from changes in financial assumptions	764,783	2,378	767,161
43,130	652	43,782	Other	(42,733)	(340)	(43,073)
2,877	-	2,877	Past service costs	681	-	681
(100,568)	(2,701)	(103,269)	Benefits paid	(92,356)	(2,621)	(94,977)
(7,571)	-	(7,571)	Liabilities extinguished on settlements	(6,422)	-	(6,422)
3,050,857	26,002	3,076,859	Balance as at 31 March	3,831,331	25,642	3,856,973

Scheme Assets

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

2019/20				2020/21		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
2,293,901	-	2,293,901	Balance as at 1 April	2,188,758	-	2,188,758
53,885	-	53,885	Interest income	34,922	-	34,922
			Remeasurement gain/(loss)			
(172,085)	-	(172,085)	Return on plan assets (excl. amount incl in net interest expense)	603,722	-	603,722
46,327	-	46,327	Other	-	-	-
54,036	2,701	56,737	Contributions by the Council	63,809	2,621	66,430
17,110	-	17,110	Contributions from employees into the scheme	18,520	-	18,520
(100,568)	(2,701)	(103,269)	Benefits paid	(92,356)	(2,621)	(94,977)
(3,848)	-	(3,848)	Amounts made for settlements	(3,078)	-	(3,078)
2,188,758	-	2,188,758	Balance as at 31 March	2,814,297	-	2,814,297

Local Government Pension Scheme assets comprised:

31 March 2020			31 March 2021	
£000	%		£000	%
1,281,161	*58.5%*	Equities	1,780,267	*63.3%*
94,339	*4.3%*	Gilts	71,705	*2.5%*
132,615	*6.1%*	Other bonds	136,900	*4.9%*
196,822	*9.0%*	Property	198,328	*7.0%*
90,977	*4.2%*	Cash and cash equivalents	70,890	*2.5%*
252,114	*11.5%*	Alternative assets	323,456	*11.5%*
140,730	*6.4%*	Other managed funds	232,751	*8.3%*
2,188,758	*100.0%*	Total assets	2,814,297	*100.0%*

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

31 March 2020						31 March 2021				
UK		Overseas		Total		UK		Overseas		Total
Quoted	Unquoted	Quoted	Unquoted			Quoted	Unquoted	Quoted	Unquoted	
4.2%	-	49.2%	5.1%	*58.5%*	Equities	4.9%	-	53.7%	4.7%	*63.3%*
4.3%	-	-	-	*4.3%*	Gilts	2.5%	-	-	-	*2.5%*
6.1%	-	-	-	*6.1%*	Other bonds	4.9%	-	-	-	*4.9%*
2.5%	6.5%	-	-	*9.0%*	Property	2.0%	5.0%	-	-	*7.0%*
-	4.2%	-	-	*4.2%*	Cash and cash equivalents	-	2.5%	-	-	*2.5%*
-	0.7%	-	10.8%	*11.5%*	Alternative assets	-	0.6%	-	10.9%	*11.5%*
-	6.4%	-	-	*6.4%*	Other managed funds	-	8.3%	-	-	*8.3%*
17.1%	17.8%	49.2%	15.9%	*100.0%*	Total assets	14.3%	16.4%	53.7%	15.6%	*100.0%*

31.4 Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis to estimate the pensions that will be payable in future years. The liabilities have been assessed using the projected unit credit method which is dependent on assumptions about mortality rates, salary levels etc. The Pension Fund liabilities have been assessed by **Barnett Waddingham LLP**, an independent firm of actuaries. The liabilities have been estimated, based upon the results of the valuation as at **31 March 2019** which was carried out for funding purposes.

The significant assumptions used by the Actuary for the Local Government Pension Scheme were as follows:

Assumptions	2019/20	2020/21
▪ **Rate of inflation**		
- RPI	2.70%	3.20%
- CPI	1.90%	2.80%
▪ **Rate of increase in salaries**	2.90%	3.80%
▪ **Rate of increase in pensions**	1.90%	2.80%
▪ **Discount rate**	2.35%	2.00%
▪ **Mortality assumptions for members retiring in normal health:**		
- Life expectancy for future pensioners retiring in 20 years' time at 65:		
▪ Male	23.2 years	22.9 years
▪ Female	25.2 years	25.1 years
- Life expectancy of current pensioners retiring today aged 65:		
▪ Male	21.8 years	21.6 years
▪ Female	23.7 years	23.6 years
▪ **Expected rate of return on assets in the scheme**	-5%	29.30%

The actuarial assumptions used in the calculation of the liabilities for Teachers' additional unfunded pensions were those shown on page 106 for the Local Government Pension Scheme, with the following exceptions:

Assumptions	2019/20	2020/21
▪ Rate of inflation		
- RPI	2.95%	3.50%
- CPI	1.95%	2.80%
▪ Rate of increase in pensions	1.95%	2.80%
▪ Discount rate	2.25%	1.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used.

Sensitivity analysis has been undertaken, based on reasonably possible changes of the assumptions occurring at the end of the reporting period. This assumes, for each change, that the assumption analysed changes, while all the other assumptions remain constant. In practice, changes in some of the assumptions may be inter-related.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme (i.e. on an actuarial basis using the projected unit credit method).

Local Government Pension Scheme	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,757,879	3,831,331	3,906,294
Projected Service Cost	127,783	132,292	136,946
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,836,560	3,831,331	3,826,147
Projected Service Cost	132,364	132,292	132,220
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,900,403	3,831,331	3,763,559
Projected Service Cost	136,898	132,292	127,824
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	4,020,747	3,831,331	3,651,294
Projected Service Cost	138,272	132,292	126,543

Unfunded Teachers' Pensions	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	25,449	25,642	25,838
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	25,835	25,642	25,451
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	27,034	25,642	24,323

The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

31.5 Impact on the Council's Cash Flows

The objectives of the LGPS are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The next triennial valuation is being carried out as at **31 March 2022** and will set the contributions for the period 1 April 2023 to 31 March 2026.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is **£50.600m**. Although there are not expected to be any contributions with respect to active members, the total unfunded pensions in respect of teachers are estimated to be **£2.621m** as at 31 March 2022.

The weighted average duration of the pension obligation for the Local Government Pension Scheme members is **20** years. For the Teachers additional unfunded pensions, it is **8** years.

32. Audit costs

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

2019/20 £000		2020/21 £000
	Audit fees payable to the appointed auditor	
138	External audit services carried out by appointed auditor	169
12	Other services carried out by appointed auditor	12
150		181
	Rebates received in respect of fees paid in previous years	
-	Rebates received from Public Sector Auditor Appointments (PSAA)	(15)
150	**Net total**	166

The fee for 'other services carried out by the appointed auditor' relates to the certification of the Teachers Pensions return, which is not covered by the Public Sector Auditor Appointments (PSAA) certification arrangements, but external audit certification is nevertheless required by the grant awarding body.

33. Members' allowances and expenses

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

2019/20 £000		2020/21 £000
	Members allowances	
896	Basic allowances	877
620	Special responsibility allowances	628
1,516		1,505
60	**Members expenses**	10
1,576		1,515

34. Pooled budgets

The Council participates in three pooled budget arrangements:

- **Better Care Fund**

  This arrangement comprises six pooled funds: a countywide pool, comprised of NHS contributions to social care (including reablement) and the Improved Better Care Fund and five other pools, comprised of the Disabled Facilities Grant, carers' breaks funding and CCGs' contributions to community health services.

  Each pool is governed by a Section 75 Agreement, with an overarching collaboration agreement signed by the Council and each of the CCGs. For each service included within the Section 75 agreements, either the Council or a CCG is solely responsible for the delivery of the service.

  While the Better Care Fund was established as a pooled budget, the operation of the pool can involve the members ceding control of funds to a lead commissioner / principal or the arrangement being a joint operation.

- **Equipment Pool**

  The purpose of this arrangement is to source, deliver, fit and refurbish equipment, adaptations and aids to daily living in service users' homes as part of an integrated community equipment service. Partners contribute based on their assumed activity levels.

- **Transforming Care Partnership Pool**

  The aim of this arrangement is to ensure that people with learning disabilities, autism or both can live in the community, with the right support, thereby reducing their need for in-patient services and improving their quality of life.

  All the current releasable funding for the hospital placements is paid into the pool, to fund commissioned hospital placements and community placements when people are discharged from hospital. If there is insufficient funding within the pool to fund all the community placements, the deficit is met by the local authority partner in whose administrative area the deficit occurs.

The contributions and expenses of the Better Care Fund Pool for 2020/21 were as follows:

2019/20								2020/21						
Basildon & Brentwood £000	Castle Point & Rochford £000	Mid Essex £000	North East Essex £000	West Essex £000	Central Pool £000	Total £000		Basildon & Brentwood £000	Castle Point & Rochford £000	Mid Essex £000	North East Essex £000	West Essex £000	Central Pool £000	Total £000
							Contributions							
							Clinical Commissioning Groups							
(17,707)	-	-	-	-	-	**(17,707)**	Basildon and Brentwood	(18,646)	-	-	-	-	-	**(18,646)**
-	(11,908)	-	-	-	-	**(11,908)**	Castle Point and Rochford	-	(12,462)	-	-	-	-	**(12,462)**
-	-	(24,330)	-	-	-	**(24,330)**	Mid Essex	-	-	(25,557)	-	-	-	**(25,557)**
-	-	-	(23,495)	-	-	**(23,495)**	North East Essex	-	-	-	(24,842)	-	-	**(24,842)**
-	-	-	-	(20,968)	-	**(20,968)**	West Essex	-	-	-	-	(21,299)	-	**(21,299)**
-	-	-	-	-	(51,024)	**(51,024)**	Essex County Council	-	-	-	-	-	(52,955)	**(52,955)**
(17,707)	**(11,908)**	**(24,330)**	**(23,495)**	**(20,968)**	**(51,024)**	**(149,432)**	**Total Contributions**	**(18,646)**	**(12,462)**	**(25,557)**	**(24,842)**	**(21,299)**	**(52,955)**	**(155,761)**
							Expenditure							
							Clinical Commissioning Groups							
10,812	-	-	-	-	-	**10,812**	Basildon and Brentwood	11,393	-	-	-	-	-	**11,393**
-	7,097	-	-	-	-	**7,097**	Castle Point and Rochford	-	7,404	-	-	-	-	**7,404**
-	-	14,409	-	-	-	**14,409**	Mid Essex	-	-	15,147	-	-	-	**15,147**
-	-	-	14,612	-	-	**14,612**	North East Essex	-	-	-	15,452	-	-	**15,452**
-	-	-	-	13,140	-	**13,140**	West Essex	-	-	-	-	13,046	-	**13,046**
6,895	4,811	9,921	8,883	7,828	51,024	**89,362**	Essex County Council	7,253	5,058	10,410	9,390	8,253	52,955	**93,319**
17,707	**11,908**	**24,330**	**23,495**	**20,968**	**51,024**	**149,432**	**Total Expenditure**	**18,646**	**12,462**	**25,557**	**24,842**	**21,299**	**52,955**	**155,761**
-	**-**	**-**	**-**	**-**	**-**	**-**	**Net (surplus) / deficit**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The contributions and expenses of the two other pooled budget arrangements were as follows:

2019/20					2020/21			
Equipment		Transforming Care			Equipment		Transforming Care	
Contributions £000	Expenditure £000	Contributions £000	Expenditure £000		Contributions £000	Expenditure £000	Contributions £000	Expenditure £000
				Local authorities				
(9,013)	9,013	(334)	2,825	Essex County Council	(8,686)	8,686	(1,169)	4,394
-	-	(83)	226	Southend Council	-	-	(94)	241
(1,261)	1,361	(83)	67	Thurrock Council	(1,242)	1,242	(94)	109
				Clinical Commissioning Groups				
-	-	(415)	537	Basildon and Brentwood	-	-	(273)	358
-	-	(1,911)	461	Castle Point and Rochford	-	-	(2,469)	301
(997)	997	(1,031)	680	Mid Essex	(1,214)	1,214	(989)	695
-	-	(1,297)	888	North East Essex	-	-	(1,248)	848
-	-	(613)	397	West Essex	-	-	(664)	294
-	-	(248)	215	Southend	-	-	(263)	259
-	-	(856)	575	Thurrock	-	-	(823)	587
				NHS Trusts				
(848)	848	-	-	East Suffolk and North Essex NHS Foundation Trust	(995)	995	-	-
(61)	61	-	-	Mid Essex Hospital Service NHS Trust	(35)	35	-	-
(318)	318	-	-	Essex Partnership University NHS Foundation Trust	(285)	285	-	-
(708)	708	-	-	North East London Foundation Trust	(641)	641	-	-
(13,206)	**13,306**	**(6,871)**	**6,871**	**Total**	**(13,098)**	**13,098**	**(8,086)**	**8,086**

35. 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 below.

2019/20			Remuneration band			2020/21		
Non-schools	Schools	Total				Non-schools	Schools	Total
161	116	277	£50,000	to	£54,999	202	133	335
143	77	220	£55,000	to	£59,999	181	69	250
73	62	135	£60,000	to	£64,999	153	66	219
32	54	86	£65,000	to	£69,999	56	62	118
23	28	51	£70,000	to	£74,999	27	34	61
48	16	64	£75,000	to	£79,999	47	17	64
23	10	33	£80,000	to	£84,999	34	14	48
13	5	18	£85,000	to	£89,999	12	6	18
6	4	10	£90,000	to	£94,999	10	5	15
8	1	9	£95,000	to	£99,999	15	1	16
3	-	3	£100,000	to	£104,999	2	2	4
2	2	4	£105,000	to	£109,999	5	1	6
13	-	13	£110,000	to	£114,999	4	-	4
4	-	4	£115,000	to	£119,999	12	-	12
3	-	3	£120,000	to	£124,999	3	-	3
1	-	1	£125,000	to	£129,999	1	-	1
1	-	1	£130,000	to	£134,999	-	-	-
2	-	2	£140,000	to	£144,999	-	-	-
1	-	1	£145,000	to	£149,999	-	-	-
-	-	-	£155,000	to	£159,999	1	-	1
560	375	935	Total			765	410	1,175

Notes: Senior officers whose individual remuneration is disclosed in note 36 (page 112) are excluded from the remuneration bandings shown in the above analysis.

36. Senior officers' remuneration

36.1 Senior officers

Senior officers include all members of the Council's Corporate Leadership Team and other statutory officers.

36.2 Disclosure of senior officers' remuneration

Senior Officers' remuneration is disclosed overleaf.

Where a senior officer's annual salary is **£50,000** or more, but less than **£150,000**, remuneration is disclosed individually by way of job title. For those senior officers whose salary is **£150,000** or more, their name is also disclosed.

The employers' contribution to pensions are not amounts paid to individual members of staff, rather they reflect amounts paid by the Council into the Pension Fund; these contributions have been made at the level determined at the last actuarial valuation as necessary to meet the cost of the future pension accrual.

Bonus payments have been disclosed in the year of payment but relate to performance in the preceding financial year.

36.3 Fees paid in respect of individuals engaged on an interim basis

The Council also secured services from various other individuals on an interim basis during 2020/21. The fees payable by the Council in respect of some of these individuals amounted to **£150,000** or more in 2020/21, as follows:

2019/20 £	Position	2020/21 £
61,877	**Lead Content Designer** (Lino Boga-Rios)	**206,424**
118,501	**Head of Portfolio** (Graham Bright)	**185,497**

The amounts disclosed in respect of these individuals are the costs incurred by the Council to secure their services. The amounts received by these individuals will have been lower.

2019/20	Notes	Remuneration						
		Salaries, fees and allowances £	Bonus payments £	Expense allowances / benefits £	Compensation for loss of employment £	Total remuneration Excl pension contributions £	Employer's contribution to pension £	Total remuneration Incl. pension contributions £
Chief Executive - Mr Gavin Jones		196,950	-	14,336	-	211,286	31,709	242,995
Executive Director, Adult Social Care - Mr Nicholas Presmeg	(i)	164,055	-	-	-	164,055	25,286	189,341
Executive Director, Children and Families - Ms Helen Lincoln	(ii)	164,055	10,000	1,939	-	175,994	26,896	202,890
Executive Director, Corporate and Customer Services	(iii)	122,174	-	1,939	-	124,113	10,936	135,049
Executive Director, Corporate Development - Mr Jason Kitcat	(iv)	29,676	-	319	163,838	193,833	4,214	198,047
Executive Director, Finance and Technology	(v)	140,203	-	1,451	-	141,654	21,856	163,510
Executive Director, Economy, Localities and Public Health - Mr Mark Carroll		173,650	-	1,939	-	175,589	26,831	202,420
Director, Wellbeing, Public Health and Communities - Dr Michael Gogarty	(vi)	165,087	-	3,112	-	168,199	26,579	194,778
Director, Legal and Assurance	(vii)	130,333	-	-	-	130,333	20,581	150,914
Director, Organisation Development and People		144,911	-	1,975	-	146,886	22,495	169,381

Notes:

*(i) The Council's **Executive Director, Adult Social Care** fulfils the statutory role of Director for Adult Social Services (DASS).*

*(ii) The **Executive Director, Children and Families** fulfils the statutory role of Director of Children's Services, appointed under Section 18 of the Children Act 2004.*

*(iii) The **Executive Director, Corporate and Customer Services** fulfilled the statutory role of Chief Finance Officer under section 151 of the Local Government Act 1972 until 31 July 2019 when reducing to a three-day working week. The Executive Director reverted to full time working in March 2020, to help with the Council's response to the COVID-19 pandemic.*

*(iv) The **Executive Director, Corporate Development**, left the Council on 31 May 2019.*

*(v) The **Executive Director, Finance and Technology**, has fulfilled the statutory role of Chief Finance Officer under Section 151 of the Local Government Act 1972 since 1 August 2019.*

*(vi) The Council's **Director, Wellbeing, Public Health and Communities** fulfils the statutory role of Director of Public Health.*

*(vii) The Council's **Director, Legal and Assurance** fulfils the statutory role of Monitoring Officer.*

2020/21	Notes	Remuneration						
		Salaries, fees and allowances £	Bonus payments £	Expense allowances / benefits £	Compensation for loss of employment £	Total remuneration Excl pension contributions £	Employer's contribution to pension £	Total remuneration Incl. pension contributions £
Chief Executive - Mr Gavin Jones		196,950	-	14,117	-	211,067	38,799	249,866
Executive Director, Adult Social Care - Mr Nicholas Presmeg	(i)	167,196	-	-	-	167,196	31,559	198,755
Executive Director, Children and Families and Education - Ms Helen Lincoln	(ii)	167,196	-	1,724	-	168,920	31,559	200,479
Executive Director, Corporate and Customer Services - Mrs Margaret Lee		169,898	-	1,724	-	171,622	-	171,622
Executive Director, Finance and Technology - Miss Nicole Wood	(iii)	165,605	-	1,724	-	167,329	31,506	198,835
Executive Director, Place and Public Health - Mr Mark Carroll		176,983	-	1,724	-	178,707	33,487	212,194
Director, Wellbeing, Public Health and Communities - Dr Michael Gogarty	(iv)	168,570	-	3,012	-	171,582	33,173	204,755
Director, Legal and Assurance	(v)	136,987	-	-	-	136,987	26,494	163,481
Director, Organisation Development and People		145,300	-	1,724	-	147,024	28,132	175,156

Notes

*(i) The Council's **Executive Director, Adult Social Care** fulfils the statutory role of Director for Adult Social Services (DASS).*

*(ii) The **Executive Director, Children and Families** fulfils the statutory role of Director of Children's Services, appointed under Section 18 of the Children Act 2004.*

*(iii) The **Executive Director, Finance and Technology**, fulfils the statutory role of Chief Finance Officer under Section 151 of the Local Government Act 1972 (the Executive Director's role title changed to Executive Director, Corporate Services after the end of the 2020/21 financial year).*

*(iv) The Council's **Director, Wellbeing, Public Health and Communities** fulfils the statutory role of Director of Public Health.*

*(v) The Council's **Director, Legal and Assurance** fulfils the statutory role of Monitoring Officer.*

37. Related parties

The Council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. The intention, in making this disclosure, is to make explicit the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Related party	Declaration
UK Government	The UK Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are detailed in notes 12 (page 68) and 13 (page 68).
Elected members	Members of the Council have direct control over the Council's financial and operating policies. The Council's Constitution requires members to declare their pecuniary interests and any other interests that could reasonably be regarded as likely to prejudice their judgement of the public interest in a Register of Interests and at relevant meetings. The Register of Interests is published on the Council's website. In addition, members are asked to declare separately any related party transactions with the Authority. Based on these declarations, the following matters require disclosure as related party transactions:
	• **Active Essex Foundation** The Active Essex Foundation supports the most deprived communities across Essex through the promotion of physical activity and sport. The Council paid grants of **£8,000** to the Foundation during 2020/21 (2019/20: £37,000). **Cllr Ray Gooding** is a trustee of the Active Essex Foundation. Cllr Gooding was the Cabinet Member for Education and Skills throughout 2020/21.
	• **Anglian Community Enterprise (ACE)** The Anglian Community Enterprise (ACE) is a community interest company that provides community health and well-being services. The Council made payments totalling **£17.851m** to ACE in 2020/21 (including **£15.216m** via the Better Care Fund) (2019/20: £17.717m, including £14.390m via the Better Care Fund). **Cllr Julie Young** is a Director of ACE. Cllr Young was Vice Chairman of the Corporate Policy and Scrutiny Committee throughout 2020/21.
	• **Colchester United FC Football in the Community** The objectives of this charity are to enrich the lives of people within the community through physical activity and the brand of Colchester United. The Council made payments to this charity in 2020/21 of **£61,000**, related to school holiday activity clubs. **Cllr Anne Turrell** is a trustee of this charity. Cllr Turrell was a member of the Audit, Governance and Standards Committee and of the Corporate Policy and Scrutiny Committee throughout 2020/21.

Related party	Declaration
Elected Members	▪ **Essex Association of Local Councils (EALC)** This is a Member led Association of Essex Local Councils. Through membership of the EALC, the Parish and Town Councils of Essex are affiliated to the National Association of Local Councils. The Council provided grants totalling **£931,000** to this organisation in 2020/21 (2019/20: £30,000). Much of the grant funding awarded in 2020/21 was COVID-19 related, including for emergency foodbanks and to assist communities during the COVID-19 lockdowns. **Cllr John Jowers** is the current president of the EALC. He was the Chairman of the County Council during 2020/21.
	▪ **Essex Cares Ltd** Essex Cares Ltd is a wholly owned subsidiary of the Council (see page 118 for further details). **Cllr Penny Channer** was a non-executive director of Essex Cares throughout 2020/21; she received an allowance of **£12,000** from Essex Cares in respect of this role in 2020/21 (2019/20: £12,000). Cllr Channer was a member of the Council's Audit, Governance and Standards Committee during 2020/21.
	▪ **Mosaic Publicity Ltd** During 2020/21, the Council made payments to this company of **£7,000** for services provided to the Council. **Cllr Kevin Bentley** is a Director of this company. Cllr Bentley was Deputy Leader of the Council and Cabinet Member for Infrastructure during 2020/21.
	▪ **Playout Group** A group of companies incorporated in October 2018 and wholly owned by Ormiston Families; provide a range of childcare and education services for children from 0 to 14 years. **Cllr Derek Louis** is a Director of these companies. During 2020/21, the Council made payments to these companies amounting to **£100,000** (2019/20: £104,000). Cllr Louis was a member of the Corporate Policy and Scrutiny Committee for the second half of the 2020/21 financial year.
	▪ **Provide Community Interest Company** The principal activities of the company are the provision of integrated health and social care. **Cllr Derrick Louis** is the chairman of Provide. The Council made payments totalling **£29.864m** to this organisation in 2020/21 (including £13.888m via the Better Care Fund) (2019/20: £25.424m).
	▪ **Open Road Visions** Open Road is a drug and alcohol recovery support charity. It supports individuals on their journey to recovery from drug and alcohol addiction. The Council provided **£1.809m** to the charity in 2020/21 (2019/20: £1.6m). **Cllr John Aldridge** is a trustee of the charity. He was a member of the Development and Regulation Committee and the Corporate Policy and Scrutiny Committee throughout 2020/21.

Related party	Declaration
Elected Members	• **Rayleigh, Rochford and District Association Voluntary Services (RRAVS)** The RRAVS is an umbrella organisation representing the interests of all voluntary and charitable groups in the area. The Council provided **£53,000** to this organisation during 2020/21 (2019/20: £45,000). **Cllr June Lumley** is a trustee of this charity.
	• **Rural Community Council of Essex (RCCE)** The RCCE is a registered charity that works with local community groups in villages and market towns across the County. The Council provided **£1.159m** to the charity during 2020/21 (2019/20: £1.076m). **Cllr Simon Walsh**, who was the Cabinet Member for Environment and Climate Change Action throughout, is a trustee of the Rural Community Council of Essex (RCCE).
	• **Safe Steps** This charity operates projects for the benefit of domestic abuse victims in Essex. The Council provided funding of **£188,000** to this charity in 2020/21. **Cllr Andrew Sheldon's** partner is a trustee of this charity. Cllr Sheldon was Deputy Cabinet Member for Children and Families during 2020/21.
	• **Stow Maries Great War Aerodrome** This charity's aim is to preserve the Stow Maries Great War Aerodrome. The Council loaned **£200,000** to this charity in 2013, of which **£125,000** was outstanding at 1 April 2020. The Council agreed to reduce the outstanding balance on the loan to **£50,000** during 2020/21. The Charity paid the outstanding principal sum of **£50,000** in September 2020 (2019/20: £28,000). **Cllr John Aldridge** and **Cllr Mark Platt** are trustees of this charity. Cllr Platt was the Deputy to the Cabinet Member for Environment and Climate Change Action throughout 2020/21. Cllr Platt is also a member of the Audit, Governance and Standards Committee.
	• **Tendring Eldercare** This is a charity which seeks to relieve elderly people in Tendring who are in need, and to preserve and protect the health of those caring for elderly people by offering a respite service. The Council provided **£72,000** to this charity in 2020/21 (2019/20: £100,000). **Cllr Mark Platt** is a trustee of this charity.
	• **Wyvern Community Transport** This charity provides transport to people who find mainstream public transport difficult to access. The Council provided **£127,000** to this charity in 2020/21 (2019/20: £125,000). **Cllr June Lumley** is a trustee of this charity.
	The total of members' allowances paid is shown in note 33 (page 109).
Officers	Members of the Council's Corporate Leadership Team, and other officers with independent statutory powers, can influence significantly the policies of the authority. However, officers are bound by a Code of Conduct which seeks to prevent related parties exerting undue influence over the Council. In addition, they are required to declare any transactions with the Council.

Related party	Declaration
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 **£3.437m** for administering the Fund during 2020/21, of which **£3,000** was outstanding at 31 March 2021 (*2019/20: £3.298m, of which £545,000 was outstanding at 31 March 2020*).
Essex Cares Ltd	Essex Cares Ltd is a wholly owned subsidiary of the Council. It provides services for people requiring care, support and assistance living in the community. Essex Cares' transactions are consolidated fully within the Council's Group Accounts, which are set out on pages 122 to 136. The Council commissioned services from Essex Cares Ltd to the value of **£44.508m** in 2020/21 (*2019/20: £39.228m*). The Council provided financial, internal audit and other support services to Essex Cares Ltd during 2020/21; the value of these services in 2020/21 was **£350,000** (*2019/20: £390,000*). The Council also provided cash management support to Essex Cares Ltd. The Council paid no interest on the amounts it borrowed from Essex Cares Ltd during 2020/21 *(2019/20: paid interest of £9,000 (net) on amounts it borrowed, £100 of which was outstanding at 31 March 2020).* As noted on page 116, Cllr Penny Channer has held a position on the Essex Cares' Board of Directors throughout 2020/21.
Essex Housing Development LLP	The Council is a member and designated member of the Essex Housing Development LLP. It is a subsidiary of the Council for accounting purposes, meaning that the LLP's transactions are consolidated within the Council's Group Accounts, which are set out on pages 122 to 136. The Council provided financial and other support services to the Essex Housing Development LLP during 2020/21. The LLP also purchased staff services from the Council to enable it to offer its services. The value of these support and other services in 2020/21 was **£541,000**, all of which was outstanding at 31 March 2021. The Council also allocated grants to the LLP in 2020/21 of **£282,000** towards the cost of two housing projects being undertaken by the LLP.
Police, Fire and Crime Commissioner for Essex	The Council seconded an officer to the Police, Fire and Crime Commissioner for Essex for part of 2020/21 to fulfil the statutory role of Chief Financial Officer, at a cost of **£45,000** (all of which was outstanding at 31 March 2021).
South East Local Enterprise Partnership	The South East Local Enterprise Partnership (South East LEP) is a business-led, public / private body established to drive economic growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock. It has a range of members (*including representatives from businesses, local authorities and higher / further education*). The South East LEP secured **£77.873m** from the Government's Local Growth Fund in 2020/21 to support economic growth in the area, of which **£33.429m** was allocated to the Council to fund major economic growth and transport schemes (2019/20: £102.737m of which £18.519m was allocated to the Council for major transport schemes). In addition, the South East LEP secured **£42.5m** from the Government's Getting Building

Related party	Declaration
	Fund in 2020/21 to support economic recovery in the region, of which **£17.533m** was allocated to the Council to fund projects prioritised by the South East LEP and agreed with the Government. The Local Growth and Getting Building funding allocated to the Council by the South East LEP followed a competitive bidding process. The Council received a loan from the South East LEP in 2020/21 of **£1.350m** which was allocated from its Growing Places Fund for the purposes of financing capital expenditure by the Council on an approved project. The Council did not repay any of the principal sums borrowed from the South East LEP in previous years during 2020/21 (2019/20: £300,000).

38. Accounting for schools

All locally maintained schools are deemed to be entities controlled by the Council, which means their transactions, unspent resources and current assets and liabilities are consolidated into the Council's single entity accounts.

With regard to Property, Plant and Equipment, the Council only recognises the assets of its Community and Foundation Schools (other than those owned by religious bodies), and the playing fields for all categories of local maintained schools, in its Balance Sheet. It does not recognise the school building assets of the other categories of local maintained school, as there is no evidence that the rights of ownership for these buildings have been assigned either to the school governing bodies or to the Council, and it is therefore assumed that the Trustees have retained their substantive rights to take back the school property without causal action by the schools. However, the Trustees are, by Regulation, required to give a minimum of two years' notice of their intention to terminate a school's occupancy of a site, to allow the Council and/or school governing body time to make alternative arrangements for the pupils.

The number of locally maintained schools deemed to be controlled by the Council is as follows:

2019/20						2020/21				
Nursery schools	Primary Schools	Secondary schools	Special schools	Total		Nursery schools	Primary Schools	Secondary schools	Special schools	Total
2	116	-	6	124	Community schools	2	110	-	6	118
-	27	1	1	29	Foundation schools	-	27	1	1	29
-	4	-	-	4	Foundation schools (C of E)	-	4	-	-	4
-	43	-	-	43	Voluntary controlled schools	-	40	-	-	40
-	45	3	-	48	Voluntary aided schools	-	41	3	-	44
2	235	4	7	248	Total	2	222	4	7	235

The financial relationship between the Council and the schools it maintains is set out in a 'Scheme for Financing Schools'. The Scheme is produced in line with statutory requirements and is subject to approval by members of the local Schools' Forum representing maintained schools. It deals with financial management issues, and sets out the approach to, and existence of, surplus and deficit balances in schools.

The Scheme allows schools to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. The scheme also contains a provision which has the effect of carrying forward deficit balances but providing for deficits to be deducted from the following year's budget share. The scheme makes it clear that the Council cannot write off the deficit balance of any school. The Council can only give assistance towards elimination of a deficit balance from the Council's own schools budget (budget held centrally) where this has been agreed by the Secretary of State.

Note 14 on the Dedicated Schools Grant (see page 70) 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 locally maintained schools between 2019/20 and 2020/21 shown in the above table primarily results from schools converting to academy status during the year.

Academy schools are publicly funded independent schools that are held accountable through a legally binding 'funding agreement' with the Government. This means that they cease to be local maintained schools upon conversion. A school wishing to convert to academy status must apply to the Department for Education, following consultation with such persons as the school thinks appropriate.

The conversion process usually involves at least five elements:

- The setting up of an academy trust.
- Putting in place a funding agreement between the academy trust and the Secretary of State for the running and funding of the academy school.
- Transferring the employment of the staff of the school from the local authority or governing body (as applicable) to the academy trust.
- Negotiating the transfer of assets and contracts of the school from the local authority and/or governing body to the academy trust.
- 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').

39. Events after the Reporting Date

The Statement of Accounts was certified by the Executive Director, Corporate Services on **Date TBD**. Events taking place after this date were not reflected in the financial statements or notes.

The financial statements have not been adjusted for the following events, which took place after 31 March 2021:

- **Reinforced autoclaved aerated concrete in schools and other properties**

  Reinforced autoclaved aerated concrete (RAAC) is a lightweight, bubbly form of concrete commonly used in construction between the 1950's and mid 1990's. It is predominantly found as precast panels in flat roofs and occasionally in floors and walls.

  On **31 August 2023**, the Department for Education (DfE) published new guidance on RAAC in schools which required urgent action to be taken at any schools with known RAAC, unless a structural mitigation was in place.

  For the schools on the Council's Balance Sheet as at 31 March 2021 which have confirmed the presence of RAAC in their buildings:

  - **Twelve** have remained open (with no parts of their sites closed) following publication of the DfE's new guidance, as structural mitigations had already been installed.
  - **Three** have RAAC rectification works in progress, with only small parts of their sites shut off from use.

  One non schools' property has RAAC present in its roof. Considering the DfE guidance, this building has been closed while a support solution is determined.

  The impairment of the buildings subject to closure, or part closure, due to the presence of RAAC is estimated at **£1.071m**.

- **Waste Treatment Plant - Basildon**

  As set out in Note 25.2 on page 93, the Council was of the view that damages awarded in respect of the Waste Treatment Plant Private Finance Initiative contract, and the operator UBB (Waste) Ltd being awarded a compensation event, remained contingent as at 31 March 2021.

  As noted on page 79, the contract has now been amended to reflect a settlement being reached between the parties, following acknowledgement by UBB (Essex Waste) Ltd that the Facility did not meet the contractual specifications. As a result of the changes to the contract, the facility will be demolished at the Contractor's cost, and the Council will then be handed back a clean site. On this date, the contract will terminate without any payments being made by the Council, meaning that the contingent liability has been removed.

Statement of Accounts - Group Accounts

Introduction

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Essex Cares Ltd have been consolidated. The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

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

These statements (*the purposes of which are explained on page 29*), together with those explanatory notes that are considered necessary in addition to those accompanying the Council's 'single entity' accounts, and accounting policies, are set out in the following pages, as detailed below.

Contents	Page
Group Comprehensive Income and Expenditure Statement	123
Group Movement in Reserves Statement	124
Group Balance Sheet	125
Group Cash Flow Statement	127
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Group Comprehensive Income and Expenditure Statement

For the year ended 31st March 2021

2019/20					2020/21			
Gross expenditure £000	Government grants £000	Other Income £000	Net expenditure £000		Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000
154,969	(16,381)	(7,741)	**130,847**	Children and Families	169,390	(24,412)	(7,993)	**136,985**
31,317	(182)	(9,498)	**21,637**	Customer, Communities, Culture and Corporate	34,980	(15,341)	(6,379)	**13,260**
18,099	(2,118)	(1,121)	**14,860**	Economic Development	27,019	(25,063)	(892)	**1,064**
				Education and Skills				
547,362	(508,393)	(37,104)	**1,865**	Dedicated Schools Budget	541,623	(541,486)	(22,248)	**(22,111)**
271,473	(26,604)	(43,121)	**201,748**	Non Dedicated Schools Budget	196,861	(38,315)	(36,666)	**121,880**
96,187	(1,824)	(9,194)	**85,169**	Environment and Climate Change Action	100,807	(6,176)	(5,323)	**89,308**
16,106	(247)	(901)	**14,958**	Finance, Property and Housing	12,769	(331)	(13,643)	**(1,205)**
673,291	(107,587)	(150,406)	**415,298**	Health and Adult Social Care	768,525	(174,165)	(169,050)	**425,310**
95,460	(4,895)	(17,420)	**73,145**	Infrastructure	119,753	(6,899)	(29,687)	**83,167**
953	(43)	143	**1,053**	Leader	4,138	(286)	(8)	**3,844**
1,942	-	(128)	**1,814**	Performance, Business Planning and Partnerships	3,074	(279)	(144)	**2,651**
				Strategic Support Services				
75,036	-	-	**75,036**	Customer, Communities, Culture and Corporate	86,086	-	-	**86,086**
19,162	-	-	**19,162**	Finance, Property and Housing	20,296	-	-	**20,296**
2,384	-	-	**2,384**	Leader	3,124	-	-	**3,124**
8,836	-	-	**8,836**	Performance, Business Planning and Partnerships	10,597	-	-	**10,597**
2,012,577	**(668,274)**	**(276,491)**	**1,067,812**	**Cost of services - continuing operations**	**2,099,042**	**(832,753)**	**(292,033)**	**974,256**
49,504	-	-	**49,504**	Other Operating Expenditure	35,149	-	-	**35,149**
123,348	-	(58,708)	**64,640**	Financing and Investment Income and Expenditure	99,017	-	(38,199)	**60,818**
-	(329,416)	(721,420)	**(1,050,836)**	Taxation and non specific grant income	-	(364,569)	(731,298)	**(1,095,867)**
2,185,429	**(997,690)**	**(1,056,619)**	**131,120**	**(Surplus) / deficit on Provision of Services**	**2,233,208**	**(1,197,322)**	**(1,061,530)**	**(25,644)**
			-	Tax expenses of subsidiary				**-**
			131,120	**Group (surplus) / deficit**				**(25,644)**
			(83,918)	(Surplus) / deficit arising on revaluation of non-current assets				**2,668**
			(163,843)	Re-measurements of the net defined benefits pension liability				**66,750**
			(247,761)	**Other Comprehensive Income and Expenditure**				**69,418**
			(116,641)	**Total Comprehensive Income and Expenditure**				**43,774**

Note: The service groupings shown above reflect the alignment of spending to Cabinet Members, according to their specific responsibilities for discharging the functions of the Cabinet during 2020/21; comparative figures for 2019/20 have been restated on a consistent basis.

Group Movement in Reserves Statement

For the years ended 31st March 2020 and 31st March 2021

	Usable Reserves							Total Unusable Reserves	Total Reserves	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	£000	£000	Total Authority Reserves £000	Authority Share of Reserves of Subsidiary £000
Balance at 31 March 2019	**(294,878)**	**(56,610)**	**(4,516)**	**(5,943)**	**-**	**(4,220)**	**(366,167)**	**(820,441)**	**(1,186,608)**	**(1,176,149)**	**(10,459)**
Movement in Reserves during 2019/20											
Total Comprehensive Expenditure and Income	-	131,513	(393)	(2,994)	-	-	**128,126**	**(244,767)**	**(116,641)**	(113,254)	(3,387)
Adjustments between accounting basis and funding under regulations	-	(175,481)	-	-	(9,581)	2,962	**(182,100)**	**182,100**	**-**	-	-
Net (increase)/decrease before transfers to earmarked reserves	**-**	**(43,968)**	**(393)**	**(2,994)**	**(9,581)**	**2,962**	**(53,974)**	**(62,667)**	**(116,641)**	**(113,254)**	**(3,387)**
Transfers to Earmarked Reserves	(44,139)	44,139	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2019/20	(44,139)	171	(393)	(2,994)	(9,581)	2,962	**(53,974)**	**(62,667)**	**(116,641)**	(113,254)	(3,387)
Balance at 31 March 2020	**(339,017)**	**(56,439)**	**(4,909)**	**(8,937)**	**(9,581)**	**(1,258)**	**(420,141)**	**(883,108)**	**(1,303,249)**	**(1,289,403)**	**(13,846)**
Movement in Reserves during 2020/21											
Total Comprehensive Expenditure and Income	-	(24,302)	(1,342)	(2,006)	-	-	**(27,650)**	**71,424**	**43,774**	47,122	(3,348)
Adjustments between accounting basis and funding under regulations	-	(141,893)	-	-	(1,326)	(1,014)	**(144,233)**	**144,233**	**-**	-	-
Net (increase)/decrease before transfers to earmarked reserves	-	(166,195)	(1,342)	(2,006)	(1,326)	(1,014)	**(171,883)**	**215,657**	**43,774**	47,122	(3,348)
Transfers to Earmarked Reserves	(154,538)	154,538	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2020/21	(154,538)	(11,657)	(1,342)	(2,006)	(1,326)	(1,014)	**(171,883)**	**215,657**	**43,774**	47,122	(3,348)
Balance at 31 March 2021	**(493,555)**	**(68,096)**	**(6,251)**	**(10,943)**	**(10,907)**	**(2,272)**	**(592,024)**	**(667,451)**	**(1,259,475)**	**(1,242,281)**	**(17,194)**

Statement of Accounts - Group Accounts

Group Balance Sheet as at 31st March 2021

31 March 2020 £000	Note		31 March 2021 £000
		Property, Plant and Equipment	
		Operational assets	
1,398,920		Land and buildings	**1,344,992**
10,192		Vehicles, plant and equipment	**7,521**
1,180,934		Infrastructure	**1,218,323**
3,275		Community assets	**3,671**
		Non operational assets	
137,519		Assets under construction	**162,180**
52,338		Surplus assets held pending disposal	**53,872**
2,783,178		**Total Property, Plant and Equipment**	**2,790,559**
14,667		Heritage assets	**14,678**
39,181		Investment property	**38,446**
8,792		Intangible assets	**5,909**
12,705		Long term investments	**11,167**
15,698		Long term debtors	**10,924**
2,874,221		**Long term assets**	**2,871,683**
115,191		Short term investments	**96,595**
10,342		Inventories	**8,122**
135,214	**5**	Short term debtors	**169,020**
326,328		Cash and cash equivalents	**504,948**
2,413		Assets held for sale	**6,438**
589,488		**Current assets**	**785,123**
(17,718)		Bank overdraft	**(34,632)**
(23,571)		Short-term borrowing	**(35,559)**
(327,128)	**5**	Creditors	**(331,663)**
(31,694)		Revenue grant receipts in advance	**(30,368)**
(69,181)		Capital grant receipts in advance	**(99,493)**
-		Donated assets account	**(2,534)**
(13,350)		Provisions (current)	**(12,734)**
(7,629)		Finance lease obligations - short term	**(12,595)**
(490,271)		**Current liabilities**	**(559,578)**
(1,215)		Long term creditors	**(1,432)**
(1,956)		Revenue grant receipts in advance (long term)	**-**
(25,922)		Capital grant receipts in advance (non current)	**(63,266)**
(33,755)		Provisions (non-current)	**(37,721)**
(598,941)		Long term borrowing	**(586,398)**
		Other long term liabilities	
(115,580)		Finance lease obligations	**(103,106)**
(10,926)		Deferred credits	**(10,340)**
(881,894)	**6**	Net Pensions liability	**(1,035,490)**
(1,670,189)		**Long term liabilities**	**(1,837,753)**
1,303,249		**Net Assets**	**1,259,475**

Statement of Accounts - Group Accounts

Group Balance Sheet as at 31st March 2021

31 March 2020 £000	Note		31 March 2021 £000
		Usable reserves	
(339,017)		Earmarked reserves	**(493,555)**
(56,439)		General Fund Balance	**(68,096)**
(4,909)		Profit and Loss reserve	**(6,251)**
(8,937)	6	Pension reserve	**(10,943)**
(9,581)		Usable capital receipts reserve	**(10,907)**
(1,258)		Capital grants unapplied	**(2,272)**
(420,141)			**(592,024)**
		Unusable reserves	
(634,629)		Revaluation reserve	**(596,239)**
(1,150,386)		Capital Adjustments Account	**(1,159,158)**
12,452		Financial Instruments Adjustment Account	**11,610**
(636)		Pooled Investment Funds Adjustment Account	**(560)**
888,101	6	Pension reserve	**1,042,676**
(334)		Deferred capital receipts	**(71)**
(9,085)		Collection Fund Adjustment Account	**18,541**
11,409		Accumulating Compensated Absences Adjustment Account	**15,750**
(883,108)			**(667,451)**
(1,303,249)		**Total Reserves**	**(1,259,475)**

Statement of Accounts - Group Accounts

Group Cash Flow Statement

For the year ended 31st March 2021

2019/20 £000	Notes		2020/21 £000
(29,722)	7	Operating activities	(144,995)
(16,397)		Investing activities	(84,106)
(104,946)		Financing activities	67,395
(151,065)		**Net increase in cash and cash equivalents**	**(161,706)**
157,545		Cash and cash equivalents at 1 April	308,610
308,610		**Cash and cash equivalents at 31 March**	**470,316**

Statement of Accounts - Group Accounts

Notes to the Group Accounts

1. Group boundary

The Council has an interest in several entities, the most significant of which are Essex Cares Ltd and Essex Housing Development LLP.

Essex Cares Ltd was incorporated in October 2008 and was established by the Council to provide services for people living in the Community who require care, support and assistance. Essex Cares Ltd is a company limited by shares. Essex County Council owns **100%** of the ordinary shares of the Essex Cares Ltd group, which are vested with the Council as a corporate shareholder.

The Essex Housing Development LLP was registered on 26 August 2020 with the intention of helping address a shortfall in general, specialist and affordable housing within Essex. Essex Housing Development is a Limited Liability Partnership with two members and two designated members. The Council is a member and designated member with a **99%** interest in the LLP; Seax Trading Ltd is a member and a designated member with a **1%** interest in the LLP. While registered on 26 August 2020, the LLP did not actively commence trading until February 2021.

Essex Cares Ltd and Essex Housing Development LLP are both subsidiaries of the Council for accounting purposes, and their results have been consolidated into the Group Accounts on a line-by-line basis using the acquisition accounting basis of consolidation.

None of the other Local Authority Trading Companies in which the Council has an interest are considered material enough, either when considered individually or in aggregate, to merit consolidation into the Council's Group Accounts.

2. Accounting policies

In preparing the Group Accounts the Council has:

- Aligned the accounting policies of the company with those of the Council and made consolidation adjustments where necessary.
- Consolidated the financial statements of the company with those of the Council on a line-by-line basis.
- Eliminated in full balances, transactions, income and expenses between the Council and its subsidiary.

3. Group Expenditure and Funding Analysis

2019/20				2020/21		
Net expenditure chargeable to General Fund £000	Adjustments between the Funding and Accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000		Net expenditure chargeable to General Fund £000	Adjustments between the Funding and Accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
122,909	7,938	130,847	Children and Families	124,575	12,410	136,985
16,571	5,066	21,637	Customer, Communities, Culture and Corporate	7,770	5,490	13,260
6,692	8,168	14,860	Economic Development	8,097	(7,033)	1,064
			Education and Skills			
451	1,414	1,865	Dedicated Schools Budget	(11,883)	(10,228)	(22,111)
89,140	112,608	201,748	Non Dedicated Schools Budget	80,291	41,589	121,880
81,072	4,097	85,169	Environment and Climate Change Action	82,748	6,560	89,308
15,240	(282)	14,958	Finance	(438)	(767)	(1,205)
407,020	8,278	415,298	Health and Adult Social Care	413,383	11,927	425,310
48,058	25,087	73,145	Infrastructure	32,975	50,192	83,167
5,862	(4,809)	1,053	Leader	6,841	(2,997)	3,844
1,740	74	1,814	Performance, Business Planning and Partnerships	2,324	327	2,651
			Strategic Support Services			
61,772	13,264	75,036	Customer, Communities, Culture and Corporate	62,510	23,576	86,086
17,527	1,635	19,162	Finance	16,160	4,136	20,296
2,227	157	2,384	Leader	2,774	350	3,124
7,959	877	8,836	Performance, Business Planning and Partnerships	8,853	1,744	10,597
884,240	183,572	1,067,812	**Cost of services - continuing operations**	836,980	137,276	974,256
(928,601)	(8,091)	(936,692)	Other income and expenditure not charged to services	(1,004,517)	4,617	(999,900)
(44,361)	175,481	131,120	**Surplus on Provision of Services**	(167,537)	141,893	(25,644)
			General Fund Balance & Profit and Loss Reserve			
(61,126)			Balance as at 1 April	(61,348)		
(44,361)			Surplus on Provision of Services	(167,537)		
44,139			Transfers from Earmarked Revenue Reserves	154,538		
(61,348)			**Balance as at 31 March**	(74,347)		

4. Note to the Group Expenditure and Funding Analysis

2019/20	Adjustments for capital purposes £000	Net change for Pension Adjustments £000	Other adjustments between funding and accounting £000	Other differences £000	Adjustments between the Funding and Accounting basis £000
Children and Families	1,680	5,659	599	-	**7,938**
Customer, Communities, Culture and Corporate	3,343	1,635	88	-	**5,066**
Economic Development	7,500	606	62	-	**8,168**
Education and Skills					
Dedicated Schools Budget	-	-	(1,045)	2,459	**1,414**
Non Dedicated Schools Budget	107,720	13,690	241	(9,043)	**112,608**
Environment and Climate Change Action	3,423	632	53	(11)	**4,097**
Finance	6	(35)	1	(254)	**(282)**
Health and Adult Social Care	3,174	4,576	528	-	**8,278**
Infrastructure	34,352	953	73	(10,291)	**25,087**
Leader	(4,261)	(713)	9	156	**(4,809)**
Performance, Business Planning and Partnerships	-	62	12	-	**74**
Strategic Support Services					
Customer, Communities, Culture and Corporate	10,020	3,034	210	-	**13,264**
Finance	-	1,831	14	(210)	**1,635**
Leader	-	141	16	-	**157**
Performance, Business Planning and Partnerships	-	841	36	-	**877**
Cost of services - continuing operations	**166,957**	**32,912**	**897**	**(17,194)**	**183,572**
Other income and expenditure not charged to services	(61,906)	24,161	12,460	17,194	**(8,091)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**105,051**	**57,073**	**13,357**	**-**	**175,481**

2020/21	Adjustments for capital purposes £000	Net change for Pension Adjustments £000	Other adjustments between funding and accounting £000	Other differences £000	Adjustments between the Funding and Accounting basis £000
Children and Families	539	10,581	1,290	-	**12,410**
Customer, Communities, Culture and Corporate	2,453	2,821	216	-	**5,490**
Economic Development	(8,341)	1,105	203	-	**(7,033)**
Education and Skills					
Dedicated Schools Budget	-	-	(1,922)	(8,306)	**(10,228)**
Non Dedicated Schools Budget	25,816	22,923	647	(7,797)	**41,589**
Environment and Climate Change Action	5,355	1,063	153	(11)	**6,560**
Finance	3,750	(37)	(4)	(4,476)	**(767)**
Health and Adult Social Care	1,060	9,097	1,770	-	**11,927**
Infrastructure	58,398	1,603	375	(10,184)	**50,192**
Leader	(2,541)	(2,409)	49	1,904	**(2,997)**
Performance, Business Planning and Partnerships	-	280	47	-	**327**
Strategic Support Services					
Customer, Communities, Culture and Corporate	16,765	6,188	623	-	**23,576**
Finance	-	3,710	615	(189)	**4,136**
Leader	-	297	53	-	**350**
Performance, Business Planning and Partnerships	-	1,550	194	-	**1,744**
Cost of services - continuing operations	**103,254**	**58,772**	**4,309**	**(29,059)**	**137,276**
Other income and expenditure not charged to services	(78,381)	27,047	26,892	29,059	**4,617**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**24,873**	**85,819**	**31,201**	**-**	**141,893**

5. Debtors and creditors

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

6. Defined Benefit Pension Schemes

Note 31 of the Council's single entity accounts provides an explanation of the Council's participation in two pension schemes:

- Local Government Pension Scheme; and
- Award of discretionary post-retirement benefits upon early retirement in relation to the Teachers' Pension Scheme.

Essex Cares Ltd participates in the Local Government Pension Scheme as an admitted body.

The following paragraphs explain the Group transactions relating to retirement benefits, the Group assets and liabilities within the Local Government Pension Scheme and the basis for estimating those assets and liabilities and the change in the Group Pension Reserve.

The Council's transactions related to the award of discretionary post-retirement benefits upon early retirements in relation to the teachers' pension scheme (as detailed in Note 31 of the Council's single entity accounts) are not reproduced here but are included within the Group Comprehensive Income and Expenditure Statement and the Balance Sheet.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during 2020/21 in relation to participation in the Local Government Pension Scheme.

Statement of Accounts - Group Accounts

2019/20				2020/21		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
90,828	1,638	**92,466**	Current service cost	128,297	1,405	**129,702**
2,877	301	**3,178**	Past service cost	681	-	**681**
(3,723)	1,345	**(2,378)**	Gain / loss on settlement	(3,344)	(10)	**(3,354)**
89,982	**3,284**	**93,266**		**125,634**	**1,395**	**127,029**
			Financing and Investment Income and Expenditure			
23,246	(123)	**23,123**	Net interest expense	26,059	(103)	**25,956**
23,246	**(123)**	**23,123**		**26,059**	**(103)**	**25,956**
113,228	**3,161**	**116,389**	**Total charge to the Surplus / Deficit on Provision of Services**	**151,693**	**1,292**	**152,985**
			Re-measurement of the net pensions liability			
172,085	6,038	**178,123**	Return on scheme assets	(603,722)	(18,800)	**(622,522)**
			Actuarial (gains) / losses arising from changes in:			
(298,174)	(6,290)	**(304,464)**	Financial assumptions	764,783	18,789	**783,572**
(30,642)	(677)	**(31,319)**	Demographic assumptions	(51,277)	(1,121)	**(52,398)**
43,130	(622)	**42,508**	Experience (gain) / loss on defined benefit obligation	(42,733)	(874)	**(43,607)**
(46,327)	(1,443)	**(47,770)**	Other	-	-	**-**
-	-	**-**	Change in effect of the asset ceiling		-	**-**
(159,928)	**(2,994)**	**(162,922)**	**Total charged to Other Comprehensive Income and Expenditure**	**67,051**	**(2,006)**	**65,045**
(46,700)	**167**	**(46,533)**	**Total charged to the Comprehensive Income and Expenditure Statement**	**218,744**	**(714)**	**218,030**
			Movement on the Authority's General Fund Balance			
(113,228)	-	**(113,228)**	Reversal of net charges made for retirement benefits in accordance with IAS 19	(151,693)	-	**(151,693)**
54,036	518	**54,554**	Actual amount charged against the General Fund Balance for pensions in the year	63,809	265	**64,074**
(59,192)	**518**	**(58,674)**		**(87,884)**	**265**	**(87,619)**

The amount included within the Group Balance Sheet in respect of its Local Government Pension Scheme defined benefit plan is:

2019/20				2020/21		
Council £000	Subsidiary £000	Total £000		Council £000	Subsidiary £000	Total £000
3,050,857	65,845	**3,116,702**	Present value of the defined benefit obligation	3,831,331	83,998	**3,915,329**
(2,188,758)	(72,052)	**(2,260,810)**	Fair value of plan assets	(2,814,297)	(91,184)	**(2,905,481)**
862,099	**(6,207)**	**855,892**	**Sub total**	**1,017,034**	**(7,186)**	**1,009,848**
-	-	**-**	Impact of asset ceiling	-	-	**-**
862,099	**(6,207)**	**855,892**	**Net liablity arising from defined benefit obligations**	**1,017,034**	**(7,186)**	**1,009,848**

Statement of Accounts - Group Accounts

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

2019/20				2020/21		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
3,256,736	77,792	**3,334,528**	**Balance as at 1 April**	3,050,857	65,845	**3,116,702**
90,828	1,638	**92,466**	Current service cost	128,297	1,405	**129,702**
77,131	1,851	**78,982**	Interest Cost	60,981	1,531	**62,512**
17,110	259	**17,369**	Contributions by scheme participants	18,520	251	**18,771**
			Actuarial (gains) / losses			
(30,642)	(677)	**(31,319)**	Actuarial (gains) / losses arising from changes in demographic assumptions	(51,277)	(1,121)	**(52,398)**
(298,174)	(6,290)	**(304,464)**	Actuarial (gains) / losses arising from changes in financial assumptions	764,783	18,789	**783,572**
-	(622)	**(622)**	Experience loss (gain) on defined benefit obligation	-	(874)	**(874)**
43,130	(1,099)	**42,031**	Other	(42,733)	-	**(42,733)**
2,877	301	**3,178**	Past service costs	681	-	**681**
(100,568)	(1,799)	**(102,367)**	Benefits paid	(92,356)	(1,709)	**(94,065)**
(7,571)	(5,509)	**(13,080)**	Liabilities extinguished on settlements	(6,422)	(119)	**(6,541)**
3,050,857	**65,845**	**3,116,702**	**Balance as at 31 March**	**3,831,331**	**83,998**	**3,915,329**

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

2019/20				2020/21		
Council £000	Subsidiary £000	Group £000		Council £000	Subsidiary £000	Group £000
2,293,901	83,648	**2,377,549**	**Balance as at 1 April**	2,188,758	72,052	**2,260,810**
53,885	1,974	**55,859**	Interest income	34,922	1,634	**36,556**
			Remeasurement gain / (loss)			
(172,085)	(6,038)	**(178,123)**	Return on plan assets (excl. amount incl in net interest expense)	603,722	18,800	**622,522**
46,327	344	**46,671**	Other	-	-	**-**
54,036	518	**54,554**	Contributions by Employer	63,809	265	**64,074**
17,110	259	**17,369**	Contributions by scheme participants	18,520	251	**18,771**
(100,568)	(1,799)	**(102,367)**	Benefits paid	(92,356)	(1,709)	**(94,065)**
(3,848)	(6,854)	**(10,702)**	Settlements	(3,078)	(109)	**(3,187)**
2,188,758	**72,052**	**2,260,810**	**Balance as at 31 March**	**2,814,297**	**91,184**	**2,905,481**

The Local Government Pension Scheme assets comprised:

31 March 2020			31 March 2021	
£000	%		£000	%
1,323,337	*58.5%*	Equities	**1,836,608**	***63.3%***
97,445	*4.3%*	Gilts	**74,059**	***2.5%***
136,981	*6.1%*	Other bonds	**141,475**	***4.9%***
203,302	*9.0%*	Property	**204,820**	***7.0%***
93,972	*4.2%*	Cash and cash equivalents	**75,193**	***2.5%***
260,412	*11.5%*	Alternative Assets	**333,990**	***11.5%***
145,361	*6.4%*	Other managed funds	**239,336**	***8.3%***
2,260,810	***100.0%***	**Total assets**	**2,905,481**	***100.0%***

Note 31.4 of the Council's 'single entity' accounts, which commences on page 106, set out the significant assumptions used by the Actuary in its calculations for the Local Government Pension Scheme. The assumptions made in relation to Essex Cares Ltd are consistent with those made for the Council, except for the rate of increase in salaries where the rate for Essex Cares Ltd is estimated at **3.60%** (2019/20: 2.65%).

The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period. It assumes for each change that the assumption analysed changes, while all other assumptions remain constant.

Local Government Pension Scheme	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	**+ 0.1%**	**0.0%**	**- 0.1%**
Present value of total obligation	3,840,177	3,915,329	3,992,039
Projected Service Cost	129,539	134,097	138,800
Adjustment to long term salary increase	**+ 0.1%**	**0.0%**	**- 0.1%**
Present value of total obligation	3,920,691	3,915,329	3,910,014
Projected Service Cost	134,169	134,097	134,024
Adjustment to pension increases and deferred revaluation	**+ 0.1%**	**0.0%**	**- 0.1%**
Present value of total obligation	3,986,002	3,915,329	3,845,990
Projected Service Cost	138,753	134,097	129,581
Adjustment to mortality age rating assumption	**+ 1 year**	**None**	**- 1 year**
Present value of total obligation	4,108,492	3,915,329	3,731,707
Projected Service Cost	140,161	134,097	128,270

7. Cash Flow

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

2019/20 £000		2020/21 £000
	Cash flows from operating activities	
	Cash inflows	
(724,058)	Taxation	(758,924)
(919,570)	Grants	(1,060,969)
(289,993)	Sales of goods and rendering of services	(284,188)
(3,353)	Interest received	(1,477)
(334)	Dividends received	(952)
(1,937,308)		(2,106,510)
	Cash outflows	
449,632	Cash paid to and on behalf of employees	460,019
48,050	Interest paid	38,209
1,223,743	Cash paid to suppliers of goods and services	1,289,207
74,640	Revenue expenditure funded from capital under statute	59,194
111,521	Other payments for operating activities (*incl. employer's national insurance and pension contributions*)	114,886
1,907,586		1,961,515
(29,722)	**Net inflow of cash from operating activities**	(144,995)
	Cash flows from investing activities	
	Cash inflows	
(29,161)	Proceeds from the sale of property, plant and equipment, investment property and intangible asssets	(7,783)
(523,713)	Proceeds from short and long term investments	(351,327)
(130,072)	Capital grants and other receipts from investing activities	(194,902)
(682,946)		(554,012)
	Cash outflows	
116,263	Purchase of property, plant and equipment, investment property and intangible assets	137,844
548,300	Purchase of short and long term investments	331,400
1,986	Other payments for investing activities	662
666,549		469,906
(16,397)	**Net inflow of cash from investing activities**	(84,106)
	Cash flows generated from financing activities	
	Cash inflows	
(107,194)	Cash receipts of short and long term borrowing	(20,662)
(20,166)	Other receipts from financing activities	-
(127,360)		(20,662)
	Cash outflows	
17,770	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	7,638
4,644	Repayment of short and long term borrowing	21,217
-	Repayment of cash held on behalf of external partnerships	59,202
22,414		88,057
(104,946)	**Net (inflow) / outflow of cash from financing activities**	67,395
(151,065)	**Net increase in cash and cash equivalents**	(161,706)

Statement of Accounts - Pension Fund Accounts

Introduction

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of the Council, Essex district, borough and unitary councils, and for other scheduled and admitted bodies. The Pension Fund accounts are set out in the following pages, as detailed below.

	Page
Fund Account	138
Net Assets Statement	139
Notes to the Pension Fund Accounts	140

Statement of Accounts - Pension Fund Accounts

Pension Fund Accounts

Fund Account for the year ended 31st March 2021

2019/20 £000	Note		2020/21 £000
		Dealing with members and others directly involved in the Fund	
		Income	
		Contributions receivable	
(60,772)	9	Member contributions	(64,677)
(191,720)	9	Employers' contributions	(249,049)
(12,253)	9	Transfers in from other Pension Funds	(21,226)
(2,318)		Other income	(2,533)
(267,063)		**Total income**	(337,485)
		Expenditure	
		Benefits payable	
211,869	9	Pensions	219,711
41,130	9	Commutation of pensions & lump sum retirement benefits	30,649
7,178	9	Lump sum death benefits	6,948
24,233	9	Payments to and on account of Leavers	11,120
284,410		**Total expenditure**	268,428
17,347		**Net (additions) / withdrawals from dealings with members**	(69,057)
55,317	11	Management expenses	58,191
72,664		**Net (additions) / withdrawals including Fund Management expenses**	(10,866)
		Returns on investments	
(109,811)	10	Investment income	(96,539)
433,307	12	Profit and losses on disposal of investments and changes in the value of investments	(2,008,342)
3,503		Taxes on income	4,236
326,999		**Net returns on investments**	(2,100,645)
399,663		**Net (increase)/decrease in the assets available for benefits during the year**	(2,111,511)
(7,027,288)		Opening net assets as at 1 April	(6,627,625)
(6,627,625)		**Closing net assets as at 31 March**	(8,739,136)

Statement of Accounts - Pension Fund Accounts

Pension Fund Accounts

Net Assets Statement as at 31st March 2021

31 March 2020 £000	Note		31 March 2021 £000
	12	**Investments at market value**	
		Investment assets	
		Pooled Investments	
400,724		Fixed interest securities	425,110
1,468,496		Equities - Unit Life assurance policies	2,322,874
1,462,857		Equities - ACCESS pooled global equity funds	2,044,184
285,066		Index linked securities	222,663
165,452		Property unit trusts	179,292
425,244		Other managed funds	722,751
599,583		Equities - Market Quoted equities	751,629
429,285		Property	436,570
340,352		Private equity	409,514
392,964		Infrastructure	607,190
234,178		Timber	244,419
135,587		Private debt	152,808
31		Derivative contracts	156
250,164		Cash/deposits	206,044
9,393		Other investment balances	10,090
6,599,376			8,735,294
		Investment liabilities	
(31)		Derivative contracts	(156)
(1,400)		Other investment balances	(60,598)
(1,431)			(60,754)
6,597,945		**Total net investments**	8,674,540
		Long term debtors	
539	14	Contributions due from employers	526
		Current assets and liabilities	
		Current Assets	
16,749		Cash	49,467
21,808		Contributions due from employers and other current assets	23,467
6,637,041			8,748,000
		Current liabilities	
(9,416)		Unpaid benefits and other current liabilities	(8,864)
6,627,625		**Net assets of the scheme available to fund benefits at the end of the reporting period**	8,739,136

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 3.

Statement of Accounts - Pension Fund Accounts

Notes to the Pension Fund Accounts

1. Background

1.1 General description of the Fund

Under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2008, Essex County Council is required to maintain a pension fund.

The Essex Pension Fund (" the Fund") is part of the Local Government Pension Scheme and is administered by Essex County Council ("the Administering Authority") which is the reporting entity for this pension fund.

Established by the Local Government Superannuation Regulation 1974 the scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- LGPS (Transitional Provisions, Savings and Amendment) Regulation 2014 (as amended); and
- LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme to provide pensions and other benefits for its Essex County Council employees and those other scheduled Bodies within its area. It is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. A complete list of the employers participating in the Fund is contained in the Pension Fund Annual Report and Accounts. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

The Council has delegated its pension functions to the Essex Pension Fund Strategy Board (PSB) and Investment Steering Committee (ISC). Responsibility for the administration and financial management of the Fund has been delegated to the Executive Director, Corporate 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 ISC oversees the management of these investments and meets regularly with the investment managers to monitor their performance against agreed benchmarks. The ISC in turn reports to the Essex Pension Fund Strategy Board. The Fund's Investment Strategy Statement, is contained in the Pension Fund Annual Report and Accounts and can be found on the Pension Fund website (www.essexpensionfund.co.uk).

Regional Asset Pools

In response to the Government's guidance and criteria on pooling investments issued in 2015, the Essex Pension Fund are working collaboratively with ten other like-minded LGPS Funds under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires).

In 2018 a joint procurement was undertaken by ACCESS for a passive provider with UBS Asset Management appointed as the preferred provider. In addition, in March 2018 Link Solutions Limited (Link) was appointed to act as operator of the ACCESS's Authorised Contractual Scheme (ACS). As at 31 March 2021 Link had launched 22 sub funds.

At the end of 2017/18 Essex Pension Fund had transitioned **£1.945bn** from Legal and General to ACCESS's new provider, UBS Asset Management. During 2018/19 a further **£1.532bn** had been invested into sub funds managed by Link Solutions Limited. No new assets were transitioned in 2019/20 or 2020/21.

It is anticipated that during 2021/22 further investment will be made into the ACS managed by Link.

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Essex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are **702** active employer organisations within Essex Pension Fund including the County Council itself.

Membership details are set out below:

31 March 2020		31 March 2021
57,498	Contributors	**54,568**
69,857	Deferred pensioners	**68,914**
44,682	Pensioners	**46,210**
172,037		**169,692**

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 2021. 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 2019**. Details can be found on the website www.essexpensionfund.co.uk.

1.4 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with inflation.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Essex Pension Fund website www.essexpensionfund.co.uk.

2. Basis of preparation

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

The financial statements summarise the Fund's transactions for the financial year ended 31 March 2021 and its position as at 31 March 2021. They report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. However, a statement calculating the Fund's actuarial present value of promised retirement benefits (IAS 26) as at 31 March 2021 using IAS 19 methodology can be found in note 3.3. The actuarial position of the scheme as at 31 March 2019 can also be found in note 3.1.

The accounts are prepared on a going concern basis.

3. Actuarial valuation

The contributions payable for 2020/21 and 2019/20 were determined by the 2019 and 2016 Actuarial Valuations respectively.

3.1 Actuarial Valuation 2019

In line with the Local Government Pension Regulations 2013 the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting the employer contribution rates for the forthcoming triennial period.

An Actuarial Valuation of the Essex Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. The results of the valuation are contained within the Statement by the Consulting Actuary in the Pension Fund Report and Accounts.

Actuarial Approach

Market conditions and the underlying investment performance of the Fund's assets will have a direct impact on the funding position.

The Actuary's approach adopted at the 2019 Actuarial Valuation included the following features:

- financial assumptions such as inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six-month period from 1 January 2019 to 30 June 2019. The discount rate is based on the expected investment return from the Fund's assets.
- the market value of assets at 31 March 2019 is then adjusted to also be smoothed over the same six-month period so that a consistent comparison can be made with the liabilities.
- the smoothed assets also include a 5% volatility reserve deduction which may be used in the instance for future adverse experience to help achieve stability.

The Valuation was carried out using the projected unit actuarial method. Full details of the actuarial assumptions are contained within the full Valuation Report that is available from www.essexpensionfund.co.uk, but the main financial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

Assumptions	Financial assumptions	
	2016	2019
Rate of return	5.10%	4.50%
Rate of discount	5.10%	4.50%
Short term pay increase	CPI to 31 March 2020	N/A
Long term pay increase	3.9%	3.6%
Rate of increase to pensions in payment	2.4%	2.6%

Assumptions	Financial assumptions	
	2016	2019
Pension increases on Guaranteed Minimum Pension	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reached SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	

The assumed life expectancy from age 65 is as follows:

31 March 2016 *Years*		31 March 2019 *Years*
	Retiring today	
22.3	Males	**21.7**
24.8	Females	**23.7**
	Retiring in 20 years	
24.5	Males	**23.1**
27.2	Females	**25.1**

The assets were assessed at market value.

On the basis of the assumptions adopted, the Valuation revealed that the value of the Fund's assets of **£6.711bn** represented **97%** of the Funding Target liabilities of **£6.917bn** at the valuation date. This was based on a smoothing adjustment of 100.5% applied to the market value of the assets less the 5% volatility reserve.

The valuation also showed that an average primary contribution rate of **20.0%** of Pensionable Pay per annum was required from employers (16.3% as at 31 March 2016). The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the Actuary's statement. In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The next triennial actuarial valuation of the Fund is currently due as at 31 March 2022. Based on the results of this valuation, the contributions payable by the individual employers will be revised with effect from 1 April 2023.

Funding Strategy

The Funding Strategy adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The funding objectives of the Fund are:

- to prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement;
- to recognise in drawing up its Funding Strategy, the desirability of employer contribution rates that are as stable as possible;
- to manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives;
- to maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund;
- to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations to minimise unrecoverable debt on termination of employer participation;
- to have consistency between the investment strategy and funding strategy; and to maximise returns within reasonable risk parameters.

3.2 IAS 19 Actuarial present value of promised retirement benefits

Many of the Fund's employers comply with the accounting disclosure requirements of either IAS 19 or FRS 102. These accounting standards specify the approach taken when calculating liabilities for disclosure in an employer's annual accounts – they do not determine the employer contribution. Employer contributions are determined via the Actuarial Valuation (as described in Note 3 above).

3.3 IAS 26 – Total Fund: Actuarial present value of promised retirement benefits

Separate to the Actuarial Valuation, IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed. For this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used in the Actuarial Valuation for funding purposes.

In order to assess the present value of the Fund's obligation on this basis, the Actuary, allowing for the different financial assumptions required under IAS 19 has used a roll forward approach in valuing the Fund's liabilities which were last calculated at the triennial actuarial valuation as at 31 March 2019.

Although the post mortality tables adopted are consistent with those for the most recent valuation, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model (CMI_2020) which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI.

The duration of the Fund's liabilities is the weighted average time to pay each future expected cashflow for each member. This is based on the data from the last actuarial valuation. The Fund's liability duration as at 31 March 2021 is **20 years** which in turn means a discount rate of **2.00%** per annum (2.35% as at 31 March 2020). Liabilities are valued using a discount rate based on corporate bond yields.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

In order to assess the value of the benefit obligations, the actuary has updated the actuarial assumptions (see below) from those used for funding purposes.

31 March 2020 £000		31 March 2021 £000
(9,258,581)	Present value of the defined benefit obligation	**(11,989,111)**
6,613,778	Fair value of the Fund assets (bid value) *	**8,739,136**
(2,644,803)	**Net liability**	**(3,249,975)**

* Based on IAS 26 report (unaudited)

Please note, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (note 3.1).

The key financial assumptions used are:

31 March 2020 %		31 March 2021 %
1.90	Pension increases	**2.80**
2.90	Salary increases	**3.80**
2.35	Discount rate	**2.00**

The key demographic assumptions used (life expectations from age 65) are as follows:

31 March 2020 *Years*	Life expectancy from age 65	31 March 2021 *Years*
	Retiring today	
21.8	Males	**21.6**
23.7	Females	**23.6**
	Retiring in 20 years	
23.2	Males	**22.9**
25.2	Females	**25.1**

McCloud/Sargeant ruling

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date as stated above and therefore is already included in the starting position. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

4. Accounting policies

4.1 Fund Account – revenue recognition

4.1.1 Contribution income

Normal contributions (also referred to as Primary Contributions), both from the members and from the employer, are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes which arise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund Actuary in the payroll period to which it relates.

Employer deficit funding contributions (also referred to as Secondary Contributions) are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and financial strain contributions are accounted for in the period in which the liability arises. Any amounts due in the year but unpaid are classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

4.1.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations (see Note 9 which commences on page 157).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and included in Transfers in (see Note 9 which commences on page 157).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

4.1.3 Investment Income

- **Dividend income**

  Dividend income is recognised in the Fund Account on the date the shares are quoted ex-dividend. Any amounts not received by 31 March are disclosed in the Net Assets Statement as other investment balances due. Investment income also includes withholding tax where this cannot be recovered.

- **Interest income**

  Interest income is recognised in the Fund Account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

- **Income from other investments**

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

- **Distribution from pooled funds**

  Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

- **Property related income**

  Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease.

  Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

- **Change in market value of investments**

  The change in market value of investments during the year is recognised as income and comprises all realised and unrealised profits and losses during the year.

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 a reduced pension, these lump sums are accounted for on an accruals basis from the date that the option is exercised. Any amounts due but not paid are disclosed in the Net Assets Statement as current liabilities, provided that payment has been approved.

Other benefits are accounted for on the date that members leave the Fund, or upon death.

4.2.2 Management expenses

The Fund discloses its pension fund management expenses where possible, in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses 2016'.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the administration part of the function are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. For the investment managers who manage the main asset classes of the Fund these are broadly based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. With

the investment managers who manage the alternative assets the fees are generally calculated on a commitment basis.

Some of the Fund's investments are via pooled vehicles. In the majority of cases the investment manager deducts its management fees directly i.e. the Fund are not invoiced for these costs. The gross up of management fees are offset through the change in market value of these investments.

Where an investment manager's fee invoice 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 2020/21, **£2.036m** of fees is based on such estimates (2019/20: £1.735m). A creditor has been raised and the actual invoice amount is shown within current liabilities.

The costs of the Pension Fund investment function are charged direct to the Fund along with any direct running costs. Transaction costs and custody fees are included within investment management expenses.

The cost of obtaining investment advice from external consultants is included in governance and oversight.

4.3 Net Assets Statement

4.3.1 Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis (with the exception of cash and debtors, which have been dealt with on an amortised cost basis), as at the financial year end date of 31 March. The financial asset is recognised in the Net Asset Statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in fair value of the asset are recognised in the Fund Account.

The values of investments shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 12). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted where possible, the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG / Investment Association, 2016). Each type of investment in consultation with the Fund's Investment Managers have been assessed and a single level has been applied, based on their overall characteristics.

4.3.2 Valuation of investments

The value of investments as shown in the Net Assets Statement is determined as outlined in the following paragraphs.

- **Market Quoted Investments**

  In the majority of cases, market quoted equity investments for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- **Unquoted Investments**

  The fair value of investments for which market quotations are not readily available are determined as follows:

  Unquoted private equity

  For unquoted equity, and private equity limited partnership, investments are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. In 2020/21, many of these are valued as at 31 December 2020, 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 2021 has been made. The 31 December 2020 valuation is adjusted for payments made to, and received from, the private equity managers in the period 1 January to 31 March 2021.

  In addition to the above treatment, the Fund, using market value estimate information supplied by the Fund's private equity manager has made a further adjustment to reflect the last quarter's market change.

  Other unquoted investments

  Investments in unquoted property, private debt, timber and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund managers and are based on industry guidelines and standards set by the constituent documents of the pool or the management agreement. These investments are on the whole based on 31 March 2021 valuations.

- **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.

- **Fixed interest investments**

  Fixed interest investments in the Fund's investment portfolio are recorded at net market value, based on their current yield (i.e. excludes interest earned but not paid over at the Fund year-end, which is included separately within accrued investment income and disclosed within Note 12).

- **Direct Property Investments**

  Direct property investments have been valued on a fair value basis as at 31 March 2021, by Knight Frank, Chartered Surveyors in accordance with the current edition of the Royal Institute of Chartered Surveyors' (RICS) Valuation – Global Standards, which incorporate the International Valuation Standards and the RICS UK National Supplement. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms, where available, and appropriate valuation techniques (the Investment Method), such as the use of estimated future yields and rental values.

  Due to the unprecedented set of circumstances arising from the COVID-19 pandemic, the Valuers stated that the valuations as at 31 March 2020 were reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. For the valuations as at 31 March 2021, the valuers have reverted back to normal valuation techniques and the 'material valuation uncertainty' has been removed.

4.3.3 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.

4.3.4 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.

4.3.5 Additional Voluntary Contribution

The Essex Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 12.4.

The AVC providers to the Fund are The Equitable Life Assurance Society, Prudential and Standard Life.

The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the AVC providers.

5. Critical judgements in applying accounting policies

In applying the accounting policies set out within Note 4, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Fund Accounts are:

- **Pension fund liability**

  The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuation are agreed with the Actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

  As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of the promised retirement benefits by way of a note to the Net Assets Statement. This is shown in Note 3.3.

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.

Statement of Accounts - Pension Fund Accounts

The items in the net assets statement at 31 March 2021 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 2021 Actuary IAS 26 Report*	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a **0.1%** decrease in the discount rate assumption would result in an increase in the pension liability of **£243m**. A **0.1%** increase in the Pensions and deferred revaluations would result in an increase in the pension liability of **£221m**. A **0.1%** increase in the long-term rate of salary increase would increase the value of liabilities by approximately **£20m**. Increasing the life expectancy assumptions by **+1 year** would increase the liability by approximately **£562m**. Please note that because the liability associated with the actuarial present value of promised retirement benefits is not recognised in the Fund's financial statements, the changes in assumptions referred to above have not impact on the amounts recognised in the Net Assets.

Item	Uncertainties	Effect if actual results differ from assumptions
Property	**Direct property** Property valuation is performed by independent external valuers, in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards. Valuation techniques are used to determine the carrying amount of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels, changes in market process, changes in volume of sales and purchases or the discount rate could affect the fair value of property. The outbreak of COVID-19 continues to affect real estate markets globally. Nevertheless, as at the valuation date (31 March 2021) property markets have converted back to normal functioning again. Accordingly, the property valuation is not reported as being subject to 'material value uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.	The effect of variations in the factors supporting the valuation could result in an increase or decrease in the value of directly held property by +/- 10% an increase or decrease of £40.585m, on current value of £405.850m (Notes 17.1 and 17.4)
	Pooled property funds and global property Valuation techniques are used to determine the carrying amount of pooled property funds and global property. Where possible management uses the best available data. Uncertainties including changes in rental growth, covenant strength for existing tenancies, discount rate could affect the fair value of the property	The effect of variations in the factors supporting the valuation could result in an increase or decrease in the value of: • pooled property funds by +/- 10% an increase or decrease of £17.929m, on current value of £179.292m. (Notes 17.1 and 17.4) • global held property by +/- 14.2% an increase or decrease of £4.326m, on current value of £30.720m. (Notes 17.1 and 17.4)

Item	Uncertainties	Effect if actual results differ from assumptions
	investments. The outbreak of COVID-19 continues to affect real estate markets globally. Nevertheless, as at the valuation date (31 March 2021) property markets have converted back to normal functioning again. Accordingly, the property valuation is not reported as being subject to 'material value uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.	
Private equity / Infrastructure / Timber / Private debt	There is a degree of estimation involved in the valuation of these assets. Uncertainties including changes in market activity, credit risks, expected cash flows, discount rates used can impact valuations.	The total private equity, infrastructure, timber and private debt investments in the financial statements are **£1,414m**. There is a risk that this investment may be under or overstated in the accounts, totalling an increase / decrease of **£117.108m** (Notes 17.1 and 17.4).

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).

The Statement of Accounts was certified by the Executive Director, Corporate Services on **Date TBD**. Events taking place after this date were not reflected in the financial statements or notes.

Valuations relating to Russia/Belarus/Ukraine investments

Please note that the Investment valuations as at 31 March 2021 include investments in Russia/Belarus and Ukraine. Prior to the beginning of the conflict the Fund had minimal exposure to investments in Russia/Belarus and Ukraine. The value of the investments was **£11.360m** as at 31 March 2021 (**0.13%** of the Fund's value).

8. Accounting standards issued but not yet adopted

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS16) which, when adopted, will require the Fund to recognise most of the assets it has secured the use of through a lease arrangement on its Net Asset Statement as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Fund on its Net Asset Statement. It has been anticipated that IFRS16 would be adopted in 2021/22, but implementation will be effective from 1 April 2024. The impact of this new standard has not yet been determined for the Fund.

9. Membership activities

9.1 Pension benefits payable

2019/20				2020/21		
Pensions £000	Commutation of pensions and lump sums £000	Lump sum death benefits £000		Pensions £000	Commutation of pensions and lump sums £000	Lump sum death benefits £000
74,960	10,720	1,898	Administering Authority	76,956	8,312	2,188
115,408	25,594	4,618	Scheduled Bodies	120,444	18,856	4,486
12,945	2,582	220	Community Admission Bodies	13,256	1,870	188
7,735	2,073	412	Transferee Admission Bodies	8,213	1,496	86
821	161	30	Resolution Bodies	842	115	-
211,869	41,130	7,178		219,711	30,649	6,948

9.2 Contributions receivable

9.2.1 By category

Contributions receivable from employers are set out below:

2019/20 £000		2020/21 £000
60,772	**Employee's normal contributions**	64,677
	Employers' normal contributions	
154,216	Normal contributions	194,738
33,141	Employers' deficit recovery contributions	52,094
4,363	Employers' augmentation	2,217
191,720		249,049
252,492		313,726

For the purposes of the above table, the terminology used in the Actuarial Report included in the Pension Fund Annual Report and Accounts has been changed to:

- Employer normal contributions – primary contributions;
- Deficit contribution – secondary contributions;
- Employer augmentation relates to payments for the cost of early retirements.

9.2.2 By type

2019/20			2020/21	
Member £000	Employer £000		Member £000	Employer £000
15,919	49,882	Administering Authority	17,337	59,575
41,331	128,494	Scheduled Bodies	43,897	176,748
1,888	8,030	Community Admission Bodies	1,785	7,544
1,302	4,175	Transferee Admission Bodies	1,313	3,905
332	1,139	Resolution Bodies	345	1,277
60,772	191,720		64,677	249,049

The large rise in the employer contributions in 2020/21 was mainly due to being the first year that the new employers' rates, set by the 2019 actuarial valuation have been applied. It was also driven by an increase in the average number of members and the Local Government pay award.

9.3 Payments to and on account of leavers

2019/20 £000		2020/21 £000
900	Refunds of contributions	1,294
20	State scheme premiums	-
	Transfers out	
23,313	Individual transfers	9,826
24,233	Total	11,120

In 2020/21 and 2019/20, no bulk transfers were made.

10. Investment Income

10.1 By Type

2019/20 £000		2020/21 £000
26,991	Dividends from equities	15,239
20,962	Dividends from equity pooled funds	22,912
2,182	Private Equity income	3,223
16,362	Infrastructure / timberland income	24,075
15,790	Managed fund income	7,673
7,611	Income from pooled property investments	3,350
12,394	Net rent from properties	14,477
3,132	Interest from cash deposits	852
903	Other	796
106,327	Total investment income showing net property rent	92,597
	Add back:	
3,484	Property operating expenses	3,942
109,811	Total investment income showing gross property rent	96,539

In line with best practice guidelines, the note that accompanies investment income requires the Fund to show rent from property net of other property income and operating property expenses. However, rent from property which is included under 'investment income' in the Fund Account is shown on a gross basis.

10.2 Investment property net rental

2019/20 £000		2020/21 £000
15,738	Rental Income from investment property	18,184
140	Other Property income	235
(3,484)	Direct operating expenses arising from investment property	(3,942)
12,394	Total	14,477

Please note, no contingent rents have been included in the Fund Accounts as income for the year.

11. Management expenses

11.1 By type

2019/20 £000		2020/21 £000
3,299	Administration costs	3,680
50,522	Investment management expenses	53,207
1,496	Oversight and governance	1,304
55,317	Total	58,191

ACCESS ongoing costs were **£78,000** for 2020/21 (2019/20: £74,000). These costs are shown under oversight and governance costs line of the above note.

In 2020/21 external audit costs were **£40,000** of which **£7,000** was rechargeable and relates to additional fees for work undertaken to provide assurance for scheduled bodies on IAS 19 accounting disclosures (£28,000 and £12,000 respectively in 2019/20).

11.2 Investment management expenses

2019/20	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Pooled Investments				
Fixed Interest Securities	2,800	-	171	2,971
Equities - Unit Life assurance policies	568	-	-	568
Equities - ACCESS pooled global equity funds	7,038	-	-	7,038
Index linked securities	-	-	-	-
Property unit trusts	1,279	-	-	1,279
Other managed funds	1,647	-	200	1,847
Equities - market quoted equities	4,581		365	4,946
Property	3,342	-	-	3,342
Global property	347	-	-	347
Private equity	6,022	7,135	(447)	12,710
Infrastructure	6,777	3,293	-	10,070
Timber	1,334	185	-	1,519
Private Debt	1,571	1,311	-	2,882
Other investment management costs	224	-	-	224
	37,530	11,924	289	49,743
Custody fees				779
Total				50,522

Statement of Accounts - Pension Fund Accounts

2020/21	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Pooled Investments				
Fixed Interest Securities	2,799	-	203	**3,002**
Equities - Unit Life assurance policies	606	-	-	**606**
Equities - ACCESS pooled global equity funds	8,160		248	**8,408**
Index linked securities	22	-	-	**22**
Property unit trusts	440	-	-	**440**
Other managed funds	1,983	-	183	**2,166**
Equities - market quoted equities	3,979		344	**4,323**
Property	3,786	-	-	**3,786**
Global property	2,072	(166)	-	**1,906**
Private equity	5,404	2,397	-	**7,801**
Infrastructure	6,487	9,251	-	**15,738**
Timber	1,371	271	-	**1,642**
Private Debt	1,598	1,205	-	**2,803**
Other investment management costs	221	-	-	**221**
	38,928	12,958	978	**52,864**
Custody fees				**343**
Total				**53,207**

Custody fees are made up of fees paid to the Fund's Global Custodian, Northern Trust and other out of pocket custody expenses. These were **£301,000** and **£42,000** in 2020/21 respectively (£303,000 and £476,000 in 2019/20).

12. Investments

12.1 Value of investments held by managers

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

31 March 2020			31 March 2021	
£m	%		£m	%
		Investments managed inside the ACCESS Pool		
591	9.0	Link Asset Solutions - Long term Global Growth Fund	765	8.8
447	6.8	Link Asset Solutions - Global Dividend Fund	663	7.6
425	6.4	Link Asset Solutions - Global Equity Fund	616	7.1
1,753	26.6	UBS Asset Management	2,486	28.7
3,216	48.8		4,530	52.2
		Investments managed outside of the ACCESS Pool		
136	2.0	Alcentra Ltd	153	1.8
637	9.6	Aviva Investors	647	7.5
259	3.9	Stewart Investors (formerly First State)	346	4.0
401	6.1	Goldman Sachs Asset Management International	425	4.9
382	5.8	Hamilton Lane	442	5.1
92	1.4	IFM Investors	177	2.0
70	1.1	JPMorgan Asset Management	208	2.4
368	5.6	Marathon Asset Management Ltd	428	4.9
425	6.4	M&G Investments Alpha Opportunities	723	8.3
231	3.5	Partners Group Management II S.à r.l (Infrastructure)	224	2.6
31	0.5	Partners Group Management II S.à r.l (Global Property)	31	0.4
243	3.7	Stafford Timberland Limited	244	2.8
107	1.6	Other *	97	1.1
3,382	51.2		4,145	47.8
6,598	100.0		8,675	100.0

*The large balance held under Other as at 31 March 2021 was mainly due to **£60m** cash being held on a temporary basis, to finance an investment being settled by the Fund on 1 April 2021. The large balance held as at 31 March 2020 was mainly due to **£81m** cash being held on a temporary basis, to finance an investment being made on 1 April 2020.

12.2 Investments by asset type

The tables below provide an analysis of investment assets by type and show the movements in the market value of the investments, including profits and losses realised on the sales of investments:

2019/20	Value at 1 April 2019	2019/20 Movement					Value at 31 March 2020
		Purchases	Net Transfers	Sale Proceeds	Change in Market Value	Cash Movement	
	£000	£000	£000	£000	£000	£000	£000
Pooled investments							
Fixed interest securities	404,594	-	-	(693)	(3,177)	-	400,724
Equities - Unit life assurance policies	1,653,855	75,001	-	-	(260,360)	-	1,468,496
Equities - ACCESS pooled global equity funds	1,532,112	25,253	-	(7,037)	(87,471)	-	1,462,857
Index linked securities	391,041	-	-	(100,000)	(5,975)	-	285,066
Property unit trusts	226,626	3,781	-	(53,898)	(11,057)	-	165,452
Other managed funds	365,608	84,937	-	(2,508)	(22,793)	-	425,244
	4,573,836	188,972	-	(164,136)	(390,833)	-	4,207,839
Equities - Market quoted equities	878,337	163,911	-	(325,733)	(116,932)	-	599,583
Property	383,250	105,658	-	(39,989)	(19,634)	-	429,285
Private equity	321,530	51,753	-	(87,505)	54,574	-	340,352
Infrastructure	356,015	26,358	-	(19,967)	30,558	-	392,964
Timber	212,357	16,242	-	(3,780)	9,359	-	234,178
Private Debt	118,654	41,268	-	(20,254)	(4,081)	-	135,587
Cash							
Cash deposits held at the custodian/other							
Sterling	83,669	-	-	-	-	101,996	185,665
Foreign currency	62,292	-	-	(3,424)	3,424	2,207	64,499
	145,961	-	-	(3,424)	3,424	104,203	250,164
	6,989,940	594,162	-	(664,788)	(433,565)	104,203	6,589,952
Derivative pending foreign currency contracts	418	481	-	(1,156)	257	-	-
	6,990,358	594,643	-	(665,944)	(433,308)	104,203	6,589,952
Other investment balances							
Assets							
Amounts receivable for sales of investments	60						1,664
Investment income due	7,892						7,269
Amounts receivable in respect of the GLF sales	43						460
Liabilities							
Amounts payable for purchase of investments	(56)						(1,207)
Investment withholding tax payable	(153)						(193)
Amounts payable in respect of the GLF purchases	-						-
	6,998,144						6,597,945

Statement of Accounts - Pension Fund Accounts

2020/21	Value at 1 April 2020	2020/21 Movement					Value at 31 March 2021
		Purchases	Net Transfers	Sale Proceeds	Change in Market Value	Cash Movement	
	£000	£000	£000	£000	£000	£000	£000
Pooled investments							
Fixed interest securities	400,724	-	-	(794)	25,180	-	425,110
Equities - Unit life assurance policies	1,468,496	137,000	-	-	717,378		2,322,874
Equities - ACCESS pooled global equity funds	1,462,857	55,863	-	(338,358)	863,822	-	2,044,184
Index linked securities	285,066	-	-	(75,000)	12,597	-	222,663
Property unit trusts	165,452	14,708	-	(1,768)	900	-	179,292
Other managed funds	425,244	219,816	-	(1,983)	79,674	-	722,751
	4,207,839	427,387	-	(417,903)	1,699,551	-	5,916,874
Equities - Market quoted equities	599,583	160,035	-	(223,075)	215,086		751,629
Property	429,285	30,408	-	(31,921)	8,798	-	436,570
Private equity	340,352	55,360	-	(61,299)	75,101	-	409,514
Infrastructure	392,964	274,636	-	(77,931)	17,521	-	607,190
Timber	234,178	34,128	-	(10,970)	(12,917)	-	244,419
Private Debt	135,587	22,887	-	(15,695)	10,029	-	152,808
Cash							
Cash deposits held at the custodian/other							
Sterling	185,665	-	-	-	-	(40,131)	145,534
Foreign currency	64,499	-	-	4,827	(4,827)	(3,989)	60,510
	250,164	-	-	4,827	(4,827)	(44,120)	206,044
	6,589,952	1,004,841	-	(833,967)	2,008,342	(44,120)	8,725,048
Derivative pending foreign currency contracts	-	13	-	(13)	-	-	-
	6,589,952	1,004,854	-	(833,980)	2,008,342	(44,120)	8,725,048
Other investment balances							
Assets							
Amounts receivable for sales of investments	1,664						847
Investment income due	7,269						9,243
Amounts receivable in respect of the GLF sales	460						-
Liabilities							
Amounts payable for purchase of investments	(1,207)						(60,107)
Investment withholding tax payable	(193)						(214)
Amounts payable in respect of the GLF purchases	-						(277)
	6,597,945						8,674,540

The change in market value includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments since 1 April.

12.3 Pooled investments representing 5% or more of net assets

The Fund holds the following investments in unit trusts/pooled vehicles which are in excess of 5% of the value of the Fund:

31 March 2020			31 March 2021	
£000	%		£000	%
481,814	7.3%	UBS Asset Management Life All World Equity Tracker	835,605	9.6%
590,709	9.0%	Link Fund Solutions LTGG Fund	764,863	8.8%
425,244	6.4%	M&G Alpha Opportunity Fund	722,751	8.3%
447,157	6.8%	Link Fund Solutions Global Dividend Fund	663,391	7.6%
424,991	6.4%	Link Fund Solutions Global Equity Fund	615,930	7.1%
333,557	5.0%	UBS Asset Management Life USA Equity Tracker Hedged	488,740	5.6%
400,724	6.1%	Goldman Sachs Strategic Absolute Fund	425,110	4.9%

12.4 Property Holdings

Rent receivable from operating lease

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

2019/20 £000		2020/21 £000
16,948	Within one year	14,020
55,228	Between one and five years	46,927
55,552	Beyond five years	49,101
127,728	Total	110,048

The above disclosure has been restated to the loss allowance adjustment that had previously been applied to 2019/20 totals.

Movement in the fair value of investment properties

The table below shows the movements in the fair value of investment properties as at 31 March:

	Freehold £000	Leasehold £000	Total £000
Fair value at 1 April 2019	302,980	80,270	**383,250**
Additions	73,841	1,092	**74,933**
Disposals	(39,809)	-	**(39,809)**
Net gain/loss on fair value	(13,182)	(7,267)	**(20,449)**
Fair value at 31 March 2020	**323,830**	**74,095**	**397,925**
Additions	2,710	27,698	**30,408**
Disposals	(23,845)	(6,170)	**(30,015)**
Net gain/loss on fair value	19,655	(12,123)	**7,532**
Fair value at 31 March 2021	**322,350**	**83,500**	**405,850**

13. Additional Voluntary Contributions (AVC) Investments

A summary of the information provided by Equitable Life, Prudential and Standard Life to the Fund is shown in the table below.

13.1 Reconciliation of movements in AVC investments

2019/20 £000		2020/21 £000
8,416	Value of AVC fund at beginning of year	**8,783**
1,569	Employees contributions	**1,546**
(191)	Investment income and change in market value	**(504)**
(1,011)	Benefits paid and transfers out	**(1,186)**
8,783		**8,639**

13.2 Analysis of AVC investments by Provider

2019/20 £000		2020/21 £000
64	Utmost (formerly Equitable Life)	**64**
4,651	Prudential *	**4,651**
4,068	Standard Life	**3,924**
8,783		**8,639**

* The Prudential were not able to confirm their Fund's balance as at 31 March 2021 at the time of the accounts being drafted. This is due to the impact of Covid-19 on their operations, and a new system implementation. Therefore the 2019/20 balance is being used until more up to date information is available.

14. Current assets and liabilities

14.1 Analysis of current assets

31 March 2020 £000		31 March 2021 £000
	Cash Balances	
1,737	Cash at bank	1,469
15,012	Cash on short term deposits within 3 months	47,998
16,749		49,467
	Debtors and payments in advance	
4,811	Contributions due – employees	5,250
15,524	Contributions due – employers	17,540
1,473	Sundry debtors	677
21,808		23,467
38,557	Total	72,934

14.2 Analysis of long-term debtors

31 March 2020 £000		31 March 2021 £000
228	Other employer contributions due	199
311	Reimbursement of lifetime allowances	327
539	Total	526

Introduced in 2016, the lifetime allowance limits the amount of pension that can be paid by an individual pensioner without incurring an extra tax charge. Responsibility falls to the pensioner. However, the Fund offers the facility to pay all or part of the tax upfront, on the individual's behalf, and gets reimbursed by additional pension deductions over time. A long-term debtor of **£327,000** has been raised in 2020/21 in this regard (2019/20: £311,000).

14.3 Analysis of current liabilities

31 March 2020 £000		31 March 2021 £000
	Unpaid benefits and other current liabililities	
(1,460)	Contributions due – employers	(648)
(1,883)	Investment manager fees payable	(2,763)
(5,139)	Benefits payable	(5,047)
(934)	Other	(406)
(9,416)	Total	(8,864)

14.4 Contingent liabilities and contractual commitments

As at 31 March 2021, the Fund had a commitment to contribute a further **£1.089bn** to its existing direct and indirect partnership investments, including private equity, infrastructure, timber and private debt (31 March 2020: £1.192bn). The amounts called by these funds are irregular in both size and timing over a period of between five to ten years from the date of each original commitment.

15. Related party transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund. The intention in making this disclosure is to make explicit the extent to which the Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to negotiate freely with the Fund.

15.1 Administration of the Fund

The Essex Pension Fund is administered by Essex County Council.

The Council incurred gross costs of **£3.437m** in 2020/21 of which £7,000 was outstanding at **31 March 2021** (2019/20: £3.298m, of which £545,000 was outstanding at 31 March 2020) 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 **£59.575m** to the Fund in 2020/21 (2019/20: **£49.882m**). No significant amounts were owing to and due to be paid from the Fund in the year.

The Fund has in place a separate bank account arrangement with the County Council. Surplus cash is invested by the County Council's treasury management team on the sterling money markets, in accordance with the Essex Pension Fund treasury management policy and strategy as agreed by the Essex Pension Fund Investment Steering Committee 24 March 2021. This service is provided to the Fund at a cost of **£28,000** (2019/20: £28,000).

During the year to 31 March 2021, the Pension Fund had an average investment balance of **£47.121m** (2019/20: £21.097m) earning **£57,000** interest (2019/20: £110,000).

15.2 Governance

Under IAS 24 'Related Party Disclosures' it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements. During the year, each member of the Essex Pension Board and Investment Steering Committee are required to declare their interests at each meeting. None of the Essex Pension Board Members, Investment Steering Committee Members or Senior Officers undertook any material transactions with the Essex Pension Fund. There were no material contributions due from the employer bodies at the end of the year that remained outstanding after the due date for payment.

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 2015, the entitlement for Councillors to join the Pension Fund was removed. After the local County elections of May 2017 all active Councillors' memberships changed to deferred. Those Members of the Essex Pension Board and Investment Steering Committee who, during 2020/21, were also members of the LGPS are listed below.

Representative of scheme members	County Councillors
▪ S. Child	▪ Cllr S. Barker
Representative of scheme employers	▪ Cllr M. Maddocks
▪ C. Riley	

From 1 April 2015 pension funds were required to establish a local Pensions Board under section 5 of the Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations 2013. Members of this Board, (Essex Pension Fund Advisory Board) who, during 2020/21, were also members of the LGPS are listed below:

Representative of scheme employers	Representative of scheme members
▪ J. Durrant	▪ A. Coburn
▪ Cllr S. Walsh	▪ D. Hurst
	▪ S. Roberts
	▪ J. Sheehy

The employees of Essex County Council who held key positions in the financial management of the Essex Pension Fund during 2020/21 and were also members of the Fund were the Executive Director, Corporate Services, the Interim Director for Essex Pension Fund and three personnel covering 20% each of the Head of Essex Pension Fund role.

During 2020/21 approximately 2% of the Executive Director, Corporate Services time was spent on the Pension Fund, with the other officers spending 100% of their time in this way.

The short-term benefits (pay) associated with the time spent by these staff working on the Fund and the current service cost i.e. the increase in the value of the Fund's future pension liabilities arising out of the employees on-going membership of the Fund are shown below:

2019/20 £000		2020/21 £000
145	Short term benefits	137
153	Current service costs	106
298		243

16. Agency Services

The Essex Pension Fund pays discretionary awards to former employees of both current and former employers' of the Fund. The amounts paid are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below:

2019/20 £000		2020/21 £000
1,443	Adminstering Authority	1,389
5,166	Scheduled Bodies	5,026
89	Community Admission Bodies	86
2	Resolution Bodies	2
20	Former employers	19
6,720	Total	6,522

17. Fair value – Basis of valuation

17.1 Fair value hierarchy

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** – Assets and liabilities at Level 1 are those whose fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Assets classified as Level 1 comprise of 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** – Assets and liabilities at Level 2 are those 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** – Assets and liabilities classified as Level 3 are those where at least one input that could have significant effect on the instruments valuation is not based on observable market data.

  Such instruments would include unquoted equity investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The value of the investment in private equity is based on valuations provided by the general partners to the private equity funds in which the Essex Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IRRS and US GAAP. Valuations are usually undertaken annually at the end of December, with unaudited valuations provided by the general partner as at 31 March.

The valuations of infrastructure and timber are based on net asset value provided by the fund manager.

The table below sets the valuation basis used. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market based information:

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Stewart Investors/ Marathon Asset Management Ltd	Market Quoted Equities	Level 1	Published Bid Market Price.	N/A	N/A
Link Asset Solutions	Pooled global equities funds	Level 1	Net Asset Value / Bid Market Price.	N/A	N/A
Goldman Sachs Asset Management International	Quoted fixed interest securities	Level 1	Fixed interest securities are valued at a market value based on current yields.	N/A	N/A
UBS Asset Management	Equities/Indexed Linked Life Assurance Policies	Level 2	Average of broker prices.	Price of recent transactions for identical instrument.	Significant change in economic circumstances or time lapse since the transaction took place.
M&G Investments Alpha Opportunities	Other managed funds	Level 2	The prices are published reflecting the NAV at each dealing point but are not exchange traded.	Price of recent transactions for identical instrument.	Significant change in economic circumstances or time lapse since the transaction took place.
Stewart Investors / Marathon Asset Management Ltd	Forward Foreign Exchange Derivatives	Level 2	Market exchange rates at the year end.	Price of recent transactions for identical instrument.	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period.

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Aviva Investors	Direct property	Level 3	Direct Property independently valued by Knight Frank LLP in accordance with the current editions of Royal Institute of Chartered Surveyors' (RICS) Valuation - Global Standards, which incorporate the International Valuations Standards, and the RICS UK National Supplement. Valuation derived from using comparable recent market transactions on arm's length terms, where available, and other appropriate techniques such as the use of rental yields and rental values.	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing tenancies, Discount rate, Land / building valuation surveys.	The following sensitivities have been identified. Asset values can range between (+/-10%), comprising significant changes in yield movement (+/-5%) and estimated rental value movement (+/-5%) have been identified as key sensitivities. The outbreak of COVID-19 continues to affect real estate markets globally. Nevertheless, as at the valuation date property markets have converted back to normal functioning again. Accordingly, the valuation is not reported as being subject to 'material value uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.
Partners Group Management II S a r.l	Global property	Level 3	Assets are based on valuations received from the Managers which are determined in accordance with the last know NAV and adjusted for subsequent capital calls and distributions and other relevant information provided.	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing tenancies, Discount rate, Land/building valuation surveys.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market process and volume of sales and purchases. Assets values can range between (+14.2% / -14.2%).
Aviva Investors	Property unit trusts	Level 3	Assets are based on valuations received from the Managers which are determined in accordance with the last know NAV and adjustment for subsequent capital calls and distributions and other relevant information provided by the real estate fund.	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing tenancies, Discount rate, Land/building valuation surveys.	The following sensitivities have been identified. Asset values can range between (+/-10%), comprising significant changes in yield movement (+/-5%) and estimated rental value movement (+/-5%) have been identified as key sensitivities. The outbreak of COVID-19 continues to affect real

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
					estate markets globally. Nevertheless, as at the valuation date property markets have converted back to normal functioning again. Accordingly, the valuation is not reported as being subject to 'material value uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.
Hamilton Lane	Private Equity	Level 3	Investments in private equity funds are valued based on the Fund's share of the net assets, using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines. Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. The net assets value of the funds are determined using the valuation techniques such as discounted cash flows, earning multiples etc, and these use the inputs detailed in the next two columns.	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, gross domestic product, inflation, interest rates, discount rates, adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to gross domestic product, inflation, interest rates, and discount rates. Asset values can range between (+15%/-15%).
Partners Group Management II S.à r.l	Infrastructure	Level 3	Investments in the funds are valued based on the Fund's share of the net assets. Audited valuations are carried out annually on the investments. The net assets value of the funds are determined using the valuation techniques such as discounted	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, gross domestic product, inflation, interest rates, discount rates, tax rates, Earnings Before Interest, Taxes, Depreciation and	Valuations can be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, fair value adjustments, discount factors used, EBITDA and recent

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
			cash flows, earning multiples etc, and these use the inputs detailed in the next two columns.	Amortization (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	transaction prices. Asset values can range between (+5.3% /-5.3%).
JP Morgan Asset Management	Infrastructure	Level 3	Investments are valued based on the Fund's share of the net assets Audited valuations are carried out annually on the investments. The net assets value of the funds are determined using the valuation techniques such as discounted cash flows, earning multiples etc, and these use the inputs detailed in the next two columns.	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, gross domestic product, inflation, interest rates, discount rates, tax rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations can be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments, changes in interest rates, inflation, discount rate, price weaknesses As a result assets values can range between (+7.0% /-5.7%).
IFM Investors	Infrastructure	Level 3	The investments are valued based on the Fund's share of the net assets. Audited valuations are carried out annually on the investments The net assets value of the funds are determined using the valuation techniques such as discounted cash flows, earning multiples etc, and these use the inputs detailed in the next two columns.	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, gross domestic product, inflation, interest rates, discount rates, tax rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and adjustments to current prices for similar assets, valuation techniques.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's reporting date. Key sensitivities identified are changes in gross domestic product, base rates, inflation and discount rates. Asset values can range between (+6/-6%).
Stafford Timberlands Limited	Timber	Level 3	The investments are valued based on the Fund's share of the net assets value. The net assets value are determined using accepted valuation techniques and standards that include discounted cashflow and multiple earnings.	Management's cash flow projections, estimates of growth expectations and profitability, profit margin expectations, discount rates, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), adjustments to current prices for	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's reporting date by changes to expected cash flows earning multiple and discount rates used in the discounted cash

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
				similar assets, valuation techniques.	flow analysis. Asset values can range between (+5%/-5%).
Alcentra Limited	Private Debt	Level 3	Net Asset Value Market approach using comparable trade multiples. They include comparison to recent arm's length transactions, reference to other instruments that are sustainably the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.	These techniques may include a number of assumptions relating to variables such as management cash flow projections, credit risk, interest rates, EBITDA, direct lending loans values, discount rates, marketability.	Material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows, EBITDA multiple, and discount rates used (e.g. discounts offered for lack of marketability). Asset values can change between (+4.6%/-4.6%).

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Level 1 to 3 based on the level at which the fair value is observable.

Values as at 31 March 2020				Values as at 31 March 2021		
Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs £000		Level 1 Quoted market prices £000	Level 2 Using observable inputs £000	Level 3 Significant unobservable inputs £000
			Financial assets			
2,472,558	2,178,836	1,152,133	Fair value through profit and loss	3,231,013	3,268,444	1,471,572
2,472,558	2,178,836	1,152,133		3,231,013	3,268,444	1,471,572
			Non financial assets			
-	-	545,685	Fair value through profit and loss	-	-	558,221
			Financial liabilities			
(1,400)	(31)	-	Fair value through profit and loss	(60,598)	(156)	-
(1,400)	(31)	-		(60,598)	(156)	-
2,471,158	2,178,805	1,697,818	Total net assets per level	3,170,415	3,268,288	2,029,793
		6,347,781	Total Net Assets			8,468,496

17.2 Transfers between hierarchy levels

No reclassifications were made as at 31 March 2020 or as at 31 March 2021.

17.3 Reconciliation of fair value measurements within Level 3

2020/21	Value at 1 April 2020 £000	2020/21 Movement						Value at 31 March 2021 £000
		Transfer to Level 3 £000	Purchases £000	Net Transfers £000	Sale Proceeds £000	Unrealised profit/ loss £000	Realised profit/ loss £000	
Properties								
UK properties (freehold)	323,830	-	2,710	-	(23,845)	15,092	4,563	322,350
UK properties (leasehold)	74,095	-	27,698	-	(6,170)	(10,642)	(1,481)	83,500
Global Property	31,360	-	-	-	(1,906)	1,266	-	30,720
Property unit trusts	165,452	-	14,708	-	(1,768)	7,205	(6,305)	179,292
Private equity								
UK unquoted	4	-	-	-	-	(4)	-	-
Overseas unquoted	340,348	-	55,360	-	(61,299)	39,893	35,212	409,514
Infrastructure								
UK unquoted	1	-	-	-	-	-	-	1
Overseas unquoted	392,963	-	274,636	-	(77,931)	(5,013)	22,534	607,189
Timber (Overseas unquoted)	234,178	-	34,128	-	(10,970)	(13,071)	154	244,419
Private Debt								
UK unquoted	25,692	-	-	-	(127)	6,891	-	32,456
Overseas unquoted	109,895	-	22,887	-	(15,568)	3,377	(239)	120,352
	1,697,818	-	432,127	-	(199,584)	44,994	54,438	2,029,793

17.4 Sensitivity of assets valued at Level 3

In consultation with its institutional consultants, Hymans Robertson and the Fund's investment managers, an analysis of historical data and expected return movements during the accounting periods

in question was undertaken. The fund has determined that the valuation methods described in Note 17.1 are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held as at 31 March 2021.

Value at 1 April 2020 £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000		Value at 1 April 2021 £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000
397,925	20.0%	477,510	318,340	Freehold and leasehold properties	405,850	10.0%	446,435	365,265
31,360	14.2%	35,813	26,907	Global property	30,720	14.2%	35,082	26,358
165,452	20.0%	198,542	132,362	Property unit trusts	179,292	10.0%	197,221	161,363
340,352	15.0%	391,405	289,299	Private equity	409,514	15.0%	470,941	348,087
392,964	4.1%	409,076	376,852	Infrastructure	607,190	6.0%	643,621	570,759
234,178	5.0%	245,887	222,469	Timber (overseas unquoted)	244,419	5.0%	256,640	232,198
135,587	7.2%	145,349	125,825	Private debt	152,808	4.6%	159,837	145,779
1,697,818		1,903,582	1,492,054		2,029,793		2,209,777	1,849,809

The assessed valuation ranges shown in the above table were provided by the relevant fund managers, with the exception of:

- Global property and Private debt – In the absence of information from the fund managers, valuation range was based on percentages supplied by Hymans Robertson.
- Infrastructure – The valuation range us a weighted average of the information provided by the three individual Infrastructure managers and their base strategic allocations.

Further information on the assessed valuation ranges can be found in Note 17.1.

18. Financial Instruments

Accounting policies describe how different asset classes of financial instrument are measured and how income and expenditure, including fair value gains and losses, are recognised.

18.1 Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement headings.

Statutory debtors and creditors are excluded from the financial instrument note and only contractual debtors and creditors are shown.

The debtor figure of **£23.993m** as at 31 March 2021 (31 March 2020: £22.347m) excludes statutory debtors of **£23.597m** (31 March 2020: £21.958m).

The creditor figure of **£8.864m** as at 31 March 2021 (31 March 2020: £9.416m) excludes statutory creditors of **£5.695m** (31 March 2020: £6.599m).

In addition, assets held by the Fund on a direct basis for example direct property and infrastructure has also been excluded for the below note as they are not financial instruments.

31 March 2020			Asset type	31 March 2021		
Fair value through profit and loss £000	Assets at Amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at Amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
			Pooled Investments			
400,724	-	-	Fixed interest securities	425,110	-	-
1,468,496	-	-	Equities - Unit life assurance policies	2,322,874	-	-
1,462,857			Equities - ACCESS pooled gloabal equity funds	2,044,184		
285,066	-	-	Index linked securities	222,663	-	-
165,452	-	-	Property unit trusts	179,292	-	-
425,244	-	-	Other managed funds	722,751	-	-
599,583	-	-	Equities - Market Quoted Equities	751,629		
340,352	-	-	Private equity	409,514	-	-
276,564	-	-	Infrastructure	485,539	-	-
234,178	-	-	Timber	244,419	-	-
135,587	-	-	Private debt	152,808	-	-
31	-	-	Derivative contracts	156	-	-
-	266,913	-	Cash deposits	-	255,511	-
9,393	-	-	Other investment balances	10,090	-	-
-	389	-	Debtors	-	396	-
5,803,527	267,302	-		7,971,029	255,907	-
			Financial liabilities			
(31)	-	-	Derivative contracts	(156)	-	-
(1,400)	-	-	Other investments balances	(60,598)	-	-
-	-	(2,817)	Creditors	-	-	(3,169)
(1,431)	-	(2,817)		(60,754)	-	(3,169)
5,802,096	267,302	(2,817)	**Balance at the end of the year**	7,910,275	255,907	(3,169)
		6,066,581	**Total**			8,163,013

18.2 Net gains and losses on financial instruments

Assets held by the Fund on a direct basis for example direct property and direct infrastructure has also been excluded from the below note.

The net gains and losses differ from the Fund Account by gains and losses of assets held directly. The gains and losses of these assets were **£26.209m** as at 31 March 2021 (£96,000 loss as at 31 March 2020)

Asset value as at 31 March 2020 £000		Asset value as at 31 March 2021 £000
	Financial assets	
(436,635)	Fair value through profit and loss	1,986,960
3,424	Amortised cost - unrealised gains	(4,827)
(433,211)	**Total**	1,982,133

19. Nature and extent of risks arising

19.1 Risk and risk management

The Fund's primary long term risk is that the Fund assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole of the Fund's investments. The Fund achieves this through asset diversification to reduce its exposure to a variety of financial risks: market risk; other price risk; currency risk; interest rate risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's overall risk management strategy rests with the Essex Pension Fund Strategy Board (PSB). Risk management policies are established to identify and analyse the risks faced by the Fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

19.2 Market risk

Market risk is the possibility that financial loss might occur as a result of fluctuations in equity and commodity prices, interest rates and foreign exchange. The level of risk exposure depends on market conditions, expectation of future price and yield movements and the asset mix.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified pool of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its institutional investment consultant, Hymans Robertson LLP, along with the Fund's independent adviser and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Investment Strategy Statement which is available from the website www.essexpensionfund.co.uk. Investment risk and strategy are regularly reviewed by the Investment Steering Committee (ISC).

19.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset

types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

19.4 Other price risk sensitivity analysis

In consultation with its institutional consultants, Hyman Robertson LLP, an analysis of historical data and expected return movements during the accounting periods in question was undertaken. The table below shows the potential price movements deemed possible for the accounting period 2021/22 and 2020/21.

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.

Had the market price of the Fund investments increased/ (decreased) in line with the percentage assumptions the change in the net assets available to pay benefits would have been as follows:

31st March 2020 Restated £000	Percentage change %	Value increase £000	Value decrease £000	Asset type	31st March 2021 £000	Percentage change %	Value increase £000	Value decrease £000
266,913	0.3%	267,714	266,112	Cash and equivalents	255,511	0.3%	256,278	254,744
				Investment portfolio assets				
400,724	8.0%	432,782	368,666	UK fixed interest securities	425,110	7.5%	456,993	393,227
41,678	27.5%	53,139	30,217	UK equities	46,565	16.7%	54,341	38,789
557,905	28.0%	714,118	401,692	Overseas equities	705,064	17.4%	827,745	582,383
235,073	27.5%	299,718	170,428	UK equities unit insurance policies	374,439	16.7%	436,970	311,908
751,609	28.0%	962,060	541,158	Overseas equities insurance policies	1,112,830	17.4%	1,306,462	919,198
481,814	28.0%	616,722	346,906	Global equities insurance policies	835,605	17.4%	981,000	690,210
1,462,857	28.0%	1,872,457	1,053,257	ACCESS pooled global equity funds	2,044,184	17.4%	2,399,872	1,688,496
285,066	7.4%	306,161	263,971	UK index linked bonds	222,663	7.5%	239,363	205,963
165,452	14.2%	188,946	141,958	Pooled property unit trusts	179,292	14.2%	204,751	153,833
340,352	28.4%	437,012	243,692	Private equity	409,514	28.5%	526,225	292,803
276,564	11.1%	307,263	245,865	Infrastructure	485,539	9.5%	531,665	439,413
234,178	20.1%	281,248	187,108	Timber	244,419	21.0%	295,747	193,091
135,587	7.2%	145,349	125,825	Private Debt	152,808	4.6%	159,837	145,779
425,244	11.1%	472,446	378,042	Other managed funds	722,751	9.5%	791,412	654,090
-	-	-	-	Net derivative assets			-	-
6,061,016		7,357,135	4,764,897	Total assets available to pay benefits	8,216,294		9,468,661	6,963,927

19.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk primarily impacts on the valuation of the Funds' bond holdings and, to a lesser degree, the return it receives on cash held. The Fund has three bond mandates; a passive bond mandate with UBS Asset Management and bond mandates with M&G Investments (M&G) and Goldman Sachs Asset

Management (GSAM) in which exposure is actively managed. In addition the Fund has an investment in a private debt mandate.

The Fund's direct exposure to interest rate movements is shown below. The underlying assets are shown at their fair value.

Asset value as at 31 March 2020 £000	Asset type	Asset value as at 31 March 2021 £000
250,164	Cash and cash equivalents	206,044
16,749	Cash balances	49,467
400,724	Fixed interest securities	425,110
285,066	Index-linked securities	222,663
135,587	Private debt	152,808
1,088,290	Total assets	1,056,092

19.6 Interest rate risk sensitivity analysis

Interest rates have remained constant but this is not always the case and can vary. As a result, any variation in interest rates affects the level of income achievable and the value of the net assets of the Fund to pay benefits. The Fund's institutional consultants, Hymans Robertson, have undertaken a sensitivity analysis and advised that it is reasonable in today's climate that a movement increase/(decrease) of not more than 1% on a year to year basis is possible based on past experience.

The table below shows the effect in the year on the net assets available to pay benefits of an increase/(decrease) of 1% change in interest rates assuming all other factors remain unchanged.

Asset value as at 31 March 2020 £000	Impact of 1% increase £000	Impact of 1% decrease £000	Asset type	Asset value as at 31 March 2021 £000	Impact of 1% increase £000	Impact of 1% decrease £000
250,164	250,164	250,164	Cash and cash equivalents	206,044	206,044	206,044
16,749	16,749	16,749	Cash balances	49,467	49,467	49,467
400,724	396,717	404,731	Fixed interest securities	425,110	420,859	429,361
285,066	285,066	285,066	Index-linked securities	222,663	222,663	222,663
135,587	134,231	136,943	Private debt	152,808	151,280	154,336
1,088,290	1,082,927	1,093,653	Total change in assets available	1,056,092	1,050,313	1,061,871

The above analysis demonstrates that a 1% change in interest rates will only impact the fair value of fixed interest and private debt, interest received would be unaffected.

A 1% movement of interest rates on cash and index linked securities would not impact the fair value and would have a negligible effect on interest received.

19.7 Currency risk

Currency risk is the extent to which the fair value of future cash flows of a financial asset/liability will fluctuate due to changes in exchange rates. The Fund is exposed to currency risk on all assets that are denominated in any currency other than sterling its reporting currency. To reduce the volatility associated with fluctuating currency rates (currency risk) the Fund invests in hedged overseas regional index funds via its passive provider UBS Asset Management.

The following table summarises the Fund's currency exposure as at 31 March 2020 and 31 March 2021:

31 March 2020 £000	Asset type	31 March 2021 £000
557,905	Overseas equities quoted	**705,064**
751,609	Overseas unit life assurance policies	**1,112,830**
481,814	Global unit life assurance policies	**835,605**
1,462,857	ACCESS pooled global equity funds	**2,044,184**
31,360	Global property	**30,720**
340,348	Overseas private equity	**409,514**
392,963	Overseas infrastructure	**607,189**
234,178	Overseas timber	**244,419**
109,895	Overseas private debt	**120,352**
64,499	Foreign currency	**60,510**
4,427,428	**Total oversea assets**	**6,170,387**

19.8 Currency risk sensitivity analysis

In consultation with the Fund's institutional consultant, Hymans Robertson the Fund considers the likely volatility associated with exchange rate movements to be in the region of **9.8%** (2019/20: 13%) (approximately one standard deviation) assuming other factors remain constant.

The table below shows the effect of a **9.8%** (2019/20: 13%) strengthening/weakening of the pound against the investments the Fund holds in various other currencies. The increase/ (decrease) on the net assets of the Fund are as follows:

Asset value as at 31 March 2020 £000	Change in year in the net assets to pay benefits +13% £000	Change in year in the net assets to pay benefits -13% £000	Asset type	Asset value as at 31 March 2021 £000	Change in year in the net assets to pay benefits +9.8% £000	Change in year in the net assets to pay benefits -9.8% £000
557,905	630,433	485,377	Overseas equities quoted	705,064	774,160	635,968
751,609	849,318	653,900	Overseas unit life assurance policies	1,112,830	1,221,887	1,003,773
481,814	544,450	419,178	Global unit life assurance policies	835,605	917,494	753,716
1,462,857	1,653,028	1,272,686	ACCESS pooled global equity funds	2,044,184	2,244,514	1,843,854
31,360	35,437	27,283	Global property	30,720	33,731	27,709
340,348	384,593	296,103	Overseas private equity	409,514	449,646	369,382
392,963	444,048	341,878	Overseas infrastructure	607,189	666,694	547,684
234,178	264,621	203,735	Overseas timber	244,419	268,372	220,466
109,895	124,181	95,609	Overseas private debt	120,352	132,146	108,558
64,499	72,884	56,114	Foreign currency	60,510	66,440	54,580
4,427,428	**5,002,993**	**3,851,863**	**Total change in assets available**	**6,170,387**	**6,775,084**	**5,565,690**

19.9 Credit Risk

Credit risk is the possibility that the counterparty to a transaction or a financial instrument might fail in its obligation to pay amounts due to the Pension Fund resulting in a financial loss. The market value of investments reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk in all its operational activities through forward currency contracts, derivative positions (futures) where applicable and treasury management activities. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

19.9.1 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 2021 is provided in Note 14.

19.9.2 Bonds

Credit risk will also be considered by the Fund's bond managers in their portfolio construction. A bond is a saleable debt instrument issued by a corporation, government or other entity, the instrument may be purchased direct from the issuer or in the secondary market.

In addition to the passive manager, UBS Asset Management, the Fund has two active bond managers M&G and GSAM. The former also manage a financing fund which is in wind up.

Both M&G and GSAM manage pooled assets against a LIBOR plus benchmark. At 31 March 2020, the average credit quality of the M&G bond mandate was **BBB** rated (**BBB+** rated as at 31 March 2020). The portfolio had suffered seven defaults since inception, one within the financial year ended 31 March 2021 and one within the financial year end as at 31 March 2020.

The portfolio managed by GSAM as at 31 March 2021 had an average credit quality of **AA** (AAA rated as at 31 March 2020) and has suffered fourteen defaults since inception, two within the financial year ending 31 March 2021 and none within the financial year ending 31 March 2020.

19.9.3 Custody

Northern Trust are the global custodian with responsibility for safeguarding the assets of the Fund. As at 31 March 2021 Northern Trust had **$11.5 trillion** of assets under custody (31 March 2020: $10.8 trillion) and had a credit rating of **AA-** (31 March 2020: AA-). Monthly reconciliations are performed between the underlying records of the custodian and all investment managers and partnerships of the Fund.

19.10 Cash held on deposit and current accounts

Cash managed internally – The Fund has operated a separate bank account since 1 April 2010 with Lloyds Bank plc, which is also banker to the Administering Authority. The Bank holds an **A+** (A+ as at 31 March 2020) long term credit rating with Standard and Poor. Cash is invested with Lloyds and is placed with institutions on the Administering Authority's approved counter-party list. The management of cash is carried out by the Treasury Management function of the Administering Authority in accordance with the treasury management policy and strategy approved by the ISC. The ISC have approved the management of cash in accordance with the policies and practices followed by the Administering Authority for its own investments as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority sets detailed credit criteria having taken independent advice and has maximum exposure limits to any single institution. Details of such are shown in the following tables.

At 31 March 2021 **£49.467m** (31 March 2020: £16.749m) 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 2021, the total balance held in the Sterling and US dollar AAA money market funds was **£191.575m** with a smaller balance of **£14.469m** held in the custodian current account (31 March 2020: £224.984m and £25.180m 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 2020			31 March 2021	
Rating	£000		*Rating*	£000
		Cash managed externally		
		Cash held on deposit (GLF)		
AAA	96,022	BNP Paribas Investment Partners	*AAA*	**76,420**
AAA	128,962	Northern Trust	*AAA*	**115,155**
		Cash held in Current Account		
AA-	25,180	Northern Trust	*AA-*	**14,469**
	250,164	**Total cash managed externally**		**206,044**
		Cash managed internally		
		Cash held on fixed term		
AA	-	Essex County Council	*AA*	**16,000**
AA	5,006	Peterborough Council	*AA*	**-**
		Cash held on deposit		
AAA	10,000	Blackrock	*AAA*	**6,998**
AA-	3	HSBC	*A+*	**4,999**
A	1	Santander UK	*A*	**4,998**
AAA	-	LGIM	*AAA*	**9,995**
AA-	3	Svenska Handelsbanken	*AA-*	**5,009**
		Cash held in Current Account		
A	1,736	Lloyds Bank plc	*A+*	**1,468**
	16,749	**Total cash managed internally**		**49,467**
	266,913	**Total**		**255,511**

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

31 March 2020		31 March 2021 £000	Maximum limit per Financial Institution £000	Historical risk of default %	Estimated maximum exposure to default and uncollectability £000
	Cash managed externally				
	Deposit with bank and other financial institutions				
224,984	AAA Rated	191,575	120,000	0.0400%	77
25,180	AA Rated	14,469	-	0.0200%	3
250,164	**Total cash managed externally**	206,044			80
	Cash managed internally				
	Deposit with bank and other financial institutions				
10,000	AAA Rated	16,993	10,000	0.0400%	7
5,012	AA Rated	21,009	7,500	0.0200%	2
1,737	A Rated	11,465	5,000	0.0500%	3
16,749	**Total cash managed internally**	49,467			12
266,913	**Total cash**	255,511			92

Whilst the Fund has a cash limit of £120m for each financial institution within the Treasury Management strategy, there is a facility to exceed the limit on a temporary basis while redeploying assets.

19.11 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 also has an allocation to alternative investments, which are relatively illiquid.

In 2017 the ISC took the decision to de-risk reducing its equity allocation from 60% to 50% as a result the strategic allocation to alternatives will increase from 27% to 37% as and when opportunities arise. The Fund is relatively immature with almost as many contributors as pensioners, dependants and deferred pensioners. In consequence the Fund has a neutral cash flow and is able to pay benefits from contributions and income received. As the Fund is not in the position of a forced seller, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such illiquid investments to increase diversification, minimise risk and improve long-term investment performance.

The Fund as at 31 March 2021 had immediate access to its pension fund cash holdings held internally and externally of **£255.511m** (31 March 2020: £266.913m). These monies are primarily invested on an overnight basis on the money market.

Officers of the Fund prepare periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Investment Strategy Statement outlines the appropriate strategic level of cash

balances that the Fund can hold. More detail can be found in the Pension Fund Annual Report and Accounts.

20. Further information

The Council publishes a separate Pension Fund Annual Report and Accounts. Copies may be obtained from the website www.essexpensionfund.co.uk or by contacting:

Director for Essex Pension Fund
County Hall
Chelmsford
CM1 1QH

Telephone 03330 138501
E-mail fund.manager@essex.gov.uk

Statement of Accounts - Glossary

Term	Explanation
Accruals	Sums included in the accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received / made, by the end of that accounting period.
Actuarial gains and losses	Changes in the net pensions' liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.
Actuarial valuation	A type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities.
Actuary	A suitably qualified independent consultant employed to advise the Council upon the financial position of either the Pension Fund or the Council's insurance arrangements.
Accumulating Absences	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services.
Additional voluntary contributions	Additional voluntary contributions (AVC's) are an option available to individuals to secure additional pension benefits by making regular payments in addition to those payable on basic earnings.
Amortised cost	A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet.
Amortised financial assets	Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold.
Amortisation	Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over several years.
Appropriations	Appropriations are the transfer of resources into and from the various reserves maintained by the Council.
Available for sale financial assets	Financial assets that have a quoted market price and/or do not have fixed or determinable payments.
Billing authority	City, district and borough councils are responsible for the billing and collection of Council Tax and Non-domestic rates (NDR).
Cabinet	The Cabinet comprises the Leader and other Members appointed by the Leader. Each member of the Cabinet has a defined portfolio of responsibilities for the discharge of the Council's business; these portfolios are assigned by the Leader and are reported to the Council.
Capital Adjustment Account	This account represents: ▪ Amounts set aside from revenue resources to repay external loans; ▪ The financing of capital payments from capital receipts and revenue reserves; and ▪ The consolidation of gains arising from the revaluation of Property, Plant and Equipment prior to 1 April 2007.
Capital expenditure	This is expenditure on the acquisition of Property, Plant and Equipment (with certain minor exceptions) that will be of use or benefit to the Council in providing its services for more than one year.
Capital financing costs	Costs associated with the financing of Property, Plant and Equipment, representing interest and principal repayments on loans and contributions from revenue reserves towards capital payments.
Capital financing requirement	This is a measure of the Council's underlying need to borrow for capital financing purposes.

Statement of Accounts - Glossary

Term	Explanation
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the main professional body for accountants working in the public service.
Collection Fund	Account maintained by billing authorities for the collection and distribution of Council Tax and Non Domestic Rates.
Community Assets	Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and monuments.
Community Schools	Locally maintained schools that are owned and run by the Council. The Council employs the staff, owns the land and buildings and decides upon the schools' admission criteria.
Council Tax	A local tax set by local authorities to finance their revenue expenditure. The level set by a Council will be dependent on the level by which its budgeted expenditure exceeds income from other sources (for example, grants awarded by central government).
Credit losses	A measure of how much the Council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Council and those that it expects to receive.
Creditors	Amounts due, but not yet paid, for work, goods received or services received during the financial year.
Current service cost	The increase in pension liabilities because of service earned during the year.
Current value	A measurement reflecting the economic environment prevailing for the service or function the asset is supporting at the reporting date. Current value measurement bases include 'Existing Use Value', 'Depreciated Replacement Cost' and 'Fair Value'.
Debtors	Amounts due, but not yet received, for work done or services supplied, during the financial year.
Defined benefit pension scheme	A defined benefit pension scheme is any scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined contribution pension scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have enough assets to pay all employee benefits relating to employee service in the current or prior periods.
Depreciated Replacement Cost	A method of valuation which provides a measure of the current cost of replacing an asset with a modern equivalent asset, less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. It involves imagining what the current asset would need to be substituted with to deliver the same level and quality of service currently being delivered.
Depreciation	Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.
Discount	Arises from prematurely repaying a loan where the prevailing interest rate is above the rate of interest payable on the loan being repaid - the Council is compensated for the interest rate differential, which is referred to as a 'discount' arising from early settlement of the loan.
Discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.
Effective interest rate	The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. It is used to calculate the amortised cost of an asset or liability.

Statement of Accounts - Glossary

Term	Explanation
Employee benefits	Employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees.
Existing Use Value	A valuation method that estimates amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction and disregarding potential alternative uses for the asset.
Expected credit losses	The credit losses that the Council estimates will arise from the amounts that it is currently owed. Expected credit losses are calculated by measuring the loses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value through profit and loss	Defined as financial assets that do not qualify for measurement at amortised cost.
Fees and charges	Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities.
Finance leases	Finance leases transfer all, or the majority of, the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the fixed asset is included within the Balance Sheet of the lessee, even though the lessor retains legal title of the asset (also see 'Leasing' and 'Operating Leases').
Financial instruments	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include the borrowing or lending of money and the making of investments.
Foundation Schools	Locally maintained schools that are state-funded by the Council. These schools are run by their governing body. The governing bodies employ the staff, determine the school admission policies and own the school land and buildings.
Heritage Assets	Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. These are accounting standards by which the Council prepares its accounts.
Inventories	Assets acquired or produced for resale or to be consumed or distributed in the provision of services.
Investment properties	Properties held solely to earn rentals and/or for capital appreciation purposes. This definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investments	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.
Joint operations	Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.
Lease	An arrangement for securing the use of a use of capital assets without legal title (ownership). There are two main types of leasing arrangements – namely finance leases and operating leases.

Statement of Accounts - Glossary

Term	Explanation
Lessee	The party in a lease arrangement who secures the use of an asset over an agreed period of time in exchange for payment, but does not secure legal title to the asset.
Lessor	The party in a lease arrangement who retains legal title of an asset but lets out that asset to another party in exchange for rental payments.
Loans and receivables	Assets that have fixed or determinable payments but are not quoted in an active market.
Non Domestic Rates	These rates are how local businesses contribute to the cost of providing local authority services. Business rates are collected by the billing authorities and are distributed in accordance government regulations.
Net interest on the net defined benefit liability	The change during the period in the net pension liability that arises from the passage of time. It includes interest income on plan assets and interest costs on the pension liability. It is calculated by applying the discount rate used to measure the net pension obligation at the beginning of the period to the net pension liability at the beginning of the period – considering any changes in the net pension liability during the period as a result of contribution and benefit payments.
Non-current assets held for sale	Property, Plant and Equipment assets that the Council is formally committed to sell and is actively marketing them in their current condition and where sale is expected within the next 12 months.
Operating lease	Operating leases are agreements for the rental of assets where the rewards and risks of ownership of the asset remain with the leasing company. The annual rentals are charged directly to the Income and Expenditure Account (also see Leasing and Finance Leases).
Past service cost	The increase in pension liabilities arising from a current year pension scheme amendment or a curtailment, whose effect relates to years of service earned in earlier years.
Pooled Budget	A type of partnership arrangement whereby NHS organisations and local authorities contribute an agreed level of resource into a single pot (the 'pooled budget') that is then used to commission or deliver health and social care services.
Precept	The amount the County Council requires the city, borough and district councils to pay from the Council Tax they have collected (on behalf of all authorities that set Council Tax) to meet the cost of County Council services.
Premium	Arises from prematurely repaying a loan where the prevailing interest rate is below the rate of interest payable on the loan being repaid. The differential between the two rates is paid to the lender, in the form of a 'premium' arising from early settlement of the loan.
Private Finance Initiative (PFI)	A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.
Property, Plant and Equipment	Assets that have physical substance and are held for use in the provision or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.
Provisions	An amount set aside to provide for a liability that is likely to be incurred as a result of a past event, prior to the Balance Sheet date, but where the exact amount and the date on which it will arise is uncertain.
Public Private Partnership (PPP)	An arrangement where the private sector partner agrees to provide a service to a public sector organisation.
Public Works Loan Board	The PWLB is a government agency that provides longer-term loans to local authorities, at interest rates marginally above the Government's own borrowing rate.

Statement of Accounts - Glossary

Term	Explanation
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.
Return on plan assets	Interest, dividends and other income derived from the Local Government Pension Scheme's assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable.
Reserves	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.
RICS	The Royal Institution of Chartered Surveyors (RICS) is the professional body for qualifications and standards in land, property, infrastructure and construction.
Salary	Salary represents the amounts received under contract of employment for services rendered, other than bonuses, allowances, benefits in kind or compensation payments.
Scheme liabilities	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the 'projected unit method' reflects the benefits that the employer is committed to provide for service up to the valuation date.
SeRCOP	CIPFA Service Reporting Code of Practice provides a framework for consistent financial reporting by local authorities in order that consistency and comparability are achieved.
Settlement	An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.
Specific government grant	These represent central government financial support towards local authority services, which the Government wishes to target.
Surplus properties	Properties not being used to deliver services but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.
Termination benefits	Termination benefits are payable either because of an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.
Voluntary aided schools	In these schools, all the running costs and most of the building costs are funded by central government via the Council. The remaining building costs are met by the religious body that owns the school land and buildings. The governing body, comprising most governors appointed by the religious body, employs the school staff and sets the school's admission arrangements in consultation with the Council.

Term	Explanation
Voluntary controlled schools	These schools are state funded via the Council. A religious body has some formal influence in running the school, including appointing a proportion of the school governors, and owns the school land and buildings. The Council employs the school staff though, and has primary responsibility for the school's admission arrangements.

Annual Governance Statement

Annual Governance Statement

Introduction

This statement summarises the outcome of Essex County Council's (ECC) review of the governance arrangements that have been in place during 2020/21.

ECC is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local code of governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.

The local code of governance comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which ECC is controlled and governed. This was reviewed in April 2021 in line with current CIPFA guidance and the code of governance external webpage was refreshed at the same time.

The effectiveness of key elements of the governance framework are assessed throughout the year by the Corporate Governance Steering Board, the Audit, Governance and Standards Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior Officers who have responsibility for the development and maintenance of the governance environment, the Head of Assurance's annual report, Service Assurance Statements (completed by all Executive Directors) and from comments received from external auditors and other review agencies and inspectorates.

The review demonstrates that the arrangements provide satisfactory assurance and continue to be regarded as fit for purpose in accordance with the governance framework. Detailed findings are outlined under points 1 – 20 below:

Findings

The findings of this review are outlined under points 1 – 20 below:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

All ECC employees and Members must conduct themselves in accordance with the terms of the Officer Code of Conduct and Member Code of Conduct (part 5 of the Constitution).

All Members have attended training on the Code of Conduct and refresher sessions are offered annually. A session is programmed for May 2021 as part of the induction of all Members, following the May 2021 election.

The Audit, Governance and Standards Committee advises the Council on the local Code of Conduct for Members and promotes high standards of conduct by Members. The Committee's

terms of reference are set out in the Constitution. Records of the Committee's meetings and decisions are available online. One standards complaint was made during 2020/21, but that was not investigated as it was a service complaint.

In December 2020 the Local Government Association published a model code of conduct, following the recommendations of the Committee on Standards in Public Life. A meeting of the Essex monitoring officers concluded that the rules in LGA model code relating to declaring interests were considerably more complex than the current rules and collectively we were unable to recommend adoption. The position is similar to that taken in other areas across the country, though for some councils the LGA model code represents an improvement over their current arrangement. We are in discussion with the LGA about the future of the model code. In March 2021 the Audit, Governance and Standards Committee decided not to recommend to the Council that the model code was adopted.

ECC corporate governance e-learning training includes modules called 'How We Behave' and 'Good Decision Making' which cover the Code of Conduct and other expectations for Councillors and employees. Completion rates for all governance e-learning modules for officers and Members are monitored at Corporate Governance Steering Board.

In May 2016 the Council adopted a Policy that all Members are asked to undergo a Disclosure and Barring Service (DBS) check when elected. This was followed up after the May 2017 elections and subsequently after the by-election in October 2019, and all Members were DBS checked. All Members will be DBS checked again within three months of the May 2021 elections.

ECC has arrangements in place for employees, consultants or contractors to raise any concerns they have in the workplace. The Whistle-Blowing Policy is available for employees online and provides advice and guidance about informal and formal ways to raise concerns relating to possible wrongdoing. An Internal Audit review of the Council's whistleblowing arrangements received an overall assurance opinion of "satisfactory" during the 2020-21 financial year.

An external company called Expolink provides an independent and confidential route for any whistle-blowing allegations from staff and contractors. Any referrals through this route are rigorously investigated through a set process. These arrangements are also covered in the Anti-Fraud and Corruption corporate governance e-learning.

ECC has a strong Counter Fraud Team that supports investigations into allegations and instigates appropriate recovery action where necessary. The counter fraud service was independently audited in 2019/20. The audit's objective was to assess whether the Counter Fraud Team has effective proactive and reactive processes to deter, prevent, detect, and investigate and prosecute, where appropriate, potentially fraudulent and corrupt behaviour. The overall opinion given was Satisfactory Assurance.

All employees must declare any interests in line with the Declaration of Interests Policy, all employees are asked to complete this once a year or whenever their situation changes.

Members are required to register details of Disclosable Pecuniary Interests and a series of interests defined by the Code of Member Conduct. Declarations are required to be completed within 28 days of becoming a member (or being re-elected or reappointed) in the Authority's Register of Members' Interests. This is set out in section 24.6 of the Constitution. In May 2017 ECC moved to an online form to aid efficient reporting of member interests. All registers are published on the Council's website, under the individual Councillor's profile.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

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

The Chief Audit Executive is responsible for providing assurance on internal controls and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud. The Chief Audit Executive is the Head of Assurance.

Each Executive Director is required to complete and formally sign off a Service Assurance Statement (SAS) accompanied by a plan setting out actions to be taken to strengthen any areas of weakness identified. The SAS covers key lines of enquiry on governance arrangements including service planning, budget, people, information, partnerships, risk, business continuity, equalities and health and safety. This gives an overall picture of assurance across the authority.

These Statements were completed in April 2021, collated and analysed. The organisation's 2020/21 Service Assurance Statements returned a **satisfactory overall assessment.** Where necessary improvements have been identified and the relevant directors are responsible for securing remedial action in these areas.

All reports prepared for Cabinet require legal advice to be sought prior to their submission, and all reports to Cabinet or Cabinet Members must incorporate comments from both the Section 151 Officer and Monitoring Officer before they are submitted for consideration. The reports are also considered at a Cabinet Agenda Setting Meeting before the public meeting.

The scheme of delegations to Officers, to committees and to Cabinet Members helps ensure that decisions are not *ultra vires* whilst allowing ECC to exercise its powers in a convenient way.

The Council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on us by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

3. Documenting a commitment to openness and acting in the public interest

ECC's Publication scheme details the different classes of information which ECC routinely makes available and the 'request information' webpage provides guidance for the public about what information is available to them and how they can access it, including via Freedom of Information (FOI), Environmental Information and Subject Access Requests. ECC publishes responses to FOI requests which can be found on the Request information search online.

The ECC website is accessible to a wide audience, with relevant and regularly updated news articles online. ECC's Accessibility Statement can be found online.

Copies of the agendas, documents, minutes and decisions of all Committees, Cabinet and Council are available promptly online and an interactive online calendar of future meetings enables public attendance where appropriate. During 2020/21 we maintained our full programme of meetings on a remote basis. Audio of all Council, Cabinet and most other committee meetings are broadcast live on the website and are available to listen to after the meeting, in the latter part of 2020 and in 2021 we also streamed our meetings live on YouTube, they can be viewed on the ECC Democracy YouTube channel.

ECC publishes data under the Government's Transparency Code including Council spending, Council contracts and senior salaries.

The Vision for Essex, developed with partners and ECC's Organisation Strategy (see section 5) outlines how ECC commits to work in the public interest. ECC's commitment to transparency, as detailed above, enables the public to assess this and they can then use the complaints policy and the consultation process to feedback their views. An Internal Audit review of Complaints Handling in 2019/20 gave an overall opinion of Satisfactory Assurance.

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Communications and Marketing Strategy outlines how ECC communicates with all sections of the community, employees and stakeholders.

A budget consultation was undertaken for 2020/21. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

All communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The constitution allows public speaking on items on the agenda of Cabinet, Scrutiny Committees and Development and Regulatory Committee for public questions to be asked at Full Council. ECC's social media feeds have encouraged people to listen to public meetings as they are simultaneously audio-broadcast online. At many meetings members of the public can ask a question and expect their elected representatives to respond. Within the last few years there has been a steady increase in the number and frequency of questions from members of the public. During 2020-21 all formal meetings were held remotely. We maintained the ability for members

of the public to be able to ask questions during the pandemic on a remote basis and this led to an increase in questions asked. It is likely that we will allow remote questions to continue once we return to face to face meetings.

The Petitions Policy is available online. In 2020/21 ECC received 8 petitions.

ECC proactively engages with communities in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, ethnographic work, workshops and consultation/discussion events.

A group of Officers hold an oversight role for all consultations that ECC is currently undertaking or planning to undertake. They seek to ensure that the consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council's decision making. All consultations are signed off by cabinet Members prior to release.

The consultation portal 'Consultations in Essex' also known as Citizen Space is used by ECC for both public and internal consultations and for truly collaborative partnership consultations, to manage online consultations. There is a list of open and closed consultations and the purpose of each consultation is described so it is possible to take part in those that are open. The contact details of the consultation owners are given so that anyone with a question can contact the owner and there is a 'We Asked, You Said, We Did' section so that citizens can view information about what happened as a result.

ECC has been working collaboratively with adults with an experience of disability to ensue users with disabilities are involved in the design of appropriate services. The new model for engagement is known as 'Collaborate Essex' and provides various channels of engagement that give opportunities to a much wider range of people. This includes new county-wide local learning disability groups called Ability Before Disability (AB4D). These groups are completely user-focused and aim, empower and enable adults with a learning disability and autism to be involved in meaningful engagement activity. There is also A Collaboration In Action Forum, which has representatives across all disabilities, who meet with senior ECC Officers and Members to set a forward plan engagement activity and to discuss issues that are important to people with disabilities across the county. ECC launched the Essex Residents' Panel in 2020/21 which aims to have a representative sample of Essex residents who are looking to take part in research and engagement activities across the council. The panel will provide on-going dialogue and provide insight into ongoing council projects.

ECC also supports young people to provide views through a range of groups including the Young Essex Assembly and the Children in Care Council.

Although the pandemic has affected consultations from a face-to-face perspective, residents have adapted to moving to digital engagement during this period. The Research and Citizen Insight Team have used digital methods to actively seek thoughts and feelings of Essex residents.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

A Vision for Essex called 'the Future of Essex' is available online. The Essex Vision was co-created alongside partners in 2017 and sets out ambitions for the County until 2035. It comprises a set of ambitions which can only be delivered through effective, joined-up partnership. ECC is clear that 'whole system thinking' is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

6. Translating the vision into courses of action for the authority, its partnerships and collaborations

The Organisation Strategy 2017-21 can be found online, this articulates ECC's strategic aims and priorities and integrates the authority's Equality objectives. A new Strategy will be presented to Council in July 2021 in draft form with the input of the administration elected in May 2021. It is expected that it will be presented to Council in October 2021 for final sign-off.

ECC's Organisation Plan and budget 2021/22 was endorsed at Full Council on 23 February 2021.

In addition the Essex Joint health and wellbeing strategy 2018-22 was considered and endorsed by the Health and Well-being Board in July 2018 and at Cabinet in September 2018.

Further detail in terms of partnerships and collaborations can be found in section 20.

7. Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality

Article 5 of the Constitution defines the responsibilities for decision making and the principles in accordance with which decisions must be made.

The Strategy, Insight and Engagement Team provides ECC with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs assessments, as well as enabling the organisation to manage performance, engage with citizens and service users and maintain key business intelligence systems. All reports are reviewed and signed off by the S151 Officer and the Monitoring Officer to ensure the financial impact of any decision is properly recognised before that decision is taken, and the Council's decisions are lawful.

All agendas, minutes and decisions taken by Cabinet Members are available to the public through ECC's website. The online committee management system which ensures easily accessible and

good quality information is always available about decisions and Member meetings, this also ensures that the committee process is efficiently managed.

Reports to Cabinet are considered at an informal Cabinet Agenda Setting Meeting before the formal Cabinet meeting. This allows Members of the Cabinet and the Corporate Leadership Team to review the quality of reports and ensure they are easy for the public to understand before they are formally submitted to a Cabinet meeting.

The Overview and Scrutiny Committees play a key role to inform and challenge decisions carried out within each service. Each Overview and Scrutiny Committee has its own terms of reference and these are set out in the Constitution. All relevant papers can be found on ECC's Committee Management Information System.

ECC intranet pages provide Officers and councillors with access to information about decision making, including an easy to use decision tree on how to make formal decisions. The Corporate Governance E-learning also covers decision making (see section 13).

In 2020/21 248 decisions requiring an Equality Impact Assessment were published of these 243 or 98% had one completed.

ECC has a robust Data Quality Strategy in place, it was reviewed in 2020 in line with the introduction of a new Information Governance Policy Booklet which was designed to streamline the presentation and communication of these policies.

ECC's decision making processes were the subject of an Internal Audit review in 2019, the final report, issued in December 2019 gave a 'Good Assurance' opinion and found that there are good processes in place so that decisions are made in line with the Constitution's requirements of who makes the decision and that such decisions are made openly and transparently with evidence of required consultation and equality analyses.

8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money

The Organisation Performance Report is reviewed by The Corporate Leadership Team (CLT) on a quarterly basis. ECC publishes an annual report which measures progress against the goals set in the organisation strategy. Alongside this ECC publishes the detailed data in the annual performance tables. The 2019/20 report can be found online, and the 2020/21 report will be published later in the year.

Corporate Governance issues are monitored in a quarterly performance report to the Corporate Governance Steering Board. For 2021/22 ECC will be introducing an Organisational Health report, it will set out information on key themes relevant to Organisational Health and Assurance on a quarterly basis. It is intended to be a single, authoritative report setting out key issues for senior officers and members.

Scrutiny plays a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of ECC's objectives and holding Cabinet to account for delivery.

The Procurement Strategy and procedures provide a framework of best practice for all procurement activities which support ECC in achieving value for money and delivering on corporate objectives.

ECC Service Quality has been recognised nationally during 2020/21:

- Essex Libraries Baby and Toddler Rhymetimes won the Highly Recommended Award in the category Best Baby and Toddler group for the Essex Mums Awards in September 2020
- Bronze Winner: Recruitment Team, Large: Inhouse Recruitment Awards
- Gold Winner: Future Talent Initiative: Inhouse Recruitment Awards
- Highly Commended: Inclusion Project 2020: Genius Within
- Highly Commended: Making a Difference, Public Sector 2020, RIDI Awards

9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements

The law and Constitution clearly defines the responsibilities of key member and officer roles.

Part 3 of the Constitution sets out how Councillors' authority is delegated to Cabinet Members and Officers. Chief Officers are in turn responsible for authorising delegations to their Officers. All delegations are updated when roles or structures change.

The protocol on member/officer relations contained within Part 5 of the Constitution further defines the day-to-day roles and responsibilities of Officers and Members.

The Council has Financial Regulations which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review, with the last update approved at Full Council on 11 July 2017.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016), where they do not, explain why and how they deliver the same impact

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief

Financial Officer in 2020/21 was the Executive Director for Corporate Services. The Director, Finance was the deputy Section 151 Officer.

11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function

For 2020/21 the Monitoring Officer was the Director, Legal and Assurance and both the Head of Legal and the Head of Democracy and Transparency were the deputy Monitoring Officers.

12. Ensuring effective arrangements are in place for the discharge of the head of the paid service function

For the year 2020/21 the Head of the Paid Service was the Chief Executive.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Member Development Steering Group takes ownership of Members' development and is responsible for shaping the Member Development Strategy and Programme. ECC has held Member Development Charter Plus status since November 2014, this was reaccredited in March 2018 and, more recently, ECC passed a mid-point review in September 2019.

Following elections in May 2017 all Members were asked to complete a personal development planning questionnaire and then supported in developing a Personal Development Plan. By March 2018 87% of Members had a Personal Development Plan in place. Members were offered a comprehensive Induction after the May 2017 Election and there are regular briefing and development sessions throughout their term of office. This will be replicated following the May 2021 elections. Throughout 2020, member development continued to be delivered to support the development needs of Members, this took place on a virtual basis.

Throughout 2020, ECC continued to build on the strong foundations of the People Plan which was launched in November 2018, this workforce strategy sets out how ECC will build employee capability, skills and culture for the future. The People Plan is a key building block of the Organisation Strategy and will help ensure ECC achieves the strategic priority to transform the council to achieve more with less. A key strand of this plan is enabling growth and development which focuses on three areas:

- Management and leadership development
- Learning organisation
- Career development

ECC has updated the leadership and management development framework and is currently developing the learning to support the key skills and capabilities identified within it. My Learning continues to flourish, with new content to reflect the requirements of ECC's ever changing

context, for example; to support a working environment where people feel able to contribute their thoughts and ideas.

ECC have successfully moved all learning opportunities to the virtual environment. These have included senior leadership briefings, corporate onboarding sessions, management development sessions, on demand resources aimed at supporting managers and leaders to manage remote teams. ECC also ran a dedicated learning campaign centred on remote working in the summer of 2020 and delivered LearnFest 2020 in the autumn as a fully virtual festival, where one of the four key elements focused on re-imagining leadership in this new, hybrid-working world.

ECC has also focused on embedding its approach to Performance Development. The focus has been on ensuring that regular, flexible and meaningful check-in conversations take place a minimum of every eight weeks – either virtual or physically in person, where restrictions have allowed. The four key elements of the conversation are: performance, wellbeing, development and two-way feedback. ECC has made available to all employees learning and development opportunities, such as workshops and bite-sized webinars, to help ensure both parties share accountability for ensuring these conversations are effective. There has been a broader offer for those with line management responsibilities. The My Performance Development system, as part of Cornerstone on Demand, has been introduced to enable employees and their line managers to capture key points and actions from the check-in conversations.

Finally, ECC is currently developing its approach to succession and talent management with a high-level strategy agreed and elements being tested with individual functions and services. This activity will continue throughout the year with overall delivery expected in the second half of 2021. The approach combines robust methodology with the functionality provided through Cornerstone on Demand and is integrated with approaches to performance development and the leadership and management development framework.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

ECC's Risk Management Strategy was fully reviewed and refreshed and approved at Audit, Governance and Standards Committee in March 2021. It is available to staff with an accompanying Risk Management Toolkit and these are reviewed at least annually to ensure they remain fit for purpose. Training on risk management is provided on request

Comments on the effectiveness of the Council's risk arrangements are included in the Head of Assurance Annual Report which is presented to the Audit, Governance and Standards Committee in June 2021. The Internal Audit review of the Council's risk management arrangements for 2020/21 received a Satisfactory Assurance opinion.

ECC has a corporate risk management system that records both strategic and service risks and the assigned owners. The system provides automated prompts to risk owners for updates to recorded risks.

A Strategic Risk Report is formally considered monthly by the Corporate Leadership Team where they consider current and emerging risks and issues and determine appropriate action. This report is informally discussed by members of the Audit, Governance and Standards Committee.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

ECC has a dedicated Counter Fraud Team within the Assurance Service. The Counter Fraud Team have undertaken proactive prevention and detection work, including participation in the National Fraud Initiative (NFI), data matching exercises with other Essex authorities and internal data matching exercises. The team also deliver directed fraud awareness training in addition to the mandatory Corporate Governance e-learning modules which includes Anti-Fraud and Corruption and Anti-Bribery and Money Laundering.

An external company called Expolink provides an independent and confidential route for any whistle-blowing allegations from staff and contractors. Any referrals through this route are rigorously investigated through a set process.

A total of **159** referrals have been received and investigated by the Counter Fraud Team during 2020/21.

The Audit, Governance and Standards Committee received quarterly updates in respect of counter fraud activity and a summary is included in the Head of Assurance Annual Report.

The Council's counter fraud arrangements have been assessed against the CIPFA Counter Fraud Code of Practice and the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

16. Ensuring an effective scrutiny function is in place.

Essex County Council has four policy and scrutiny committees. In addition, there is currently one Joint Health Overview and Scrutiny Committees (JHOSC), looking at proposals arising from local Sustainability and Transformation Plans, with Suffolk County Council. Details of the previous Joint Health Scrutiny Committees can be found online.

Three of the policy and scrutiny committees are chaired by the governing administration. The Corporate Policy and Scrutiny Committee is chaired by the Leader of the largest opposition group. Each of the Committees has two vice-chairmen, one opposition member and one administration member.

Induction, training and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles. In anticipation of the election to take place in May 2021 a robust induction is being planned. Following discussion and feedback from Members this will be structured differently from the induction offered following

the election in 2017, with introductory sessions covering the fundamentals of the scrutiny function itself, and later sessions then focussing on the remits and responsibilities of the individual scrutiny committees. It is intended that this approach will enable the committees to get up to speed more quickly and therefore commence their work programmes earlier. Sessions will be open to all Councillors, whether or not they are new or serving on a committee, to also act as a refresher for those with current or previous experience.

The Chairmen of the four committees (and the Chairman of the Audit, Governance and Standards Committee) meet as the Scrutiny Board on a bi-monthly basis, to oversee the coordination of scrutiny activity, consider its development strategically and share best practice.

There is close working between committee Chairmen, Vice-Chairmen and their cabinet counterparts, with meetings scheduled on request to discuss key areas of work and direction. Scrutiny Members are involved in influencing policy development (pre-decision scrutiny) and well as post decision scrutiny.

In 2020/21 scrutiny in ECC was supported by Officers within Democratic Services and the Head of Democracy and Transparency was the Statutory Scrutiny Officer.

It is of great credit to both Members and Officers that the scrutiny function continued uninterrupted throughout the disruption caused by the pandemic, commencing in March 2020. Members and Officers were quick to embrace remote working solutions and public access to meetings was effectively continued. Two significant pieces of work were completed by Task and Finish groups in addition to the regularly scheduled formal committee meetings and ad hoc briefings. At all times the impact of the pandemic on frontline staff was considered when Committees and working groups made requests for information and great care was taken not to unduly add to this burden.

More detail on the work of Scrutiny can be found in the Scrutiny Annual Report, the 2019/20 report can be found online and the 2020/21 report will be published with the Annual Council meeting papers in May 2021.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The role of the Chief Audit Executive was fulfilled by the Head of Assurance during 2020/21. The Head of Assurance also has responsibilities for other operational services including Health & Safety, Risk Management, Insurance, Counter Fraud, Emergency Planning and Resilience. The arrangements for ensuring independence were outlined in the Audit Charter which was reviewed, updated and presented to the Audit, Governance and Standards Committee in March 2021.

Assurance arrangements for 2020/21 conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The UK Public Sector Internal Audit

Standards (PSIAS) provide clear standards for internal audit which ECC complies with. ECC undertakes an annual self-assessment against the standards and had an external review carried out by CIPFA in 2018 which demonstrated compliance with the Standards in all material aspects.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

The Audit, Governance and Standards Committee has undertaken the key functions required of it by the Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees. The Audit, Governance and Standards Committee's role and purpose is set out in Articles of the constitution.

The Committee continues to have a close working relationship with the internal and external auditors and has played an active role in relation to counter-fraud, as stated above.

The Committee met five times during the 2020/21 financial year, in public. Their work has included receiving internal audit and counter fraud progress reports, including detail of all Limited Assurance reviews from the Head of Assurance and the extent to which remedial recommendations have been implemented. In July 2020 it approved ECC's 2019/20 Statement of Accounts.

All recommendations arising from internal audit activity are tracked with monthly automated emails sent to owners of recommendations to request status updates via a web-based system. Summary reports on outstanding recommendations are presented to Audit, Governance and Standards Committee. The Corporate Governance Steering Board also monitor implementation of recommendations as one of their indicators of effective organisational governance. This provides good accountability and visibility of Internal Audit recommendations.

All reviews with a 'No' or 'Limited Assurance' opinion are also subject to a follow-up audit review. During 2020/21 for any reviews receiving limited assurance the relevant Officers from the service area reviewed were invited to Audit, Governance and Standards Committee to give an overview of the issues raised and actions agreed to remedy them. (There were no 'No Assurance' reviews in 2020/21)

In 2019 the Audit, Governance and Standards Committee agreed to commission CIPFA to support the Committee to undertake a review of its effectiveness. During 2020 an action plan was agreed and all actions completed within the 2020/21 financial year, with the exception of a skills audit which was deferred until after the May 2021 election, this included appointing an independent member to the Committee and the Committee now produce an annual report on their activities.

In 2020 the Redmond Review was published. This made a number of recommendations, three of which were addressed to Local Authorities. The implementation of these recommendations was completed in May 2021 when the annual audit letter was presented to the Annual meeting of the Council.

19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The Chief Accountant and the Chief Audit Executive meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided. Quarterly meetings are also held with the S151 Officer to review the audit plan and key recommendations.

The external audit of the 2019/20 financial year took place within 2020/21. Although completion of the audit was delayed, BDO LLP, the external auditors, were clear that they received good support from the Council and the principal reason for the delay was the pandemic and working remotely.

20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures

Essex is committed to a shared vision called 'the Future of Essex' which comprises a set of ambitions which can only be delivered through effective, joined-up partnership. As a Council we are clear that 'whole system thinking' is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

Governance of our shared vision is the responsibility of the Essex Partners Board, who meet at least three times per year to steer the work of partners together to deliver shared priorities for Essex communities. The Essex Partners Board directs and oversees progress on, strategic plans which influence the decisions made to shape the future direction of policy and the provision of services within the county. Over the last year the Essex Partners have worked to refocus their priorities for the short term focusing in on the ambitions that will have the greatest impact on recovery from the pandemic. The ambitions of sharing prosperity with everyone, providing and equal foundation for every child, and strengthening communities through participation will form the core of the boards work over the next 12 months.

In addition Essex Partners will continue to support a culture of system learning and in place of the Essex Assembly previously held twice per year, the partners will oversee a series of virtual learning events bringing together local and national best practice to support whole systems working.

Essex Partners and the Essex Health & Wellbeing Board are supported by Essex Strategic Coordination Group, who coordinate action responding to priorities identified by partners and partnerships across the whole Essex system. This year we have also put in networks aligned to the priorities of Essex Partners to help support co-ordination at an operational and project delivery level. These networks will provide greater join up between the shared vision and the activity we take forward as organisations individually and collectively.

The County Council is the accountable body for the South Essex Local Enterprise Partnership (SELEP), SELEP became a limited company as of February 2020. An ECC Internal Audit of SELEP

received Good Assurance in 2021, it concluded that governance arrangements and decision making, financial and project management processes are designed and working satisfactorily. No recommendations were made.

Each of the three Essex-based sustainability and transformation partnerships (STPs) has now been designated by NHS England as an integrated care system (ICS).

Each ICS has an independent Chair, their role is to chair the partnership board meetings, to help local systems develop their visions and strategies, and to informally hold organisations to account for their commitment and collaborative working within the STPs. Each ICS is a member of, and reports to, the Essex Health and Wellbeing Board.

Each ICS has a single accountable officer who oversees the clinical commissioning groups. This means there is a single accountable officer for Hertfordshire and West Essex; for Mid and South Essex (including Southend and Thurrock); and for Suffolk and North East Essex.
Each ICS has also established local partnerships or alliances that bring together local government, primary, secondary and acute health services, and the voluntary and community sector. The NHS has appointed local managing directors for each alliance/partnership – for clarity, these are the Mid Essex Live Well Partnership; the North East Essex Alliance; the One Health and Care Partnership in West Essex; the South East Essex Alliance (covering Castle Point, Rochford and Southend); the South West Essex Alliance (covering Basildon and Brentwood); and the Thurrock Alliance.

During the COVID-19 pandemic, all Essex-based NHS and local government partners have worked collaboratively together through the Essex local resilience forum and also through a dedicated tactical co-ordination group for health and social care. ECC, Southend and Thurrock and NHS partners have also established a capacity planning group, where demand pressures and forecasts can be understood and responded to.

The Government has published a white paper in February 2021 indicating an intention to pass legislation in 2021 to make the ICS's statutory from April 2022. This would abolish the existing clinical commissioning groups and replace them with a new statutory NHS ICS body and a new statutory ICS Health and Care Partnership Board, which NHS, public health and social care would need to have regard to. It is expected that health and wellbeing boards will it alongside the proposed statutory health and care partnership board.

The Essex Health Overview Policy and Scrutiny Committee (HOSC) receives regular updates from the three ICS's and also has established joint working with neighbouring HOSCs when an issue has crossed local authority boundaries.

As part of the Better Care Fund (BCF), ECC has established pooled funds with the five clinical commissioning groups in Essex. The BCF is "owned" by the Health and WellBeing Board (HWB) on behalf of ECC and the five Clinical Commissioning Groups (CCG), NHS England require that it is approved by the HWB before submission. BCF is also approved by Cabinet and the individual CCG

Boards. ECC are the administrative body for the BCF. An Internal Audit of the arrangements in 2021 received a Good Assurance opinion

Head of Assurance Opinion

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

The Head of Assurance Annual Report provides a summary of the activity used to support this opinion is published in June 2021.

External Audit

The External Auditors BDO LLP provided an unqualified opinion on the 2019/2020 financial statements. This was reported to the Audit, Governance and Standards Committee in 2020. The external auditors for the 2020/21 financial year remains BDO LLP.

External inspections

None during 2020/21.

COVID-19 Response

The Coronavirus had a significant impact on ECC operations throughout 2020/21. ECC has chosen to respond in a different way to many local authorities. In particular:

- Decision making arrangements were maintained in their current format. A policy decision was taken that ECC would not delegate more powers to officers. This has led to:
  - Strong member engagement in the decisions that the Council has had to take in response to the pandemic including
    - Decisions to close and re-open services
    - Funding decisions
    - Allocation of government funding
    - Support for social care
  - The Council has not suspended its programme of meetings.

    ECC missed one cycle of scrutiny meetings, but otherwise scrutiny activities were able to continue, albeit in a way which had regard to the pressures of the rest of the authority.

- The Council relied upon the willingness of the Leader of the Opposition, in his capacity of Chairman of the Corporate Policy and Scrutiny Committee to
  - Receive abridged notice of urgent key decisions
  - Agree that very urgent key decisions could be taken without being on the forward plan
  - Exempt urgent decisions from call-in

Anecdotally we are aware of reports that members of other authorities have become less involved in their authority during the pandemic. That is not the experience of members of Essex CC. Members have continued to lead and be extremely engaged in the running of key public services and the organisation.

Remote meetings were a success. Members engaged well with remote meetings which led to an increase in attendance at meetings by members and an increased interest in meetings from members of the public and from the media.

Whilst the Council would want to hold face to face meetings where appropriate, it had hoped to be able to continue with the remote meetings in some cases – for example short meetings of minor committees where possible given the environmental, financial and time savings. Members are disappointed that the Government did not legislate to extend the powers notwithstanding that it has the power to make regulations.

ECC has produced a COVID-19 risk register to ensure risks and issues are properly considered and at the time of writing the Council continues to assess the longer-term governance issues associated with the impact of the pandemic such as financial resilience, pausing of certain projects and long term home working. From mid May 2020 ECC began carefully moving forward with a recovery plan, initially with the re-opening of Recycling centers and County Parks. Whilst most services reopened by the end of the summer, the second wave led to things being closed during the third national lockdown.

Essex has acted as a community leader during the pandemic with the Director of Public Health becoming a trusted source of advice to our residents. Increasing case numbers in October 2020 led to Essex brokering support from council leaders to increase the restrictions in Essex from 'tier 1' to 'tier 2'. This led to challenging correspondence from some members of the public but Essex's move into tier 2 was shortly superseded by the second national lockdown during November 2020.

During Summer 2020 Essex supported colleagues in district authorities to protect public health by issuing warning letters of directions under the Health Protection (Coronavirus, Restrictions) (No 3) (England) Regulations 2020. Five formal directions were issued. These directions were allowed to lapse when the lockdown started. In other cases the warning of a direction was sufficient to secure the necessary compliance.

Information Governance

There were three decision notices received in 2020/21 from the Information Commissioner's Office (ICO) regarding complaints made to them about ECC compliance. All were Environmental Information Request related. Two were not upheld (i.e. ECC had been found not to have breached the

law), and one was confirmed as upheld. The upheld complaint required ECC to disclose information that it had previously withheld, no further action was required for the remaining notices. None resulted in monetary penalties or enforcement action.

ECC also received one ICO complaint relating to Subject Access Requests for which we await an ICO decision.

The Council has not recorded any major security incidents this year. However, there was one incident involving an ECC staff member who used a third-party system (Searchlight) to look up sensitive information about themselves and their family member. The Department of Work and Pensions (DWP) suspended access to the ECC user's account for six months as the agreement in place was breached. If any more inappropriate use is detected this could cause further action taken against ECC. This may include ECC's access to this system being revoked. Further action is being taken to ensure all users are aware of their responsibilities when using this system to avoid the possibility for further action being taken.

The average monthly performance in responding to statutory requests under FOI/EIR has met the corporate target during 2020/21 at 90%. The average monthly performance in responding to statutory requests under GDPR (SAR) has exceeded the corporate target at 91%. This is a 14% improvement in performance from 2019/20. All other individual rights requests were dealt with in the statutory timeframe. This is monitored by the Corporate Governance Steering Board on a quarterly basis.

COVID-19 did impact Information Governance activity, this included the rollout of the Information Governance eLearning. This will now be released in Q1 of 2021/22 as part of the Corporate Governance training modules. This course has been updated and redesigned to combine the two existing GDPR modules into one interactive module. This now focuses on the safe handling and protection of personal information that is necessary for our staff to know.

All our information policies have been reviewed and combined into one information policy booklet which allows staff to search for the information and guidance they need. We have redeveloped our communication plan and procedure, working with the Communications Team to ensure monthly Information Governance communications are provided to Council staff to increase their knowledge and awareness.

We continue to improve our compliance with the requirement to delete data as soon as it is no longer required. We have decommissioned and deleted data held within legacy social care systems, which has greatly improved our compliance. However, further work in this area will continue throughout 2021/22.

The Data Security and Protection Toolkit 2019/20 was successfully submitted in August 2020, all standards were met, the submission was moved to September due to the COVID-19 pandemic. The 2020/21 toolkit is now due to be submitted in June 2021, the Council is on track for another successful submission.

Local Government and Social Care Ombudsman (LGSCO)

Between 1 April 2020 to 31 March 2021 Essex County Council received 111 contacts from the Local Government and Social Care Ombudsman (LGSCO). From the 111 contacts received, 34 escalated to formal investigation and from outcomes received to date 17 cases were upheld with two relating to Adult Social Care, five for Children and Families, one Passenger Transport, five School Transport and four about Special Education Needs. As a result of COVID-19, in March 2020 the Ombudsman suspended all casework activity that demanded information from, or action by, local authorities and care providers to allow those organisations to concentrate on their response to the crisis. The Ombudsman resumed with all existing casework and new complaints in June 2020.

Health and Safety

There has been one improvement notice served, under health and safety legislation, against the Council during the financial year 2020/21. This was in relation to an incident that took place in July 2018. The incident related to a breach of the Control of Asbestos Regulations 2012. This has resulted in Fee for Intervention (FFI) totalling **£12,430.90**. There has been no further communication from the HSE on this matter since November 2020.

ECC also responded to two other matters that occurred in previous years. In Jan 2019 a member of staff was knocked unconscious by a pupil. In February 2021, the HSE invited ECC to provide written submissions under caution prior to them taking enforcement action, ECC responded on 26 April 2021. This has resulted in an FFI totalling **£17,699.50**.

Another incident occurred in August 2017 when a school used a contractor, who was not gas safe registered, to undertake work refurbishing a gas boiler for their swimming pool. This case has now been closed but resulted in an FFI totalling **£3,389.90**.

So far, these three incidents have cost **£33,490.30**.

ECC Owned Companies

ECC has interests in and is involved in companies for many different reasons. For example, to trade services for profit or to set up a joint decision-making forum with partners. The Council has adopted company guidance which sets out requirements about creating new companies or joining a new company. The creation of an ECC company is a significant step. No ECC company may be created or dissolved without a formal decision of the Cabinet or the Leader. ECC has a Shareholder Board chaired by the Leader which oversees relationships with ECC companies, delivery of each ECC company's business plan, performance, financial issues, investments and governance arrangements.

Name and date of incorporation	Type of Organisation/ ECC Involvement	Main Objective	Company Directors/ Secretaries Connected with ECC	Board Minutes published
Active Essex 21 April 2016	Charitable incorporated organisation. ECC is a subscriber, entitled to appoint one director. ECC provides support to the organisation but does not own shares or have any proprietary interest in the body.	To make sport and physical activity accessible to all Essex residents	Cllr Ray Gooding	CMIS
Essex Cares Limited 14 October 2008	Private limited company. ECC is sole shareholder with the right to appoint one director. Key company activities require the approval of ECC as shareholder ECL has four subsidiary companies.	To deliver high quality community support services to vulnerable, disabled, disadvantaged and elderly people in the community to help them live independent lives	Essex Legal Services Limited (Secretary) Cllr Ian Grundy is a director of the company	ECL's Website
Essex Housing Development LLP 26 August 2020	LLP - constitution is set out in the LLP Agreement between ECC, Seax Trading Limited and Essex Housing Development LLP. The LLP does not have its own staff and ECC seconds staff to it. ECC may transfer land to the LLP for development	To develop housing, which will deliver economic growth for the benefit of the area or persons resident or present in the Essex area. Following development of the schemes, the LLP will either sell the units on the open market or rent them out	Essex Legal Services Limited (Secretary)	

Name and date of incorporation	Type of Organisation/ ECC Involvement	Main Objective	Company Directors/ Secretaries Connected with ECC	Board Minutes published
Essex Legal Services Limited 3 December 2009	Private limited company by shares. ECC is the only shareholder. The company does not have its own staff and ECC seconds staff to it.	To provide legal services. It provides legal services for customers when ECC is unable to act.	Katie Bray, Joanna Gent, Julie Roberts are directors	CMIS
Essex Trade and Investment Ltd 9 June 2009	Company is limited by guarantee and has no share capital. ECC is the only member of the company. The company does not have its own staff and ECC seconds staff to it as required.	The purpose of the company is to promote commerce, science, art, education, religion, charity or any profession and to promote social, political or sporting activity	Peter James Manning	CMIS
Medtech Accelerator Limited 24 June 2016	Private limited company. ECC is a minority shareholder	The Medtech Accelerator will provide initial proof of concept support funding to NHS organisations with the aim of developing commercial companies to deliver innovative clinical products to market	Nicole Wood is a director appointed by ECC.	
Seax Trading Limited 10 January 2017	Private limited company. ECC is the only Shareholder. The company does not have its own staff and ECC seconds staff to it as required. Seax Trading Limited is a member of the Essex Housing LLP	This is a general trading company. At present it mainly undertakes environmental consulting for other organisations when ECC is unable to do the work directly. It is also a member of Essex Housing LLP	Tina French is director.	CMIS

Annual Governance Statement

Governance Issues

In summer 2021 we became aware that an Essex district council had issued an application in court proceedings in the name of ECC without any authority. Although there were existing court proceedings issued in the joint names of the County Council and the district council, ECC had not authorised this application to be issued. Although an officer of the district council had spoken to an officer of ECC outside the legal department, it was not made clear that an application would be issued by ECC. The officer of the district council apologised for this. We have put actions in place to stop this recurring.

Previous Governance Matters Arising

All actions identified in the 2019/20 Annual Governance Statement have been adequately addressed, with implementation being reviewed by the Corporate Governance Steering Board. Areas where actions are ongoing have been updated in the table below.

Action Plan

We do not consider that there have been any significant governance issues arising in 2020/21. However, the actions detailed below are in place to maintain good governance arrangements throughout 2021/22.

Subject	Action(s)	Responsible Officer	Target completion date
Standards	Monitor progress on implementation of the recommendations for the Committee in Standards in Public Life. Currently awaiting a formal response from government on the recommendations.	Monitoring Officer	Ongoing
Assurance	Implement actions identified as part of the 2020/21 Service Assurance Statement process.	CLT	March 2022

We have been advised on the outcome of the result of the review of the effectiveness of the governance framework and consider that the arrangements provide satisfactory assurance and continue to be regarded as fit for purpose in accordance with the governance framework. We are committed to monitoring the implementation of the action plan, via the Corporate Governance Steering Board, as part of the next annual review.

Cllr Kevin Bentley
(Leader of the Council)

Gavin Jones
(Chief Executive)

Independent Auditor's Report

To be added upon conclusion of the external audit

Agenda item 4

AGS/02/24

Report title: 2020/21 Audit Completion Report for Essex County Council	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 25 January 2024	**For**: Noting
Enquiries to Nicole Wood, Executive Director, Corporate Services email nicole.wood@essex.gov.uk or Christine Golding, Chief Accountant email christine.golding@essex.gov.uk	
Divisions affected: All Essex	

1. Executive summary

1.1 The External Auditor's Audit Completion Report for the Council, as appended, summarises the findings from the 2020/21 audit.

1.2 The Audit Completion Report include messages arising from the audit of the Council's financial statements.

1.3 The Committee must consider the matters raised in the Audit Completion Report before approving the 2020/21 Statement of Accounts (which are presented elsewhere on the agenda).

2. Recommendations

2.1 None – the report is for information only.

3. Background and proposals

3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Office (NAO) Code of Audit Practice 2020.

3.2 The NAO Code of Audit Practice requires BDO to report to those charged with governance – the Audit, Governance and Standards Committee – on the work they have carried out to discharge their statutory audit responsibilities.

3.3 The attached report summarises the findings from the audit of the Council's financial statements for 2020/21 which, at the time of writing this report, was nearing completion.

3.4 BDO provide commentary on the results of the work undertaken to assess our arrangements to secure value for money in our use of resources in their **Auditor's Annual Report**, which is presented elsewhere on the agenda.

3.5 BDO welcome the opportunity to discuss this report with the Committee.

4. Policy context and Outcomes Framework

4.1 The Audit Completion Report presents BDO's opinion on the Council's Statement of Accounts.

4.2 The Statement of Accounts provides a financial representation of activities against the Organisation Strategy.

5. Financial Implications

5.1 The audit completion report includes a summary of the fees payable by the Council in relation to the audit of the Council's financial statements for 2020/21.

6. Legal Implications

6.1 This report forms part of the statutory external assurance framework regulated by the Local Audit and Accountability Act 2014.

7. Staffing and other resource implications

7.1 There are no staffing or other resource implications associated with this report.

8. Equality and Diversity implications

8.1 There are no equality and diversity implications associated with this report.

9. List of appendices

9.1 2020/21 Audit Completion Report for Essex County Council.

10. List of Background Papers

10.1 None

Report to the Audit, Governance and Standards Committee

ESSEX COUNTY COUNCIL

Audit Completion Report: year ended 31 March 2021

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BDO

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WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit, Governance and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit, Governance and Standards Committee. It is essential that we engage with the Audit, Governance and Standards Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit, Governance and Standards Committee meeting on 25 January 2024 and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

David Eagles, Partner
For and on behalf of **BDO LLP**, Appointed Auditor

17 January 2024

David Eagles
Engagement Partner

m: 07918 601951
e: david.eagles@bdo.co.uk

Barry Pryke
Senior Manager

t: 01473 320793
m: 07583 032401
e: barrry.pryke@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit, Governance and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the results of the audit of the financial statements of the Group for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

At the date of issuing this Report, our audit work on the financial statements is substantially complete.

Residual outstanding completion matters are listed on page 35 in the appendices.

We presented our Audit Planning Report to the Audit, Governance and Standards Committee in March 2021. We have added one additional significant risk, relating to the valuation of infrastructure assets. There have been no other significant changes to the planned audit approach or significant audit risks identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the Council's single entity financial statements.

We have no exceptions to report respect of the Council's value for money arrangements.

We will issue our certificate alongside the opinion on the financial statements.

THE NUMBERS

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Final materiality

Group materiality was determined based on gross expenditure.

Changes were made to planning materiality to reflect actual gross expenditure recognised in the statement of accounts presented for audit. The percentage threshold applied remained at 1.75%.

It should be noted that group materiality was set at the same percentage threshold as that for the single entity (i.e. the Council). The monetary threshold (£38.4m) is almost identical, reflecting the limited impact the consolidation of Essex Cares Ltd and Essex Housing Development LLP has on gross expenditure once inter company transactions are eliminated on consolidation, but has been set marginally higher than for the single entity.

Material misstatements

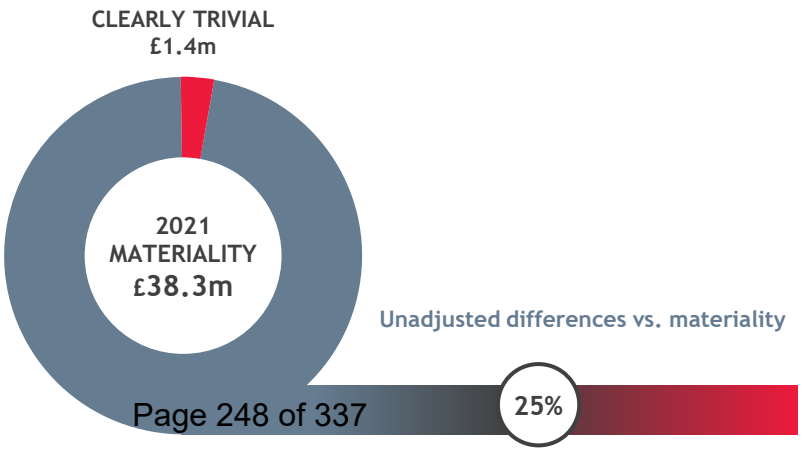
Our work has not identified any material misstatements.

Unadjusted audit differences

We identified three audit adjustments (one brought forward from 2019/20 and two identified in 2020/21) that, if posted, would increase the surplus on the provision of services for the year by £10.081 million. Further details are included on page 19.

Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.



OTHER MATTERS
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Financial reporting

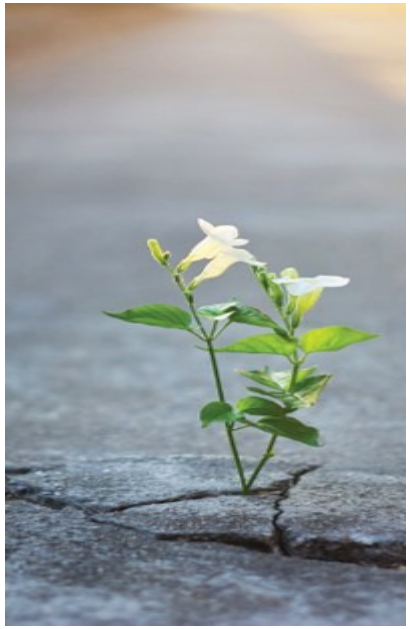
- We have not identified any non-compliance with Group accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, or with the retrospective elements relating to infrastructure included within the 2021/22 Code.
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement complies with relevant guidance and is not inconsistent or misleading with other information we are aware of.

Other matters that require discussion or confirmation

- Control deficiencies identified in relation to IT general controls, including:
  - Proactive monitoring of login activities performed by privileged users
  - Administration level access granted to individual whose job role did not require it
  - Absence of database monitoring in the social care finance application
- Confirmation on fraud, contingent liabilities and subsequent events
- Letter of representation

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



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As identified in our Audit Planning Report dated 10 March 2021 we assessed the first six matters listed below as being the most significant risks of material misstatement in the financial statements. We have since added the Valuation of Infrastructure assets.

These are the risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	Yes
Revenue recognition	Significant	Yes	No	No	No	No
Expenditure cut-off	Significant	No	No	No	No	No
Valuation of land, buildings and investment properties	Significant	Yes	Yes	No	No	Yes
Valuation of pension liability	Significant	Yes	Yes	No	No	Yes
Waste treatment plant PFI	Significant	Yes	No	No	No	Yes
Valuation of Infrastructure assets	Significant	Yes	Yes	No	No	Yes

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation; determined key risk characteristics to filter the population of journals; and used our IT team to assist with the journal extraction
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our audit procedures on journal entries are complete and we have no matters to report.

Our review of estimates and judgements applied by management, focused on bias, is complete and we have no matters to report.

Our review of the unadjusted audit differences reported on page 19 and 20 has not identified any indication of bias or deliberate misstatement.

Discussion and conclusion

Our audit work has not identified any issues.

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REVENUE RECOGNITION

Auditing standards presume that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition (primarily through the manipulation of financial reporting) to be in respect of the accuracy and existence of revenue grants subject to specific performance conditions.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to supporting documentation from grant paying bodies and checked whether recognition criteria have been met.

Results

Our audit procedures relating to grant income subject to specific conditions are complete. We have no matters to report.

Discussion and conclusion

Our audit work did not identify any issues.

EXPENDITURE CUT OFF

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For public sector bodies the risk of fraud related to expenditure is also relevant.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

For net-spending bodies in the public sector, there is a risk of fraud related to expenditure. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

Work performed

We carried out the following planned audit procedures:

- Checked that expenditure is recognised in the correct accounting period by substantively testing a sample of expenditure around year-end.

Results

Our audit procedures relating to expenditure occurring round the year end are complete. We have no matters to report.

Discussion and conclusion

Our audit work did not identify any issues.

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VALUATION OF LAND, BUILDINGS AND INVESTMENT PROPERTIES

The valuation of land, buildings and investment properties is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

Local authorities are required to ensure that the carrying value of land and buildings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

The Council applies a five-year rolling revaluation programme to its land and buildings, with surplus assets and investment properties revalued annually. A market review is performed at the end of the financial year to determine whether material movements may have occurred since the valuation date. Property revaluations and the market review are undertaken by the Council's external property advisors.

Due to the significant value of the Council's land, buildings and investment properties, there is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we could rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage;
- Reviewed accuracy and completeness of information provided to the valuer, such as rental agreements and floor areas;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets;
- Followed up valuation movements that appeared unusual; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remained materially correct.

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VALUATION OF LAND, BUILDINGS AND INVESTMENT PROPERTIES

The valuation of land, buildings and investment properties is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Results

Our audit procedures relating to the valuation of land, buildings and investment properties is complete.

The instructions provided to the valuer were consistent with our expectations and we concluded that we were able to rely on the management expert.

The basis of valuation for assets valued in the year was appropriate. We have no matters to report regarding inputs into the valuations.

We confirmed that the assumptions used by the valuer were consistent with our expectations.

Where valuation movements for individual properties were outside of our expected range, we reviewed property specific inputs to confirm that the valuation movement was supported and, where appropriate, corroborated these inputs to supporting evidence.

We have confirmed that the Council undertook a review of properties not captured by the in year valuation programme and, where appropriate, applied indexation to ensure values reported at the balance sheet date are materially correct.

Discussion and conclusion

Our audit work did not identify any issues.

VALUATION OF PENSION LIABILITY

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

The valuation of the pension liability is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls in place for providing accurate membership data to the actuary;
- Contacted the pension fund auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Checked that any significant changes in membership data has been communicated to the actuary.

Results

Our audit procedures on the valuation of the pension liability are complete and we have no matters to report.

The disclosures in the financial statements agree to the information provided by the pension fund actuary. We concluded that we were able to rely on the management expert.

We have reviewed the reasonableness of the assumptions used by the actuary in the calculations and have no matters to report.

We have reviewed the controls in place for providing accurate membership data to the actuary and have no matters to report.

Discussion and conclusion

Our audit work did not identify any issues.

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WASTE TREATMENT PLANT PFI

There is a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

The Council was party to a PFI arrangement for the design, construction and operation of a waste treatment plant. As disclosed in the Council's previous years' Statements of Accounts, construction of the plant commenced in May 2013 and achieved the Readiness Date in November 2014. The Facility remained in the commissioning phase and the contractual long stop date has passed. The Council and operator of the facility were utilising contractual and dispute mechanism to resolve issues which occurred during the commissioning phase.

There was a risk that assets and liabilities associated with the Waste Treatment Plant PFI are treated incorrectly in the Council's accounts.

Work performed

We carried out the following planned audit procedures:

- Confirmed that the Council's accounting treatment of the arrangement is consistent with the terms set out in the contract and the requirements of CIPFA's Code of Practice on Local Authority Accounting; and
- Considered the basis for any judgements made by management in determining the treatment of the assets and liabilities associated with the arrangement.

Results

In the prior year, as reported in our 2019/20 completion report, we concluded that the Council's accounting treatment of the arrangement was consistent with the terms set out in the contract and the requirements of CIPFA's Code of Practice on Local Authority Accounting.

Our procedures have not identified any matters which are indicative of the need to amend the accounting treatment applied in previous years. We have reviewed the disclosures made in respect of contingencies and have concluded that they are not inappropriate.

We held discussions with the Council's legal team and did not identify any issues which impact the above assessment.

Discussion and conclusion

Subsequent to the year end, although the contract remains in place, it was amended to reflect a settlement being reached between the parties, following acknowledgement by UBB (Essex Waste) Ltd that the Facility did not meet the contractual specifications.

This amendment represents a non-adjusting post balance sheet event (PBSE). Consequently, the original contingent liability disclosures as at 31 March 2021 will be retained, but referenced to PBSE disclosures.

Our audit work has not identified any other issues.

VALUATION OF INFRASTRUCTURE ASSETS

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There is a risk that the value of Infrastructure assets in the Council's accounts is materially misstated.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Significant control findings to be reported	
Letter of representation point	■

Risk description

The Council is designated as a Highways Authority under the Highways Act 1980 and is responsible for managing and maintaining public roads within its boundary (except for those which are part of the Strategic Road Network, primarily motorways and major A roads). In fulfilling its responsibilities under the Highways Act 1980, the Council incurs capital expenditure on items such as roads, footways, bridges and street furniture. This expenditure is recognised on the Council's balance sheet as property plant and equipment and is classified as infrastructure.

In common with other infrastructure holding councils, Essex records, and holds records on, spend on infrastructure on a project basis rather than at a granular separable asset or specific location basis. This position means that when assets are replaced/ refurbished and/or wholly taken out of use, it is not possible to identify the relevant cost or accumulated depreciation of the assets that should be de-recognised. Consequently, gross cost and gross depreciation will be overstated, and this is expected to be material.

Further, if assets are replaced sooner than their estimated useful economic lives, then there would be a residual net book value impact. This exposure could be material (i.e. infrastructure assets shown in the balance sheet could be materially overstated).

The Net Book Value (NBV) of infrastructure assets at 31/3/21 was £1.227bn and it is therefore highly material to the financial statements (financial statements materiality is £38.3m).

National developments

Following extensive engagement between February 2022 and January 2023:

- CIPFA/LASAAC issued an updated accounting Code removing the need to disclose gross cost and accumulated depreciation along with an application guidance Bulletin;
- The Government issued a Statutory Instrument addressing opening balance uncertainties and allowing for an assumption of nil net book value of assets at the point of replacement.

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VALUATION OF INFRASTRUCTURE ASSETS

There is a risk that the value of Infrastructure assets in the Council's accounts is materially misstated.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Significant control findings to be reported	
Letter of representation point	■

Work performed

We carried out the following audit procedures:

- Understand and document the nature of the infrastructure balance held by the Council
- Assessed the application of statutory override
- Considered updates made to the Infrastructure assets accounting policy
- Assessed the Council's application of the retrospective update to the 2021/22 CIPFA Code
- Assessed the reasonableness and revision of Useful Economic Lives (UELs), including consequent changes to depreciation applied
- Obtained the Council's minimum revenue provision (MRP) policy for 2020/21 and considered whether the revisions to infrastructure UELs have implications for the need for the Council to set aside a prudent amount, as required by the regulations

Findings

We have reviewed the asset register to establish how the Council recognises and measures infrastructure assets for accounting purposes. We have also established the different types of infrastructure held and the value of any bulk transfers.

We have reviewed the Council's methodology for revisiting its UELs, which comprises the following elements:

- Analysis of publicly available Department for Transport data
- A comparison of the value of annual additions and depreciation
- Comparison to UK Roads Leadership Group data
- Highways team analysis of inventory data to determine UELs.

Conclusions

We have confirmed that:

- the Council has correctly applied the update to the Code in relation to amendments to the infrastructure element of the PPE disclosure (specifically the removal of gross book value and accumulated depreciation and an explanation of why these balances are omitted)
- the Council has applied the provisions of the statutory override
- the Council has updated its accounting policy to reflect the application of the statutory override and included disclosure required by the Code updates and guidance in CIPFA Bulletin 12
- the revisions to UEL are a change in accounting estimate rather than a correction of a prior period adjustment
- the revised UELs determined by the Council as a result of its review have been correctly applied and the revised depreciation charge is arithmetically correct (an additional £8.7 million – see page 22).

We are satisfied that the assumptions used and underlying data are appropriate for the purposes of determining whether UELs previously applied to infrastructure are appropriate.

We are satisfied that the MRP charge is materially correct (and so does not need to be amended). However, the UELs used to calculate MRP are not wholly consistent with those used to calculate depreciation, so MRP calculated is more prudent than the level that would result from using the depreciation UELs.

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The following are other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Reinforced Autoclaved Aerated Concrete (RAAC)	RAAC is a lightweight, aerated material used as an alternative to traditional concrete. It was mainly used within roofs, walls and floors between the 1950s and 1990s. RAAC has different material properties to traditional concrete and has a shorter expected life, which is estimated to be around 30 years. Over the last few years additional concerns have been raised about its durability following the sudden collapse of RAAC panels in roofs which had previously been considered safe. This has resulted in the recent action by the UK Government and publicity surrounding the closures of some schools. The Council has undertaken a review of assets potentially involving RAAC. For schools, of the 59 reported as being impacted, only 15 were LEA schools, and only 10 are on balance sheet with the others being diocese owned/foundation, meaning they are off balance sheet. The assessed potential financial impact is not material as at 31 March 2021. Additional disclosures have been added to the Statement of Accounts.
Presentation of income on the face of the Comprehensive Income and Expenditure Statement (CIES).	The face of the CIES presents income from the provision of services in two columns; “Government Grants” and “Other income”. Whilst this presentation facilitates the reconciliation of the two types of income to other areas of the Statement of Accounts, and also provides segmental reporting information, management should consider the addition of a total income column to aid comparability with statements of accounts prepared by other local authorities.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the Council's officers have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 22 March 2021.

Laws and regulations

The most significant considerations for your organisation are the:

- Local Government Acts of 1972 and 2003
- Local Government Finance Acts of 1988, 1992 and 2012
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015
- VAT legislation
- PAYE legislation
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 – this is specifically in respect of the statutory override for infrastructure assets accounting.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify any issues in connection with related parties.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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We are required to bring to your attention unadjusted differences and we request that you correct them.

There are three unadjusted audit difference identified by our audit work which would increase the surplus on the provision of services for the year of £24 million by £10.081 million. The impact on net assets as at 31 March 2021 is an increase of £10.081 million.

In the prior year, we reported an unadjusted projected misstatement of £2.195 million, of which £2.025 million arose following comparison of estimates made by the Council when preparing the 2019/20 accounts to the supplier invoice subsequently received (the actual value of differences identified from the sample selected was £78,814). This resulted in a projected overstatement of expenditure in the prior year.

Misstatement 2 is a projected misstatement, based on the extrapolation of an error identified in our expenditure sample. Our testing identified that a sample item with a value of £617 related to 2019/20 but had not been accrued for, resulting in the expenditure being incorrectly included in 2020/21. Extrapolation of this error produced a projected misstatement of £9.724 million. Extrapolation is based on the assumption that the error rate identified from sampling would also be replicated across the whole untested population – it is not stating that there are confirmed, actual errors of this value.

Misstatement 3 is a projected misstatement, based on the extrapolation of an error identified in our payables sample. Our testing identified that 4 samples items that were overstated with cumulative value of £1.064 million, resulting in the expenditure being overstated in 2020/21. Extrapolation of this error produced a projected misstatement of £2.552 million.

When the above unadjusted misstatements are combined with the brought forward error from the previous year, the net impact is an increase in the surplus on the provision of services of £10.081 million.

You consider the unadjusted audit differences to be immaterial in the context of the financial statements as a whole.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Income and expenditure		Balance Sheet	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services for the year before adjustments	(24,302)				
1: Impact of brought forward unadjusted error					
DR Expenditure	2,195	2,195			
CR General fund balance as at 1 April 2020					(2,195)
2: Projected overstatement of expenditure due to absence of accrual of 2019/20 costs					
DR General fund balance as at 1 April 2020				9,724	
CR Expenditure	(9,724)		(9,724)		
3: Projected overstatement of creditors					
DR Creditors				2,552	
Cr Expenditure	(2,552)		(2,552)		
Total unadjusted audit differences	**(10,081)**	**2,195**	**(12,276)**	**12,276**	**(2,195)**
Surplus on the provision of services for the year if above issues adjusted	**(34,383)**				

Further details relating to the impact of the brought forward adjustment of £2.195 million are included in our 2019-20 Audit Completion Report. This adjustment only affects the opening balance of general fund at 1 April 2020 and has no impact on the value on the short term creditors balance as at 31 March 2021. However, this adjustment affects the value of expenditure on services recognised in the Comprehensive Income and Expenditure Statement (the overstatement of the general fund balance at 1 April 2021 means that expenditure on services is understated by the same amount).

In our 2019/20 audit completion report, we reported an understatement relating to the value of specialised asset carrying values. The value reported in 2019/20 included an element of sensitivity to give a maximum estimated understatement. Removing the sensitivity element of the reported misstatement gives an understatement of £5.293 million. This affects the opening land and building balances and associated revaluation reserve balances at 1 April 2020 only. As there is no impact on balances at 31 March 2021, this prior year unadjusted audit difference has not been included in the table above.

ADJUSTED AUDIT DIFFERENCES: SUMMARY

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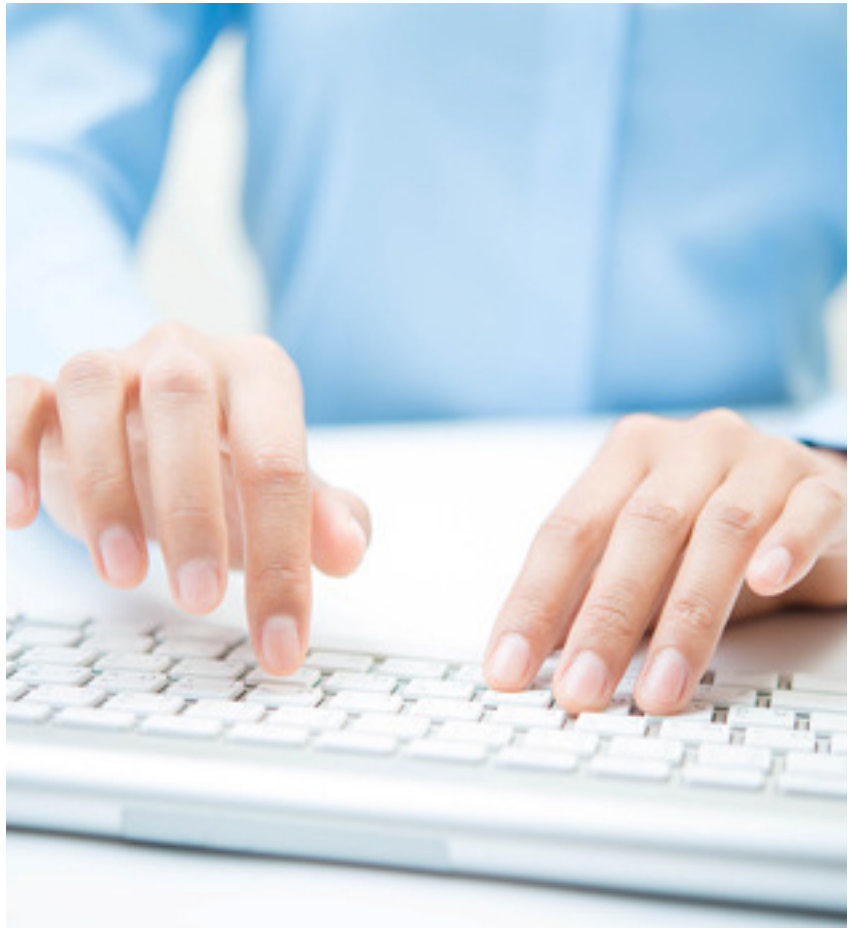

There were four audit differences identified by our audit work that were adjusted by management.

Whilst the adjustment related to depreciation on infrastructure assets reduced the surplus on the provision of services, because this is reversed out as not applicable to the statutory funding basis, there was no impact on general fund balance.

The first difference relates to the inclusion of external body invoices (ie those relating to entities where the Council acts as an administering authority and processes transactions on behalf of those entities) which were unpaid at 31 March 2021 being included in debtors in error. This resulted in the overstatement of the creditor raised for cash held by the Council on behalf of the external bodies. Short term debtors and creditors were both overstated by £7.168 million.

The second audit difference relates to the misclassification of a long term grant receipt in advance as short term. Long term grants received in advance were understated by £3 million and short term grants received in advance are overstated by the same amount.

The third audit difference relates to an increase in infrastructure asset depreciation expenditure due to the revision of Useful Economic Lives (UELs). The UELs for elements of infrastructure assets were revised following the matters highlighted at page 15 which led to an decrease in overall UELs for infrastructure assets.

The fourth and final difference related to the reclassification of £6.413 million between income and grants on the face of the CIES (relating to compensation for loss of income grant received during the Covid pandemic period) which was incorrectly coded as income rather than as a grant. This adjustment had no net impact and also did not change the Health and Adult Social Care line in the CIES, so is not listed in the table overleaf.

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Income and expenditure		Balance Sheet	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services for the year before adjustments	(33,001)				
Adjustment 1: External body invoices incorrectly included in debtors control account at year end					
DR Creditors				7,168	
CR Debtors					(7,168)
Adjustment 2: Reclassification of capital grant receipt in advance from short term to long term					
DR Capital grants received in advance – short term				3,000	
CR Capital grants received in advance – long term					(3,000)
Adjustment 3: Increase in Infrastructure asset depreciation due to revision (decrease) of UELs.					
Dr Infrastructure expenditure	8,699	8,699			
Cr Infrastructure assets					(8,699)
Total Adjusted audit differences	8,699	8,699		10,168	(18,867)
Adjusted surplus on the provision of services for the year	(24,302)				

The above adjustments have no impact on the general fund balance reported at 31 March 2021. The impact reported in the Movement in Reserves Statement is an increase in Total Comprehensive Income and Expenditure of £8.699m and a comparative increase in Adjustments between accounting basis & funding under regulations.

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REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

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The Council is normally required to prepare a Data Collection Tool (DCT) return for use by the Department for Levelling Up, Housing and Communities (DLUHC) for the consolidation of local government accounts, and by HM Treasury at Whole of Government Accounts level.

Auditors are normally required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over a prescribed threshold in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.

Given delays in finalising this audit (and a volume of others nationally), the requirement to audit the DCT has been lifted.

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New Code of Audit Practice ("Code")

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor's Annual Report, not a VFM arrangements 'conclusion' or 'opinion'. There may be matters referred to in the auditor's commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** ('Improving 3Es') - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Risk of Significant Weakness

We have no exceptions to report at this stage in respect of the Council's value for money arrangements, and this position will be reflected in the opinion to be issued with the Statement of Accounts.

We will report the results of our work in our Auditor's Annual Report, which is to be presented to the Audit, Governance and Standards Committee on 25 January 2024 alongside this Audit Completion Report.

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OTHER DEFICIENCIES

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
IT general controls	There has not been any proactive monitoring of the login activities performed by privileged users. There is an inherent risk that without independent monitoring, the appropriateness of system administrative activity is dependent on the motivation of the individual. There is a greater risk that unauthorised transaction activity is performed and not detected.	Implement audit logging that records activity performed by administrative accounts at application and database level. Administrator activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.	The Council agrees that it is best practice to have proactive, independent monitoring in place for each of its key finance systems. It has subsequently implemented this for one of its key systems and is investigating the feasibility of it for the remainder.
IT general controls	Upon review of the privileged accounts for Oracle, we identified one individual in the Council with administration level access when their job role (which involved processing and monitoring of transactions) did not require it. There is an inherent segregation of duties risk when an individual has administrative access rights to a system as well as a transaction processing / monitoring role on that system.	Assign administrative privileges to an independent individual with no transaction processing or monitoring role.	The Council agrees that no user should have both administrative and transactional level access and has accordingly removed the administrator access from the identified individual. User permissions have been reviewed as part of the implementation of My Oracle, and will be kept under review on an ongoing basis.

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OTHER DEFICIENCIES 2

Area	Observation & implication	Recommendation	Management response
IT general controls	Upon review of the underlying database of A4W, we noted that there is no database auditing enabled. There is a risk that actions are not appropriately being recorded and reviewed, which may lead unauthorised changes to database settings or data.	Enable the auditing parameter within the SQL database. There should be active monitoring or periodic reviews performed of key information that has been logged to assess any unusual/unauthorised activity.	The decision was taken not to enable auditing on the A4W database due to performance issues. By way of assurance though, only the 3 database administrators who currently work for ECC have access to the A4W database. Our current live project is to upgrade and re-host A4W (with the supplier Servelec). As part of this project we will investigate whether it is possible to enable auditing without degrading the system performance. The Council agrees that it is best practice to enable database auditing.

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the Group and the Council financial statements.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Irregularities, including fraud

Our report will explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

Use of resources

We have no matters to report in relation to the Council's value for money arrangements.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit, Governance and Standards Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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FEES

Fees summary	2020/21 Planned £	2019/20 Actual £
Audit fee		
• Code audit fee: consolidated Group and single-entity financial statements and use of resources (for 2019/20) [1]	134,420	134,420
• Additional audit fee: specific risks	-	3,000
• Additional audit fee: Covid-19 remote working [2]	TBC	-
• Additional audit fee: new Use of Resources approach [3]	TBC	-
• Additional audit fee - Infrastructure assets issue	TBC	N/A
• Reduced audit fee - no WGA audit required	(TBC)	N/A
Total Code audit fee	**TBC**	**137,420**
Fees for reporting on government grants:		
• Teachers' pensions return	12,250	12,000
Total fees	**TBC**	**149,420**

[1] The Code fee remains the PSAA Scale plus the £8,155 added from 2019/20 reflecting the increased expectations relating to the work necessary to audit valuations of non-current assets, pension liabilities and group accounts.

[2] **Covid-related costs**

Our Plan included an estimate of the additional resource time and costs necessary when audits are undertaken remotely of £20,000. This 15% is at the lowest end of the 15-20% range experienced by BDO and the other audit firms. Given we were able to undertake some key work on site, the time estimated should reduce and the fee level decrease accordingly.

[3] **Use of Resources approach**

There is no prior period baseline to accurately quantify fees for this work because the approach, including reporting requirements, for 2020/21 has changed.

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OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and single-entity financial statements. We report our opinion on the financial statements to officers of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report by exception any significant weaknesses identified by our work on the Council's value for money arrangements and a summary of associated recommendations made.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.
	Group matters	
6	Limitations on the audit where information was restricted.	No exceptions to note.
8	Any fraud or suspected fraud at group or component level.	No exceptions to note.

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

In communicating with TCWG of the Council and the Group, we consider TCWG to be informed about matters relevant to their two subsidiaries. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	10 March 2021	Audit, Governance and Standards Committee
Audit progress reports	Throughout the course of the audit	Audit, Governance and Standards Committee
Audit Completion Report	25 January 2024	Audit, Governance and Standards Committee
Auditor's Annual Report	25 January 2024	Audit, Governance and Standards Committee

OUTSTANDING MATTERS

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We are in the process of completing our audit work in respect of the financial statements for the year ended 31 March 2021.

The following matters are outstanding at the date of this Report and could impact our audit opinion. We will update you on their current status at the Audit, Governance and Standards Committee meeting on 25 January 2024 at which this Report is considered:

- Final EQR clearance
- File completion matters
- Review of final version of Statement of Accounts to ensure arithmetical accuracy, internal consistency and that agreed disclosure amendments have been correctly processed
- Subsequent events review (this will need to be refreshed up to the point of issuing the opinion, so is linked to the infrastructure issue timeline)
- Letter of Representation, as attached in Appendix D (draft) to be approved and signed.

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DRAFT LETTER OF REPRESENTATION

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Essex County Council for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Executive Director, Corporate Services has fulfilled her responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events (PBSE)

With the exception of the issue relating to Reinforced Autoclaved Aerated Concrete (RAAC) in schools, for which a PBSE disclosure has been added to the Statement of Accounts, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

DRAFT LETTER OF REPRESENTATION 2

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 37 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the controlling party of the Council are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- RPI increase 3.2%
- CPI increase 2.8%
- Salary increase 3.8%
- Pension increase 2.8%
- Discount rate 2.00%
- Mortality: Current pensioners - male 21.6 years and female 23.6 years / future pensioners - male 22.9 years and female 25.1 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19.

DRAFT LETTER OF REPRESENTATION 3

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b) Valuation of land and buildings, infrastructure assets and investment property

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that the useful economic lives of infrastructure assets, and their constituent components, used in the valuation of infrastructure assets, and the calculation of the depreciation charge for the year, are reasonable.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Nicole Wood
Executive Director Corporate Services

XX January 2024

Councillor Anthony Hedley
Chair of the Audit, Governance and Standards Committee

XX January 2024

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

David Eagles, Partner

m: 07918 601951
e: david.eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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Agenda item 5

AGS/03/24

Report title: 2020/21 Audit Completion Report for Essex Pension Fund	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 25 January 2024	**For**: Noting
Enquiries to Nicole Wood, Executive Director, Corporate Services email nicole.wood@essex.gov.uk or Samantha Andrews, Head of Fund Investments email samantha.andrews@essex.gov.uk	
Divisions affected: All Essex	

1. Executive summary

1.1 The External Auditor's Audit Completion Report for the Essex Pension Fund, as appended, summarises their findings from the 2020/21 audit.

1.2 The Audit Completion Report include messages arising from the audit of the Essex Pension Fund's financial statements.

1.3 The Committee must consider the matters raised in the Audit Completion Report before approving the 2020/21 Statement of Accounts (which are presented elsewhere on the agenda).

2. Recommendations

2.1 None – the report is for information only.

3. Background and proposals

3.1 The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the National Audit Office (NAO) Code of Audit Practice 2020.

3.2 The NAO Code of Audit Practice requires BDO to report to those charged with governance – the Audit, Governance and Standards Committee – on the work they have carried out to discharge their statutory audit responsibilities.

3.3 The attached report summarises the findings from the audit of the Essex Pension Fund's financial statements for 2020/21 which, at the time of writing this report, was nearing completion.

3.5 BDO welcome the opportunity to discuss this report with the Committee.

4. Policy context and Outcomes Framework

4.1 The Audit Completion Report presents BDO's opinion on the Essex Pension Fund's financial statements.

5. Financial Implications

5.1 The audit completion report includes a summary of the fees payable by the Essex Pension Fund in relation to the audit of the Essex Pension Fund's financial statements for 2020/21.

6. Legal Implications

6.1 This report forms part of the statutory external assurance framework regulated by the Local Audit and Accountability Act 2014.

7. Staffing and other resource implications

7.1 There are no specific staffing or other resource implications associated with this report.

8. Equality and Diversity implications

8.1 There are no equality and diversity implications associated with this report.

9. List of appendices

9.1 2020/21 Audit Completion Report for Essex Pension Fund.

10. List of Background Papers

10.1 None

Report to the Audit, Governance and Standards Committee

ESSEX PENSION FUND

Audit Completion: year ended 31 March 2021

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WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit, Governance and Standards Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit, Governance and Standards Committee. At the completion stage of the audit it is essential that we engage with the Audit, Governance and Standards Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit, Governance and Standards Committee meeting and to receiving your input.

In the meantime, if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

David Eagles, Partner
for and on behalf of **BDO LLP**, Appointed Auditor

10 January 2024

David Eagles
Engagement lead

m: 07918 601951
e: david.eagles@bdo.co.uk

Barry Pryke
Senior Manager

t: 01473 320793
m: 07583 032401
e: Barry.Pryke@bdo.co.uk

Joe Smith
Assistant Manager

t: 01473 320883
m: 07949 370591
e: joe.smith@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit, Governance and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit, Governance and Standards Committee in reviewing the results of the audit of the financial statements for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work on the financial statements is substantially complete. Nothing has come to our attention from the work we have completed to date that would result in a modification of our audit opinion.

Outstanding matters are listed on page 26. in the appendices.

We presented our Audit Planning Report to the Audit, Governance and Standards Committee in March 2021. There have been no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements.

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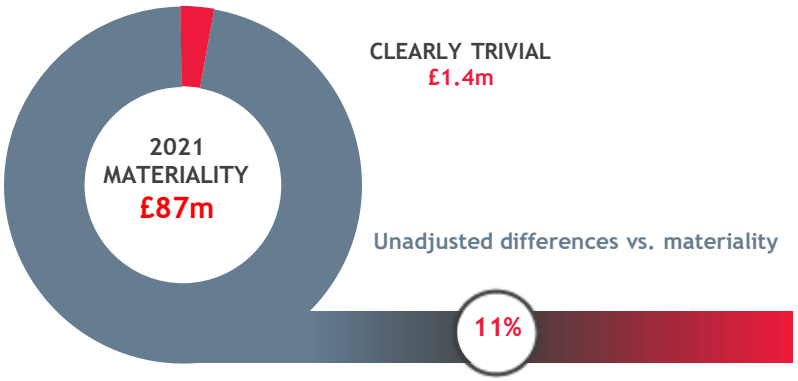
Final materiality

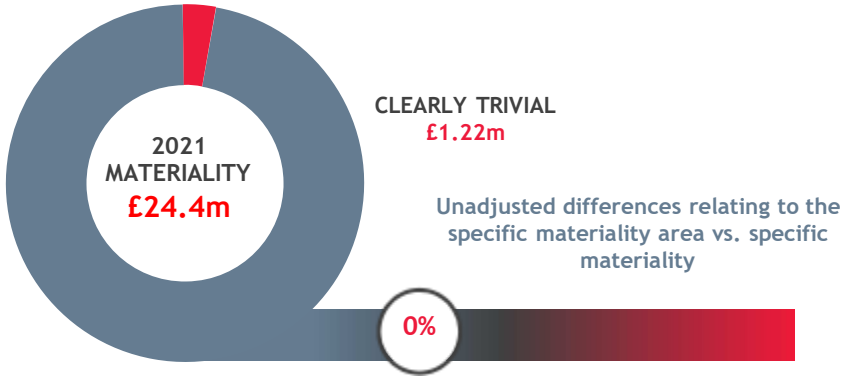
Financial material was determined based on 1% of net assets. Specific materiality (at a lower level) was set for the fund account balances (excluding changes in market value of investments) and this was based on 7.5% of gross expenses in the Fund Account.

Following the receipt of the draft financial statements for audit, we updated the material figures. This increased materiality from £84.7m to £87m. Specific materiality for the Fund Account was decreased from £24.6m to £24.4m to reflect actual gross expenditure recognised in the statement of accounts presented for audit. The percentage threshold applied remained at 7.5%.

FINANCIAL STATEMENTS MATERIALITY



FUND ACCOUNT MATERIALITY



Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We identified one audit adjustment that, if posted, would reduce 'Net decrease in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £9.529 million.

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Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- No significant accounting policy changes have been identified impacting the current year
- Going concern disclosures are deemed sufficient
- The Annual Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Control deficiency identified in relation to logical access controls over the UPM and Oracle IT applications (see page 19)
- Confirmation on fraud, contingent liabilities and subsequent events
- Letter of representation (see page 30)

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

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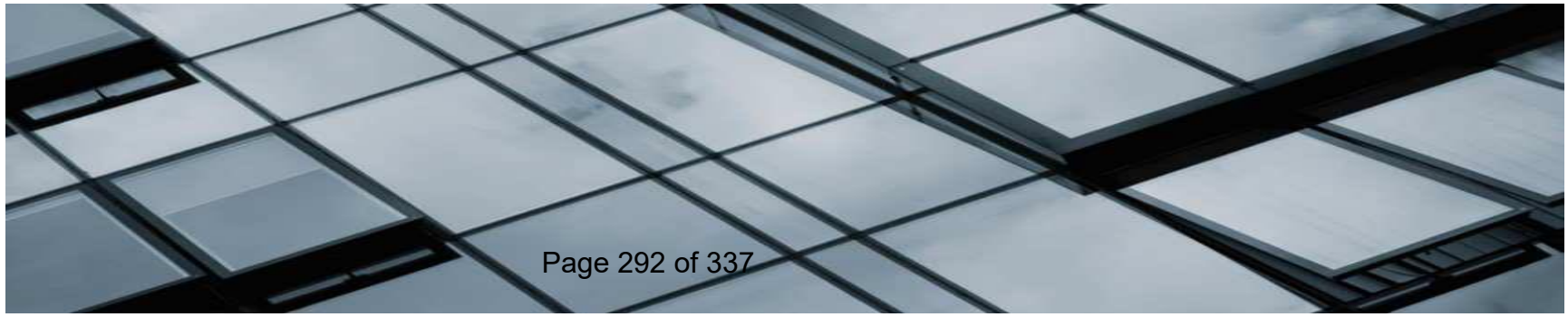
As identified in our Audit Planning Report dated 10 March 2021, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	No
Valuation of investments (unquoted and direct property investments)	Significant	Yes	Yes	Yes, unadjusted	No	No
Pension Liability Valuation	Significant	Yes	Yes	No	No	No
Valuation of investments (pooled investments)	Normal	No	No	No	No	No
Contribution receivable	Normal	No	No	No	No	No

Areas requiring your attention



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ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation; determined key risk characteristics to filter the population of journals; and used our IT team to assist with the journal extraction
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our work has not identified any evidence of systematic bias or management override in the processing of journal entries and other adjustments.

Material accounting estimates for the Pension Fund included valuation of investments and pension liability. Our audit work on these accounting estimates are set out in the following pages. The audit work performed provided reasonable assurance that the accounting estimates are reasonable and free from management bias.

Our review of the unadjusted audit differences (see page 16) has not identified any evidence of management bias or deliberate misstatement.

We have not identified any unusual transactions or transactions that are outside the normal course of business.

VALUATION OF INVESTMENTS (UNQUOTED AND DIRECT PROPERTY INVESTMENTS)

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The valuation of unquoted and direct property investments is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

The investment portfolio includes unquoted private equity, debt, infrastructure and timberlands which are valued by the fund managers. The pension fund also makes direct investments in freehold and leasehold properties which are based on valuations received from the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.

In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.

As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and requested copies of the audited financial statements (and member allocations) from the fund;
- Reviewed the valuation completed by the fund manager and any significant assumptions made in the valuation;
- For property valuations, we agreed input data used by the valuer such as agreeing rental information to the underlying rental agreements, and reviewed the rental yields against the comparable data and indices for reasonableness;
- Where the financial statement date supporting the valuation was not conterminous with the pension fund's year end, we confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds; and
- Ensured investments have been correctly valued in accordance with the relevant accounting policies.

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The valuation of unquoted and direct property investments is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Results and conclusions

Our review of the direct confirmations obtained from fund managers identified that the valuation of private equity was understated by a non material amount of £9.529 million. This variance is due to some investment reports used during the preparation of the financial statements not being coterminous with the pension fund's year-end. Management were therefore required to estimate the value of the affected investments. More recent valuations for these investments were available during our audit and, when compared to the amount recognised in the Net Assets Statement, identified the above variance against the estimates used. The variance identified is included within the uncorrected misstatements schedule (see page 16) for the impact of change in market value in the Fund Account and investment value in the Net Assets Statement.

For investments in private equity, illiquid debt, infrastructure and timberlands, we obtained audited financial statements of the underlying investee funds, and valuations were recalculated by adjusting the additional contributions and distributions where relevant. Given the extended period to prepare financial statements during the year, net asset statements at 31 March 2021 were available for the investment in illiquid debt, infrastructure and timberland. Our recalculations of valuations for these investment categories did not identify any variances outside of our threshold.

In respect of private equity, we reviewed a sample of audited financial statements of the underlying investee funds. Our recalculations of valuations for these investment categories did not identify any variances outside of our threshold.

The direct investment properties held by the pension fund have been valued by an external professional valuer. We are satisfied with the skills and expertise of the valuer and concluded that we can rely on them in their capacity as management's expert. Our review of the input used by the valuer (i.e. rental information) confirmed that they are accurate and reasonable.

The overall valuation of investment properties has increased by approximately 1.2% during the year to £406m. The MSCI sector capital value index has changed for the following sectors:

- Industrial – 9.3% increase
- Offices – 5.2% decrease
- Warehouses and shops – 13.2% decrease

Given the above movements and the weighting of property types held by the pension fund, the increase in investment property valuations of 1.2% is consistent with our expectations and is within our materiality of £87m. We are therefore satisfied that the valuation of direct properties held by the Pension Fund is reasonable.

PENSION LIABILITY VALUATION

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation disclosed in the notes to the Pension Fund accounts is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Tested a sample of transfers and cash flow data sent to the actuary for existence and accuracy;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Agreed the disclosure to the information provided by the actuary.

PENSION LIABILITY VALUATION 2

Continued

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Results and conclusions

The Pension Fund has established controls and procedures to ensure completeness and accuracy of membership data provided to the actuary. Our review of the controls to ensure data provided to the actuary is complete and accurate did not identify any issues.

In respect of cash flow data provided to the actuary for the IAS 19 valuations, we identified no issues. However, testing of the cash flow data provided to the actuary for the roll forward valuation at 31 March 2021 identified some differences between the estimated contributions based on month 11 actual amounts plus one month of estimates and the actual amounts for the year, but we did not consider these to be significant differences that would materially impact on the liability valuation.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted on the following page. The annual data return template from the actuary included details of bulk transfers as these are estimated by the actuary. This data is subjected to data confirmation with individual employers to ensure that they are reasonable. We are therefore satisfied that any significant changes in membership data have been communicated to the actuary.

We agreed the disclosures in Note 3 to the pension fund financial statements to the information provided by the actuary and have identified no issues.

Following the ruling on age discrimination on the McCloud case and gender discrimination on a Lloyds case in the prior year, the actuary has made an allowance at the last accounting date and therefore was already included in the opening liability for this year. This allowance was therefore incorporated in the roll forward approach and the actuary has confirmed that this was re-measured 31 March 2021. The approach adopted by the actuary is considered reasonable.

PENSION LIABILITY VALUATION 3

Continued

Significant accounting estimate: Pension Liability

Overview

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows.

Changes in 2020/21

The actuarial valuation of future benefits has increased by £2,730 million, from £9,259 million to £11,989 million.

Changes in assumptions that have increased the liability include a increase in CPI and future pension increases (from 1.90% to 2.80%) and a rise in salary increases (from 2.90% to 3.80%), which was partially offset by reduction to the discount rate (from 2.35% to 2%).

Mortality assumptions have not been changed significantly during the year, as such this has resulted in a decrease in the liabilities from these actuarial assumptions only by £105 million (1%). The liability has decreased by £126 million (1.2%) due to experience loss.

Discussion

The pension liability to pay future pensions has increased by £2,730 million to £11,989 million at 31 March 2021.

We compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary PwC.

	Actual	Expected / range	Comments
RPI increase	3.20%	3.15% - 3.35%	Reasonable
CPI increase	2.80%	2.80% - 2.85%	Reasonable
Salary increase	3.80%	3.80% - 3.85%	Reasonable
Pension increase	2.80%	2.80% - 2.85%	Reasonable
Discount rate	2.00%	1.95% - 2.05%	Reasonable
Mortality - LGPS:			
- Male current	21.6 years	20.5 - 23.1	Reasonable
- Female current	23.6 years	23.3 - 25.0	Reasonable
- Male retired	22.9 years	21.9 - 24.4	Reasonable
- Female retired	25.1 years	24.8 - 26.4	Reasonable
Commutation:			
- Pre 2008	50%	50%	Reasonable
- Post 2008	50%	50%	Reasonable

All the financial and mortality assumptions are within the expected range based on national data and therefore the assumptions are considered to be reasonable. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges. We have requested specific representations from management to confirm that the assumptions used reflect their understanding of the future expectations of the scheme (see letter of representation on page 30).

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VALUATION OF INVESTMENTS (POOLED INVESTMENTS)

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There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (Northern Trust). These valuation are reported on a monthly/ quarterly basis although there may be amendments to the 'flash' valuations initially provided and subsequent final valuations that may be received after the draft accounts have been prepared.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers including any subsequent final valuations to 'flash' valuations in the unaudited accounts;
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

Results and conclusion

The investment valuations included in the financial statements for pooled investments were agreed to the valuations provided by the fund managers with trivial variances.

We agreed that the investments have been correctly valued using the closing bid market price in line with the accounting policy.

We obtained independent assurance reports for each fund manager and the custodian and these did not reveal any issues with the effectiveness of controls operated by fund managers and custodian for valuations and existence of underlying investments in the funds. The assurance report for one of the fund managers was qualified in respect of IT system change management and logical access controls. Whilst we have not identified any control issues affecting the valuation and existence of investments managed by the fund manager in question, we agreed investments managed by the fund manager to independent market prices and confirmed that the valuations are accurate.

Where the assurance reports obtained were not coterminous with pension fund year end, we obtained bridging letters confirming the satisfactory operation of controls within the fund managers and the custodian to the 31 March 2021.

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There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

Significant risk
Normal risk
Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and checked that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results and conclusions

We carried out analytical procedures to establish expected normal and deficit contributions to be receivable during the year. Our analytical procedures used the prior year amounts received and these were adjusted for the known and expected changes during the year such as the change in membership, contribution rates and the deficit contributions set out in the actuary report. This produced expected normal and deficit contributions which were within our tolerable threshold.

We also substantively tested normal contributions for active members by agreeing a sample of contributions to payroll records and to the employer returns received. For a sample of active members we recalculated the employee and employer contributions by the relevant rates and confirmed the accuracy of calculations. We identified no issues from the testing.

For deficit contributions, we agreed a sample to the Actuary's report and identified no issues. We also reviewed monthly contributions received from employers and confirmed that these have been recognised in the correct financial year.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the Council (as administrating authority) and the Executive Director, Corporate Services have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 10 March 2021.

Laws and regulations

The most significant considerations for your organisation are the:

- Local Government Acts of 1972 and 2003
- Local Government Finance Acts of 1988, 1992 and 2012
- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015
- VAT legislation
- PAYE legislation.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify and significant matters in connection with related parties.

Service auditor reports

We reviewed the service auditor reports in respect of the following Pension Fund functions that are outsourced to, or hosted by, other bodies:

- All investments are managed by Fund Managers

We reviewed all of the relevant service auditor control reports and identified some control reports with a number of exceptions during their control testing. We performed additional work for two of the service organizations to obtained additional assurance where the controls reports could not be relied upon,

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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We are required to bring to your attention unadjusted differences and we request that you correct them.

We identified one audit adjustment that, if posted, would reduce the 'Net decrease in the assets available for benefits during the year' in the Fund Account and increase 'Net assets of the scheme available to fund benefits' in the Net Asset Statement by £9.529 million.

This audit adjustment is due to some private equity investment reports used during the preparation of the financial statements not being coterminous with the pension fund's year-end. Management were therefore required to estimate the value of the affected investments. More recent valuations for these investments were available during our audit and, when compared to the amount recognised in the Net Assets Statement, identified the above variance against the estimates used.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Fund Account		Net Assets Statement	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Net increase in the assets available for benefits during the year	(2,111,511)				
1: Impact of brought forward unadjusted misstatements					
DR Changes in market value of investments	19,123	19,123			
CR Investments (opening balance at 1 April 2020)					(19,123)
2: The difference between the investment valuation per draft accounts and fund manager confirmations					
DR Investments				9,529	
CR Changes in market value of investments	(9,529)		(9,529)		
Total unadjusted audit differences	**9,594**	**19,123**	**(9,529)**	**9,529**	**-**
Net increase in the assets available for benefits during the year if above issues adjusted	(2,101,917)				

Further details relating to the impact of the brought forward adjustment of £19.123 million are included in our 2019-20 Audit Completion Report. This adjustment only affects the opening balance of investments at 1 April 2020 in the Net Asset Statement and has no impact on the value of investments at 31 March 2021. However, this adjustment does affect the changes in market values of investments (the overstatement of the opening investment balances means that the increase in market value recognised in the fund account is understated by the same amount).

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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We are required to bring to your attention other financial reporting matters that the Audit, Governance and Standards Committee is required to consider.

The following four disclosure adjustments were made by management:

- The removal of the £32.3m net transfer recognised on the UBS investments and recognition of an additional £32.3m in purchases for 'Equities - Unit life assurance policies' in note 12.2.
- The reduction in the sales and purchases recognised for 'Property unit Trusts' of £2.65m.
- The value of investments in Russia/Belarus & Ukraine at 31st March 21 were added to the Post balance sheet event disclosure at note 7.
- The implementation date for IFRS 16 was amended to 1st April 2024 in note 8, following delay of implementation across LGPS.

The above adjustments have no impact on the closing value of the associated investments.

A number of other minor disclosure corrections and enhancements were made to improve the clarity of the financial statements.

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge.

OTHER DEFICIENCIES

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As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Oracle IT system	Upon review of the privileged accounts for Oracle across both the Council and Pension Fund, we identified one individual in the Council with administration level access when their job role (which involved processing and monitoring of transactions) did not require it. There is an inherent segregation of duties risk when an individual has administrative access rights to a system as well as a transaction processing / monitoring role on that system.	Assign administrative privileges to an independent individual with no transaction processing or monitoring role.	User permissions will be reviewed as part of the move to Oracle fusion. The Council agrees that no user should have both administration level access and transactional level access and confirms that the permissions granted to the individual identified will be amended.
Oracle & UPM IT system	There has not been any proactive monitoring of the login activities performed by privileged users during 2020/21. There is an inherent risk that without independent monitoring, the appropriateness of system administrative activity is dependent on the motivation of the individual. There is a greater risk that unauthorised transaction activity is performed and not detected.	Implement audit logging that records activity performed by administrative accounts at application and database level. Administrator activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.	For Oracle we will need to investigate this further with the suppliers. The Council is of the view that it would be best practice to audit such activity where feasible. UPM - A report will be run regularly to monitor access usage for privileged users. In addition, a process will be developed with the Fund's Compliance Manager to ensure oversight arrangements. This has been implemented by January 2024

AUDIT REPORT OVERVIEW

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit, Governance and Standards Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from external audit experts involved in the audit and that they comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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Fees summary	2020/21 Actual £	2020/21 Planned £	2019/20 Actual £
Fees			
Code audit fee (1)	£28,000	£28,000	£28,000
Additional fee for IAS19 assurance requests from scheduled bodies (2)	£6,500	£6,500	£12,250
Additional audit fee: Covid-19 remote working (3)	£5,000	£5,000	£0
Total fees	**£39,500**	**£39,500**	**£40,250**

(1) The Code fee remains the PSAA Scale plus the £3,925 added from 2019/20 reflecting the increased expectations relating to the work necessary to audit the judgemental components of the pension fund.

(2) Assurance fees

The 2019/20 audit included cyclical costs relating to the audit of the 2019 triennial actuarial data cleansing exercise. These should not be necessary again until the 2022/23 audit.

(3) Covid-related costs

This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15% is at the lowest end of the 15-20% range experienced by BDO and the other audit firms. If we are able to undertake some key work on site, the time reflected here should reduce and the fee level decrease accordingly.

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OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to officers of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit, Governance and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance (TCWG) are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit, Governance and Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two-way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	10 March 2021	Audit, Governance and Standards Committee
Audit progress report	At the Audit, Governance and Standards Committee meetings	Audit, Governance and Standards Committee
Audit Completion Report	13 December 2021/25 January 2024	Audit, Governance and Standards Committee

OUTSTANDING MATTERS

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021.The following matters are outstanding at the date of this report and could impact our audit opinion.

- Management letter of representation to be approved and signed.
- EQCR and RI sign off once Management letter of representation received.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX PENSION FUND

Opinion on the financial statements

We have audited the pension fund financial statements of the Essex County Council ("the pension fund") for the year ended 31 March 2021 which comprise the fund account, the net asset statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2020 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Pension Fund with respect to going concern are described in the relevant sections of this report.

Other information

The Executive Director Corporate Services is responsible for the other information. The other information comprises all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of Executive Director corporate services and Essex County Council ("the Council") as administering authority of the pension fund

As explained more fully in the Statement of Accounts – Statement of Responsibilities, the Executive Director Corporate Services is responsible for the preparation of the 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, and for being satisfied that the financial statements give a true and fair view and for such internal control as the Executive Director Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Executive Director Corporate Services is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our procedures included the following:

• enquiring of officers and those charged with governance, including obtaining and reviewing supporting documentation in respect of the pension fund's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the pension fund's controls relating to Managing Public Money requirements;

• discussing among the engagement team and involving relevant internal and or external specialists, including an independent review partner, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: posting of unusual journals, misappropriation of assets (investments and member benefits) and pension scams (transfers out to inappropriate or unapproved arrangements);

• obtaining an understanding of the pension fund's framework of authority as well as other legal and regulatory frameworks that the pension fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the pension fund. The key laws and regulations we considered in this context include:

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- Public Service Pension Act 2013
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- International accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21;
- Local Audit and Accountability Act 2014;
- Accounts and Audit Regulations 2015;

In addition to the above, our procedures to respond to identified risks included the following:

• reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;

• enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;

• reading minutes of meetings of those charged with governance and the Cabinet;

• in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

• Reviewing the Council's Corporate Fraud Register.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Essex County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Eagles, Key Audit Partner

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

10 January 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LETTER OF REPRESENTATION

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Essex Pension Fund/address
To be printed on letter headed paper

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Essex Pension Fund for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Executive Director, Corporate Services has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2021 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

Other than those disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 15 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged. The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- RPI increase 3.20%
- CPI increase 2.80%
- Salary increase 3.80%
- Pension increase 2.80%
- Discount rate 2.00%
- Mortality: Current pensioners - male 21.6 years and female 23.6 years / future pensioners - male 22.9 years and female 25.1 years
- Commutation: pre-April 2008 - 50% / post-April 2008 - 50%

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

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Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Nicole Wood
Executive Director, Corporate Services

Date:

Cllr Anthony Michael Hedley
Chair of the Audit, Governance and Standards Committee

Date:

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

David Eagles, Partner

m +44 (0) 7918 601951
e: David.Eagles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Agenda Item 7
AGS/05/24

Report title: Risk Management Strategy	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 25 January 2024	**For:** Approval
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Executive Summary

1.1 The Audit Governance and Standards Committee has a role to maintain oversight and to monitor the effectiveness of the council's risk management arrangements.

1.2 Effective risk management is a key component of good Corporate Governance and as such the Council is required to have effective arrangements in place for the management of Risk. The foundation of our arrangements for risk management is the Risk Management Strategy.

1.3 The Risk Management Strategy is considered and approved annually by Audit Governance and Standards Committee. It has now been reviewed and updated in line with the annual review process.

1.4 The refreshed Risk Management Strategy is attached at appendix 1 and the key changes outlined below.

2. Recommendations

2.1 The Risk Management Strategy 2023/24 be approved in the form appended to the report.

3. Summary of Key Changes

3.1 The following changes have been made as part of the annual review for 2023. These won't change how we manage risks but they include some things in the strategy which were previously in guidance. The Committee does not need to approve the guidance but there are some things in the guidance which have been elevated to the status of policy. These can affect how risk is managed and we wanted to give greater visibility of this to the Committee.

3.2 The changes are:

- Date change (front page)

- Section 3 (risk appetite)
    - Revised wording of second paragraph to clarify that ECC does not have impossible to have a single 'risk appetite' applying to every purpose or every service – this is currently in the guidance..
- Section 4 [Our Expectations]
    - Revised wording of PLT section ('oversee delivery of risk management strategy' moved to AGS section)
    - Additional section added - Operational Leadership Team – this is a new internal body in the council which has a role in managing risk.
    - AGS Committee section - added additional detail to cover enhanced reporting arrangements.

- Section 5 [Strategic Risks] table of definitions added.
- Section 6 [Risk Matrix] guidance tables for determining the probability and impact of risks added.
- Section 9 [Risk Maturity]
    - Revised second paragraph to reflect 2023 risk maturity assessment.
    - date changed (at end of section) to 2026 for when risk maturity next assessed.

4. Financial implications

5.1 There are no financial implications as the risk management activity will be met within existing resources.

5. Legal implications

6.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes a requirement to have adequate arrangements for the management of risk. The strategy sets out our arrangements and is thus a key way of complying with those regulations.

6. Equality and Diversity Considerations

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

(a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful

(b) Advance equality of opportunity between people who share a protected characteristic and those who do not.

(c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3 The equality impact assessment indicates that this strategy will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

Appendix A - Risk Management Strategy 2023

9 List of Background papers

None

Essex County Council

Risk Management Strategy

January 2024

Version 2.4

Essex County Council

1. Introduction

Essex County Council has adopted the Institute of Risk Management's definition of a risk '**A risk is something uncertain - it might happen or it might not. A risk matters because if it happens, it will have an impact on objectives'**

To assist the organisation in managing its risks, the Council has a Risk team who provide support, guidance, training and co-ordination of risk management. Risk management is defined as: '**Co-ordinated activities to direct and control an organisation with regard to risk**.' *(ISO31000:2018)*

The purpose of this strategy is to explain our approach and outline the principles of risk management, identify the people responsible for it, and promote a culture of risk management throughout the Council. This document is one part of our risk management framework.

2. Statement of Commitment

Risk management plays an important role at Essex County Council as it enhances the effectiveness and efficiency of our decision making.

Risk is inherent in all that we do as a Council in delivery of our high-quality services. Risk management helps us to be prepared; it removes the element of surprise when it comes to barriers to achieving our objectives and meeting our goals, and it helps us to identify and maximise opportunities.

The Leader of the Council, Corporate Leadership Team, and I are committed to risk management and are supportive of its activities within the organisation. The Council's employees all have a role to play in the management of risk and employees are encouraged to take the opportunity to further their learning via the training offered by the Risk team.

Gavin Jones

Chief Executive

3. Risk Appetite

Risk appetite is defined as '**the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.'** *(Institute of Risk Management, IRM).*

The Council provides a wide range of services and it is therefore impossible to have a single 'risk appetite' applying to every purpose or every service. We consider our risk appetite for each risk and apply a 'target rating' which is realistic and achievable whilst being tolerable for that remaining risk. The 'risk assessment and risk matrix' section within the Risk Management Toolkit has further guidance on when immediate action should be taken, though this is not part of this policy.

4. Risk Management Levels

Programme or Project risks can exist at any level and within any service and should be managed using the same risk management process as other risks.

Individual members of the Corporate Leadership Team (CLT) are responsible for the Council's strategic risks and these are reviewed and updated regularly in consultation with the Risk team. In exceptional circumstances, issues are also recorded on the strategic risk register. Function level risks are owned by Executive Directors, Directors or Heads of Service and are discussed and reviewed at Function Leadership Team (FLT) meetings. Most of our risks are service level risks which are owned by an appropriate person, usually a manager, with specialist knowledge of the subject.

5. Strategic Risks

Our strategic risks are those that are recorded and managed at the highest level within the council. In order for a risk to be included on our Strategic Risk Register it will meet one or more of the criteria below. Strategic risks can be existing risks that are escalated to the Strategic Risk Register because the risk significance increases or can be a newly identified risk that is considered serious enough to be immediately managed at a strategic level. Each risk on the Strategic Risk Register should be tested annually to ensure it continues to meet the criteria.

6. Risk Matrix

A risk matrix is a key tool used to analyse the probability and impact of a risk. The Council uses a 4X4 risk matrix, with the score determined by multiplying the 'probability' score with the 'impact' score. We have adopted this approach as it encourages a decision to be made about whether a probability or impact is high or low, rather than medium.

We have four colours to correlate with the four categories of low, medium, high and very high. Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the organisation's objectives.

Risk can also have a positive effect on objectives - these are opportunities. The opportunity risk matrix can be found in the toolkit. When the Council are exploring new ideas and ventures, any resulting risks from the opportunity must still be identified and managed.

Risk Matrix (Threats)

			Impact/Consequences			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3	Likely	Low (3)	Medium (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	Medium (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Low (3)	Medium (4)

Below are guidance tables for determining the probability and impact of risks:

Probability (or likelihood) of threat occurring within the next 12 months		
4	Almost Certain	The event is expected to occur in most circumstances >80%
3	Likely	More likely to occur than not: 51%-80%
2	Possible	Fairly likely to occur: 21%-50%
1	Unlikely	Low but not impossible: 1%-20%

Impact level	Description
Minor	Minor injury, minor system errors, minimal financial loss, negligible project delays
Moderate	Medical treatment treated, internal scrutiny, some service disruption short term, medium financial loss, minor project delays
Major	Serious injuries with workdays lost, external scrutiny, core activities disrupted, high financial loss, significant project delays
Critical	Life threatening or multiple serious injuries, political and media scrutiny, core activities ceased, major financial loss, project benefits not realised

*A more comprehensive impact table is available within the Risk management Toolkit.

7. ECC- Our process

The Risk management process adopted at the Council is broadly based on the International Standard in Risk Management - 'ISO 31000'.

The five-step process should take place regularly to identify new risks. The whole process along with the activities of communicating, consulting, embedding and reviewing should take place continuously to encourage the risk management process into the culture at the Council.

An especially relevant time for considering new risks is at the business planning phase, as risks should be identified which could impact on the ability to meet the objectives set out in the plan.

8. Risk Management Framework

The Council are committed to ensuring risk management is embedded across the whole organisation.

The Risk Management Strategy is supported by the Risk Management Toolkit - a document to guide, support and assist staff in achieving successful risk management. A training and support menu is available within the Risk Management Toolkit, offering options in both risk management training and software training.

Identified risks and mitigations are managed through the Council's risk register software.

9. Our expectations:

Political Leadership Team (PLT)	• Ensure consideration of risk in agreeing organisation's direction of travel and strategic objectives
Corporate Leadership Team (CLT)	• Set the tone from the top, and promote the benefits of risk management • Regularly discuss and review the Strategic Risk Register and associated reports • Work with Risk team and management teams to identify new or emerging risks
Operational Leadership Team (OLT)	• Operational oversight of the Council's strategic risks providing challenge and recommendations to CLT when required
Executive Director with responsibility for risk	• Overall accountability for the effective delivery of the organisation's risk management function including the Strategic Risk Register and the Risk Management Strategy
Audit, Governance and Standards Committee	• To consider the Council's arrangement for corporate governance and risk management and advise on any action necessary to ensure compliance with best practice • Oversee delivery of the Risk Management Strategy via a regular risk management update report • Review the Strategic Risk Register regularly
Function Leadership Teams (FLT)	• Escalate risks up to strategic level when required • Take ownership for risks within their function and ensure Risk Register is regularly discussed, reviewed and updated • Champion the Risk Coordinator role
Managers at all levels	• Ensure staff have appropriate understanding of their role in risk management and attend any suitable training, including e-learning completion • Record and manage risks effectively in their service area by owning risks or delegating ownership where appropriate
Risk Co-Ordinator's	• Support and facilitate risk management for a specified area • Provide support to Directors, Heads of Service and other managers on the management of their risks • Undertake a regular review of the Risk Register
Employees	• Manage risk as part of their role and report risks to their managers • Develop understanding of risk management at the Council through completion of e-learning and attendance at any training required

10. Risk Maturity

A risk maturity assessment measures an organisation's processes according to best practice, against clear external benchmarks. This establishes the organisation's 'risk maturity level' and assists with identifying areas of improvement to become more risk mature.

In 2023 our risk maturity was independently assessed and awarded scores of either 3 (moderate) or 4 (good) based on the ALARM National Performance Model for Risk Management in Public Services. These scores demonstrate that risk management at ECC is 'Working' or 'Embedded and Working', providing positive assurance.

Our aspiration for the future is to continue moving towards risk management becoming a key tool to support business planning, aid decision- making, and ultimately help the achievement of objectives.

Our aim remains to move to an overall score of '4' meaning that risk management is consistently embedded and integrated into the Council's ways of working. This will be achieved through an ongoing continuous development program, with risk maturity next assessed in 2026.

11. Audit and Assurance

The Risk team's work is aligned with and supported by Internal Audit whose approach to developing the annual plan is risk based. Internal Audit share all appropriate reports with the Risk team to ensure significant risks are captured in risk registers to demonstrate effective management.

The effectiveness of risk management is evaluated on an annual basis and reported on within the Head of Audit's annual report to Audit, Governance and Standards Committee.

12. The Risk team

The Risk team offer a comprehensive training and support menu, including online e-learning plus options for a risk register software training session, a 2-hour workshop, risk identification session and more. Horizon scanning takes place to ensure evidence-based decisions are made, and that emerging issues are identified. The team are on hand for any support or enquiries, plus assistance during major projects.

13. The Risk Management Toolkit

This Risk Management Strategy is supported by a separate document - The Risk Management Toolkit which will assist the Council with every stage of the risk management process, enabling risk-based decisions to be made, and keep track of existing or emerging risks which may threaten the achievement of objectives may these be at strategic, function or service level.

Agenda item 8
AGS/06/24

Report title: Changes to Internal Audit Plan 2023 24	
Report to: Audit, Governance and Standards Committee	
Report author: Paula Clowes, Head of Assurance	
Date: 25 January 2024	**For:** Approval
Enquiries to: Paula Clowes, Head of Assurance paula.clowes@essex.gov.uk	
County Divisions affected: All Essex	

1. Executive Summary

1.1 The Audit Governance and Standards Committee considered the Internal Audit and Counter Fraud Progress Report (AGS/34/23) at the informal meeting held on 18 December 2023. As this was not a formal meeting of the committee the recommended changes to the Internal Audit and Counter Fraud Plan could not be formally approved and this decision was deferred until the next formal meeting.

2. Recommendations

2.1 The recommended changes to the 2023/24 Internal Audit and Counter Fraud Plan (as outlined in paragraph 3.2) be approved.

3. Background

3.1 The report (AGS/34/23) provided the Committee with the latest position regarding activity in relation to the 2023/24 Internal Audit and Counter Fraud Plan which was approved by the Audit, Governance and Standards Committee in March 2023. It reflected the situation as of 30 November 2023.

3.2 Minor changes are recommended in relation to delivery of the Internal Audit and Counter Fraud Plan in 2023/24. To assist in the efficiency of delivery and to avoid overburdening services with duplication of information requests it is proposed to merge or remove some audits listed in the 2023/24 plan as follows:

- Remove Establishment Control: Covered as part of Starters, Leavers, and Movers.
- Remove ‘Inflationary pressures’ covered as part of the Beaulieu Park and Chelmsford North-East Bypass work.
- Removed: ‘Governance and Decision Making’ audit as the Beaulieu Park and Chelmsford North-East Bypass audits had coverage overlaps with the so a separate audit will not be needed.

4. Financial implications

4.1 There are no financial implications as the Internal Audit and Counter Fraud activity 2023/24 will be met within existing resources.

5. Legal implications

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

5.2 The Accounts and Audit Regulations 2015 require the authority to have adequate systems of internal control and internal audit is a way of demonstrating this.

6. Equality and Diversity Considerations

6.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

(a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
(b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
(c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

6.3 The equality impact assessment indicates that this report will not have a disproportionately adverse impact on any people with a particular characteristic.

7. List of Background papers

7.1 Internal Audit and Counter Fraud Progress Report (AGS/34/23)

7.2 Internal Audit reports

Agenda Item 9
AGS/07/24

Audit, Governance and Standards Committee – Work Programme 2024

The Work Programme is subject to revision as circumstances change.

PART ONE – Agenda items where the timing of presentation to the Committee is known.

Meeting	Topic	Author
25 March 2024	**Arrangements for closure of the accounts for 2023/24**	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Internal Audit Charter	Paula Clowes, Head of Assurance
	Audit Plan	Paula Clowes, Head of Assurance
	Risk Management Update	Paula Clowes, Head of Assurance
	Progress update on Chelmsford North-East Bypass and the Beaulieu Park Station Internal Audit recommendations	Ben Finlayson, Director Property and Investment and Delivery and Steve Evison, Director Sustainable Growth
	Assurance update from Gavin Jones, Chief Executive	Gavin Jones, Chief Executive
10 June 2024	**Head of Audit Opinion**	Paula Clowes, Head of Assurance
	The draft Statement of Accounts and draft Annual Governance Statement for the 2023/24 financial year	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Assurance on Highways controls	Peter Massie, Head of Essex Highways Commissioning
	Annual Report of the Audit, Governance and Standards Committee	Paul Turner, Director, Legal and Assurance
	Annual review of Member Gifts and Hospitality	Paul Turner, Director, Legal and Assurance
	Annual review of Standards Complaints	Paul Turner, Director, Legal and Assurance
	Annual review of Member and Officer Foreign Travel	Paul Turner, Director, Legal and Assurance

30 September 2024	**Internal Audit and Counter Fraud progress reports**	Paula Clowes, Head of Assurance
	Risk Management Update	Paula Clowes, Head of Assurance
16 December 2024	**Internal Audit and Counter Fraud progress reports**	Paula Clowes, Head of Assurance
	Risk Management Strategy	Paula Clowes, Head of Assurance

Audit Committee effectiveness review to be scheduled March 2025.

PART TWO - Agenda items where the timing of presentation to the Committee is unknown (because the reports dependent upon the delivery of the relevant report or completion of the relevant work by the Council's External Auditor)

Meeting	Topic	Author
Dates to be determined / advised by the external auditor	**2021/22 Accounts and Audit:**	
	• **2021/22 Audit Completion Report – Essex County Council**	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	• **2021/22 Audit Completion Report – Essex Pension Fund**	
	• **Approval of 2021/22 Statement of Accounts**	
	• **2021/22 External Auditor's Annual Letter – Auditor's Annual Report**	
	Audit of the 2022/23 Accounts:	
	• **External Auditor's Audit Plan for Essex County Council – 2022/23**	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	• **External Auditor's Audit Plan for Essex Pension Fund – 2022/23**	
	• **2022/23 Audit Completion Report – Essex County Council**	

	• **2022/23 Audit Completion Report – Essex Pension Fund**	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	• **Approval of 2022/23 Statement of Accounts**	
	• **2022/23 External Auditor's Annual Audit Letter - Auditor's Annual Report**	
	2023/24 Accounts and Audit:	
	• **External Auditor's Audit Plan for Essex County Council – 2023/24**	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	• **External Auditor's Audit Plan for Essex Pension Fund – 2023/24**	
	• **2023/24 Audit Completion Report – Essex County Council**	
	• **2023/24 Audit Completion Report – Essex Pension Fund**	
	• **Approval of 2023/24 Statement of Accounts**	
	• **2023/24 External Auditor's Annual Audit Letter - Auditor's Annual Report**	