



Essex County Council

Audit, Governance and Standards Committee

10:00	Monday, 25 July 2022	Committee Room 1 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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1	Membership Substitutions and Declarations	4 - 4
2	Minutes and Matters Arising	5 - 8
	To approve as a correct record the minutes of the meeting held on 27 June 2022 and to identify any matters arising.	
3	The Draft Statement of Accounts and Annual Governance Statement 2021-22 (AGS/21/22)	9 - 238
	To receive a report from Nicole Wood, Executive Director, Corporate Services and Paul Turner, Director, Legal and Assurance	
4	Work Programme (FP/22/22)	239 - 240
	To receive a report from Paul Turner, Director, Legal and Assurance	

5 Date of Next Meeting

To note that the next scheduled meeting of the Committee will take place at 10am on Monday 19 September 2022 in Committee Room 1 at County Hall, Chelmsford, CM1 1QH.

6 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.

7 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)

Councillor S Barker

Councillor A Hedley

Councillor M Hoy

Councillor D King

Councillor L Mackenzie

Councillor A McGurran

Councillor A McQuiggan

Councillor M Platt

Councillor L Shaw

Councillor C Siddall

Mr Atta Ul Haque

Chairman

Independent member (non-voting)

Minutes of the meeting of the Audit, Governance and Standards Committee, held in the Council Chamber, County Hall, Chelmsford on Monday 27 June 2022

[A YouTube recording of the meeting is to be found online.](#)

Present:

Members of the Committee:

Councillor A Hedley	Chairman
Councillor S Barker	
Councillor M Platt	
Councillor A McQuiggan	
Councillor L Shaw	
Councillor C Siddall	
Mr Atta Ul-Haque	Independent Member appointed to the Committee

ECC Officers:

Paula Clowes	Head of Assurance
Christine Golding	Chief Accountant
Stephanie Mitchener	Director, Finance
Paul Turner	Director, Legal and Assurance (Monitoring Officer)
Sophie Crane	Senior Democratic Services Officer
Judith Dignum	Democratic Services Officer
Michael Hayes	Democratic Services Assistant

Welcome and Introduction

Councillor 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:

1. The membership of the Audit, Governance and Standards Committee was as shown in the report.
2. Apologies had been received from Councillors King, Hoy, McKenzie and McGurran. It was noted that Cllr McGurran would join the meeting online via Zoom and therefore would not be able to participate in any vote.
3. No declarations of interests were made.

The Chairman, Councillor Hedley, 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 21 March were approved as a correct record and there were no matters arising.

3. Update on the 2021-22 Accounts and External Audit

Christine Golding, Chief Accountant introduced the report on the current position regarding the accounts and audit.

Members expressed frustration at the external audit delays and in particular concern over the continued costs to the Council of maintaining legacy financial systems until the audit can be closed.

It was agreed that clarification would be sought from the external auditors BDO regarding the reasons for the proposed late August start date for the Audit of the Essex Pension Fund's financial statements.

Resolved

That the Committee noted the reasons why publication of the draft Statement of Accounts for 2021/22 has been delayed, and the updated arrangements for publication of those accounts.

That the Committee noted the present uncertainties surrounding the external audits for 2020/21 and 2021/22.

4. Disaster Recovery Audit Progress Update

Melanie Hogger, Director of Technology Services and Mark Newman, Head of Technology and Architecture presented an update to the committee on the three Major and three Moderate recommendations from the 2021 'Limited Assurance' IT Disaster recover Audit, two of which had already been completed. The ongoing Cloud migration of formerly onsite services has had a significant impact on resilience and this migration was due to be completed by 31 May 2023. The service was due to be audited again in 2022 and aimed to achieve 'good assurance' by 2023.

Resolved

That the Committee noted the information provided.

5. Update on Audit Recommendations on Personal Budgets, Families (Direct Payments)

Gaye Cole, Director of Local Delivery presented an update regarding an outstanding audit recommendation on the monitoring and review of Direct Payment spending (Children and Families Service). It was noted that there were a variety of forms of monitoring already in place to give the service assurance that an individual child's needs were being met. There were plans in place to extend this to include cases where the social worker was currently unable to review all receipts relating to direct payment spend. This process would be audited again during the 2022/23 financial year.

Resolved

That the Committee noted the information provided.

6. Internal Audit and Counter Fraud Annual Report

Paula Clowes, Head of Assurance, introduced the report which included the Internal Audit and Counter Fraud Annual Report and the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's internal control environment. It was noted that although the opinion remained satisfactory, there was an improved picture, in that there had been no 'no assurance' audits and 3 'limited assurance' audits compared to 10 limited assurance audits in 2020/21.

The Head of Assurance confirmed that during the 2021/22 financial year the internal audit activity had been free from interference in determining the scope of internal auditing, performing work and communicating results.

It was noted that Essex Pension Fund arrangements maintained 'good' assurance.

Resolved:

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

7. Annual Report of the Audit, Governance and Standards Committee

Paul Turner, Director, Legal and Assurance, introduced the annual report of the committee noting the inclusion of the issues around the approval of the accounts.

It was agreed that the report should be signed off 'Chairman' rather than 'Chair'.

Resolved

That, including the agreed sign off from the Chairman, the Committee approves the Annual Report of the Audit, Governance and Standards Committee as appended to the report, for presentation to Full Council on 12 July 2022.

8. Annual Review of Member Gifts and Hospitality

Paul Turner, Director, Legal and Assurance, introduced the annual report which provided transparency on gifts and hospitality received by members and covered the previous financial year 2021/22.

The Committee noted that the rules around registration changed with effect from 1 June 2022 as a result of the Council's decision on 10 May 2022 to adopt the LGA model code of conduct. There were two main changes:

- Only gifts and hospitality over £50 are registrable (rather than £25)
- Gifts and hospitality offered but rejected will need to be registered.

Resolved

That the Committee notes the findings of the review.

9. Work Programme

The Work Programme was noted.

It was agreed that an update on the IT Disaster Recovery work should be provided to the Committee in 2023, after the next planned IT Disaster Recovery internal audit, with officers from Technology Services asked to attend.

10. Date of next and Future Meetings

The dates were noted.

Chairman

Agenda item 3

Report title: The draft Statement of Accounts and draft Annual Governance Statement for 2021/22		AGS/21/22
Report to Audit, Governance and Standards Committee		
Report author: Nicole Wood, Executive Director, Corporate Services and Paul Turner, Director Legal and Assurance		
Date of meeting: 25 July 2022	For: Information	
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 and, with respect to the Annual Governance Statement, Paul Turner, Director, Legal and Assurance paul.turner@essex.gov.uk		
Divisions affected: All Essex		

1. Everyone's Essex

- 1.1 This report presents the draft **Statement of Accounts** and **Annual Governance Statement** for the **2021/22** financial year to the Committee for information (as appended).

2. Recommendations

- 2.1 The Committee notes that, in line with statutory deadlines:
- The draft Statement of Accounts for 2021/22 will be published and released for external audit on or before **31 July 2022**.
 - The public inspection period will commence on **1 August 2022** and will run for a period of **30** working days.
- 2.2 The Committee notes that:
- The outcome of the recent CIPFA LASAAC consultation on proposed augmentations to the Accounting Code on accounting for infrastructure assets is still awaited.
 - It may be necessary to amend the draft Statement of Accounts for 2021/22 in the event that the eventual solution for infrastructure assets requires a different accounting treatment to that currently being applied by the Council.
- 2.3 The Committee reviews the draft **Annual Governance Statement** for 2021/22, as appended, and considers whether it wishes to make any comments on it or propose any changes.

3. Statement of Accounts

Background

- 3.1 The Council is required to compile its annual accounts in compliance with generally accepted accounting practice. This means preparing the accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Accounting Code), supported by International Financial Reporting Standards and statutory regulations.
- 3.2 The Council is also required to:
- Produce draft accounts, and present them for external audit, by a specified date each year.
 - Make the draft Statement of Accounts available for a period of 30 working days, during which time the public have the right to raise objections, inspect the accounts and question the Local Auditor.
 - Publish its final, audited accounts by a specified date each year.
- 3.3 Statutory regulations require these activities to be undertaken in accordance with the following timetable this year:
- Produce the draft Statement of Accounts and present them for external audit by **31 July 2022**.
 - Make the draft accounts available for public inspection for a period of 30 working days, commencing no later than on **1 August 2022**.
 - Publish final, audited, accounts by **30 November 2022**.
- 3.4 In line with these requirements, the Executive Director for Corporate Services will certify the draft (unaudited) Statement of Accounts for 2021/22, and present them for external audit, on **29 July**; and will commence the 30-day period for the exercise of public rights on **1 August**.
- 3.5 The draft Statement of Accounts for 2021/22, including the financial statements for the Council and Essex Pension Fund, is appended for information only. The Committee will not be required to approve these accounts until the external audit of these accounts has been concluded.

Accounting for infrastructure assets

- 3.6 The Committee will be aware of the national issue related to accounting for infrastructure assets that has led to widespread delays in local authority audits for 2020/21. They will also be aware that the Chartered Institute for Public Finance and Accountancy (CIPFA) and the CIPFA LASAAC Code Board (the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom) agreed to try to assist in the resolution of the issue.
- 3.7 As reported to the Committee on **27 June 2022 (AGS/14/22)**, CIPFA LASAAC recently consulted on proposed augmentations to the Accounting Code, that it

hoped would address external auditors' concerns regarding accounting for infrastructure assets.

- 3.8 It had been anticipated that the outcome of the CIPFA LASAAC consultation would be known this month. However, at the time of writing, the consultation outcome is still awaited.
- 3.9 Consequently, the draft Statement of Accounts for 2021/22 (as appended) have been prepared on the basis of the accounting policies that have been applied by the Council in previous years, including those related to Infrastructure Assets. In the event that the eventual solution for infrastructure assets requires adoption of accounting policies that differ from those that have been applied, the draft Statement of Accounts will be amended.

External audit

- 3.10 It is hoped that the external auditor will report the results of the audit of the 2021/22 Accounts to the Committee on **28 November 2022**, thereby enabling the Committee to formally approve the Statement of Accounts for 2021/22 for publication by **30 November 2022**. However, the external auditor has indicated that it may not be possible for them to undertake and complete the 2021/22 audit by then.

4. Annual Governance Statement

- 4.1 The Accounts and Audit Regulations 2015 also include a requirement to publish an Annual Governance Statement.
- 4.2 The regulations require the Council to carry out a review of the effectiveness of their systems of internal control to provide assurance that the Authority has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.
- 4.3 Part of the way we achieve this is by a Code of Corporate Governance which refers to a range of documents, policies and procedures that underpin our aim of achieving good governance. In this context 'governance' means the systems, processes, culture and values by which we direct and control our business.
- 4.4 ECC has committed to a set of seven core principles, developed by the Chartered Institute of Public Finance and Accountability (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their paper Delivering Good Governance in Local Government: Framework 2016. The contents of our Code of Corporate Governance meet the requirements of those seven key principles and key documents can be found on our website.
- 4.5 The draft Annual Governance Statement, which is published with the Statement of Accounts, is appended and the Committee are asked to give any comments they may have.

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

5. Policy context and Outcomes Framework

- 5.1 The Statement of Accounts for 2021/22 summarises the financial performance and financial position for the Council for the year ending 31 March 2022. As such, the Accounts provide a financial representation of activities during 2021/22 against the Organisation Strategy.

6. Financial Implications

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

7. Legal Implications

- 7.1 The Council is required to produce annual accounts in accordance with the Accounts and Audit Regulations 2015 as currently amended by the Accounts and Audit (Amendment) Regulations 2021. The Council is also required to produce an annual governance statement in accordance with the 2015 regulations.
- 7.2 The final governance statement must be approved before the final statement of accounts is published.

8. Staffing and other resource implications

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

9. List of appendices

- 9.1 **Appendix A** – Draft Statement of Accounts for 2021/22 (including the Annual Governance Statement).

10. List of Background Papers

- 10.1 None

Draft Statement of Accounts 2021/22



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Narrative Report 2021/22

Narrative Report

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

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Narrative Report

Introduction

About Essex County Council

Essex County Council (ECC) is one of the largest of the county councils in England, covering an administrative area of around **3,465** 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:

- **Adult Social Care and Health** including the support of and assistance to people with learning or physical disabilities or sensory impairment and older people and the homeless; safeguarding vulnerable adults; public and mental health services; sport and physical activity; and drug and alcohol action.
- **Children's Services and Early Years** including the safeguarding of children; looked after children; services to vulnerable children and young people and their families; and adoption and fostering services.
- **Community, Equality, Partnership and Performance** including strategic partnerships; information governance; community leadership, engagement, resilience and safety; emergency planning; libraries and community hubs; registration services; coroners; equality and diversity; Active Essex; Essex Outdoors; and Youth Services.
- **Devolution, the Arts, Heritage and Culture** including development of policy and programme in relation to devolution; heritage, culture and the arts; Essex Records Office; faith covenant; gypsy and travellers; trading standards; country parks and green spaces; rural affairs; and tourism.
- **Economic Renewal, Infrastructure and Planning** including infrastructure and delivery; digital connectivity; international trade; economic development; spatial planning; minerals and waste planning; housing strategy; garden communities; property strategy; and built, historical and natural environments.
- **Education Excellence, Lifelong Learning and Employability** including mainstream schools and education; special educational needs and alternative provision; children missing education; schools safeguarding; school crossing patrols; post 16 skills and apprenticeships; adult community learning; and employability and skills.
- **Finance, Resources and Corporate Affairs** including financial administration and management; procurement; commercial property and partnerships; insurance; income and revenues optimisation; technology services; facilities management; Pension Fund; traded services; human resources; and customer services.

Narrative Report

- **Highways Maintenance and Sustainable Transport** including transport strategy; network management; park and ride; maintenance of highways, public rights of way and structures; street lighting; travel planning; flooding and flood management; passenger transport; and home to school transport.
- **Leader** including democratic engagement; policy, strategy, communications, marketing and public affairs; South East Local Enterprise Partnership; climate change action; and energy and emissions reduction.
- **Waste Reduction and Recycling** including waste minimisation, disposal and recycling; integrated waste management; waste strategy; and waste programme delivery.

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 2021/22 financial year were elected for a four-year term, effective from **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 Kevin Bentley has been the **Leader** since May 2021. He is 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 Louise McKinlay has been the **Deputy Leader** since 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.

Narrative Report

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

Our workforce is aligned to our Corporate Leadership Team. Our non-schools' workforce comprised **6,448** 'full time equivalent' employees as at 31 March 2022, with a further **5,218** employees working within our locally maintained schools.

Vision for Essex

The Future of Essex is a single, shared vision for Essex that was created in 2017 in conjunction with our partners. It is a long-term statement of ambition and aspiration for Essex and it informs the Council's own plans and actions. The agreed ambitions are to:

- **Unite** behind a sense of identity
- **Enjoy life** long into old age
- **Share prosperity** with everyone
- **Strengthen communities** through participation
- Provide an **equal start** for every child
- Develop our County **sustainably**
- **Connect** us to each other and the World.

Organisation Strategy

The Council's **Organisation Strategy** set out the Council's strategic aims for the four-year period 2017 to 2021 which were to:

- Enable inclusive **economic growth**.
- Help people to get the **best start** and to **age well**.
- Help create **great places** to grow up, live and work.
- **Transform** the Council to achieve more with less.

The Council's overarching ambition was to be the best local authority in the country, to achieve better outcomes for Essex and to secure the ambitions set out in the **Vision for Essex**.

Everyone's Essex

The Council's ambitions for 2022/23 and beyond are outlined in **Everyone's Essex**, the Council's Plan to Level up the County.

Everyone's Essex sets out the Council's long-term strategic aims and priorities. As such, it is a key element of the Council's Strategic and Resource Planning Framework – through which the Council ensures that its resources are used to secure progress against a consistent and enduring set of aspirations.

Narrative Report

Renewal, Equality, Ambition run through everything the Council does. Alongside these themes, the Council is focussed on four areas where outcomes really matter for the quality of life for the people of Essex. They are:

- the **Economy**
- the **Environment**
- **Children and families**
- Promoting **health, care** and **wellbeing** for all the parts of our population who need our support.

And in focussing on these areas, the Council is mindful that it must address today's challenges and begin to tackle tomorrows. The Council has set out twenty commitments that, taken together, it believes will make Essex a stronger county. These commitments are focussed on outcomes that really matter for the quality of life for the people of Essex.

Economy

- Good jobs
- Infrastructure
- Future growth and investment
- Green growth
- Levelling up the economy

Health

- Healthy lifestyles
- Promoting independence
- Place-based working
- Carers
- Levelling up health

Environment

- Net zero
- Transport and built environment
- Minimise waste
- Green communities
- Levelling up the environment

Family

- Education outcomes
- Family resilience and stability
- Safety
- Outcomes for vulnerable children
- Levelling up outcomes for families

Revenue spending

Revenue spending plans for 2021/22

In total, we planned to spend a gross budget of **£2,014m** on the provision of services (including schools) 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.

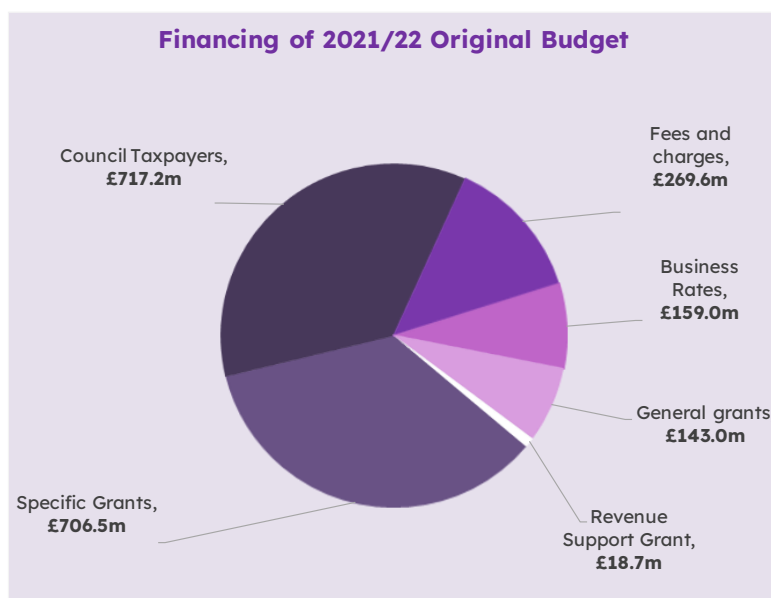
We intended to finance **£1,119.1m** of our budget from income. This comprised fees and charges (**£269.6m**), specific grants (**£706.5m**) and general government grants (**£143m**).

Narrative Report

The net budget, after allowing for specific and general government grants and income from fees and charges, originally amounted to **£894.9m**.

The net budget was financed from:

- Revenue Support Grant (**£18.7m**)
- Business rates (including business rates 'top up' grant) (**£159m**)
- Council taxpayers (**£717.2m**).



The Council utilised **1.5%** of the **3%** social care precept flexibility offered by the Government and no increase in Council Tax. The Council Tax for a band D property was set at **£1,340.91** (compared with £1,321.11 in 2020/21), which equated to an increase of under **38p** per household per week.

This budget was underpinned by a financial strategy to ensure that the Council continues to live within its means, whilst also continuing to deliver essential services to residents and keep Council Tax as low as possible.

Year-end position

There was significant additional demand for our services during 2021/22, as the COVID-19 pandemic continued to impact. We incurred additional costs of circa **£124m** as a result of the pandemic, although the government underwrote much of our COVID-related risk through the provision of over **£100m** of specific grants. This created substantial volatility against a net budget of **£894.9m**.

Despite the volatility in demand for our services, particularly Adult Social Care, Children's Services, Transport and Waste, we ended the year in a better position than expected, with a moderate under spend of **£15.622m**. This position is after adjusting for proposals to carry forward under spends for use in 2022/23 and other 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 £000	Unadjusted over / (under) spend £000	Mitigations £000	Underlying over / (under) spend £000
	Original £000	Final Estimate £000				
Adult Social Care and Health	441,280	450,190	440,295	(9,895)	4,545	(5,350)
Children's Services and Early Years						
Dedicated Schools Budget	(401)	(75)	(75)	-	-	-
Non Dedicated Schools Budget	133,461	138,287	135,245	(3,042)	2,337	(705)
Community, Equality, Partnerships and Performance	22,801	27,948	23,725	(4,223)	2,816	(1,407)
Devolution, the Arts, Heritage and Culture	3,607	4,763	3,941	(822)	822	-
Economic Renewal, Infrastructure and Planning	6,195	21,046	21,205	159	(316)	(157)
Education Excellence, Lifelong Learning and Employability						
Dedicated Schools Budget	(2,662)	(2,967)	(8,578)	(5,611)	5,611	-
Non Dedicated Schools Budget	19,460	23,152	19,914	(3,238)	3,195	(43)
Finance, Resources and Corporate Affairs	10,613	6,949	5,260	(1,689)	1,718	29
Highways Maintenance and Sustainable Transport	112,576	113,247	102,128	(11,119)	8,546	(2,573)
Leader	2,220	3,107	2,736	(371)	371	-
Waste Reduction and Recycling	81,723	81,943	80,666	(1,277)	1,277	-
Strategic support services	91,954	114,297	105,804	(8,493)	6,999	(1,494)
Net expenditure by Portfolios	922,827	981,887	932,266	(49,621)	37,921	(11,700)
Other operating costs						
Interest, capital financing and dividends	54,550	51,975	49,040	(2,935)	896	(2,039)
Appropriations to / (from) earmarked reserves						
Budgeted appropriations	60,544	4,124	4,124	-	-	-
Mitigations	-	-	38,817	38,817	(38,817)	-
Underlying under spend	-	-	15,622	15,622	-	15,622
Total net expenditure	1,037,921	1,037,986	1,039,869	1,883	-	1,883
General government grants (excl. RSG)	(143,014)	(143,079)	(145,727)	(2,648)	-	(2,648)
General Balance - contribution / (withdrawal)	-	-	-	-	-	-
Net Total	894,907	894,907	894,142	(765)	-	(765)
Financed by						
Revenue Support Grant (RSG)	(18,701)	(18,701)	(18,701)	-	-	-
Business rates (incl. business rates top up grant)	(158,975)	(158,975)	(158,276)	699	-	699
Council taxpayers	(717,231)	(717,231)	(717,165)	66	-	66
Total Financing	(894,907)	(894,907)	(894,142)	765	-	765

The underlying under spend of **£15.622m** reflects:

- Under spends by services, after mitigating adjustments were made, of **£11.7m**, mainly related to Adult Social Care and Health (**£5.350m**), Highways Maintenance and Sustainable Transport (**£2.573m**) and Community, Equality, Partnerships and Performance (**£1.407m**).
- A favourable movement on funding of **£1.883m**, mainly due to the receipt of the Tax Income Loss Guarantee Grant.
- An under spend of **£2.039m** on interest, capital financing and dividends, mainly because it was not necessary to secure new external loans during the year.

Narrative Report

The net under spend of **£15.622m** has been set aside in earmarked revenue reserves to meet future cost pressures, as follows:

- **£10.022m** to the **General Risk Reserve**, to be used to mitigate inflationary and other cost pressures.
- **£2.6m** to the **Everyone's Essex** reserve, to support delivery of Everyone's Essex priorities.
- **£2m** to the **Commercial Investment in Essex Places** reserve, given increased activity in this area with the Essex Renewal Fund.
- **£1m** to the **Technology and Digitisation** reserve, for the heightened cyber risks currently faced as a result of the Ukraine war.

With the government now ceasing to underwrite our risks through the provision of specific grants, inflation at unprecedented levels, growing interest rates and the Bank of England expecting GDP growth to slow sharply, our focus now moves to the extremely challenging period ahead.

Our robust financial management throughout 2021/22 will enable it to partly mitigate these inflationary pressures in the short-term, but the 2021/22 under spend alone will not be sufficient to cover our anticipated increasing costs in 2022/23. The Council will therefore plan to ensure that it continues to live within its means.

Revenue spending plans for 2022/23 and beyond

The medium to long-term impact of the COVID-19 pandemic on the economy and demand for services is still unknown, which creates uncertainty in our medium-term resources strategy.

The 2022/23 budget was approved by the Council in February 2022 and was underpinned by a financial strategy to ensure we can continue to live within our means, whilst also delivering the Council's political priorities and therefore achieve the **Everyone's Essex** Strategic Aims.

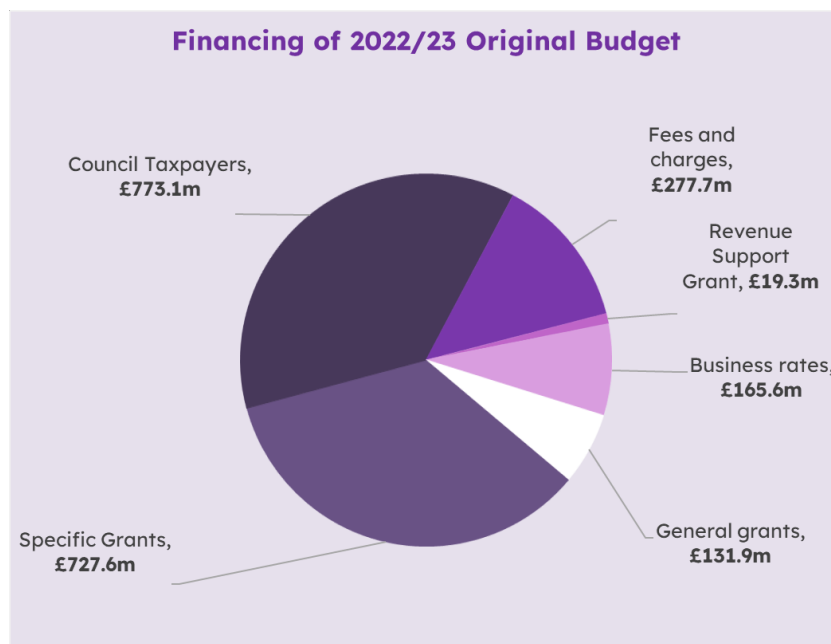
The gross budget amounted to **£2,095.2m**. We intended to finance **£1,137.2m** of our budget from income, from fees and charges (**£277.7m**) and from specific (**£727.6m**) and general government grants (**£131.9m**).

Narrative Report

The net budget, after allowing for specific and general government grants and income from fees and charges, originally amounted to **£958m**.

The net budget was financed from:

- Revenue Support Grant (**£19.3m**)
- Business rates (including business rates 'top up' grant) (**£165.6m**)
- Council taxpayers (**£773.1m**).



The Council implemented a **4.49%** increase in Council Tax for 2022/23. This comprised a **1.99%** increase in its general Council Tax precept, a **1%** Social Care precept, plus an additional **1.5%** adult social care precept deferred from 2021/22 using the flexibility set out by Government for 2021/22. This means that the Council Tax for a band D property was set at **£1,401.12** (compared with £1,340.91 in 2021/22); this represented an increase of **£1.16** per household per week.

When we set the budget for 2022/23, we were forecasting a budget gap of **£24m** in 2023/24, rising to **£119m** in 2025/26. The most significant driver of these gaps was **inflation**, which accounted for **£86m** of the total, followed by **new burdens** and **other** cost pressures of **£19m** and then **demographic growth** of **£14m**. There were no assumptions made in arriving at the budget gap about future levels of Council Tax.

Some progress has been made towards balancing the budget over the medium-term. We had already identified new savings of **£14m** in the medium-term, when we set the 2022/23 budget, but needed to identify options for addressing the residual budget gap.

However, with inflation now expected to increase to **10%** or more, the Council will face even greater budget challenges than those previously forecast. A **10%** inflation pressure is double the Council Tax rise for 2022/23 and, although we under spent in 2021/22, that under spend will not be sufficient to mitigate our increasing costs.

We will continue to plan to ensure we spend within our means, and work will continue throughout 2022/23 to identify options for closing the budget gap beyond next year.

Narrative Report

Despite these challenges, the Council's focus remains on prioritising resources to achieve the strategic aims outlined in [Everyone's Essex](#) whilst achieving a balanced budget position.

Further details of the Council's revenue investment plans are included in the [Essex County Council Annual Plan 2022/23](#), which is available on the Council's website.

Capital investment

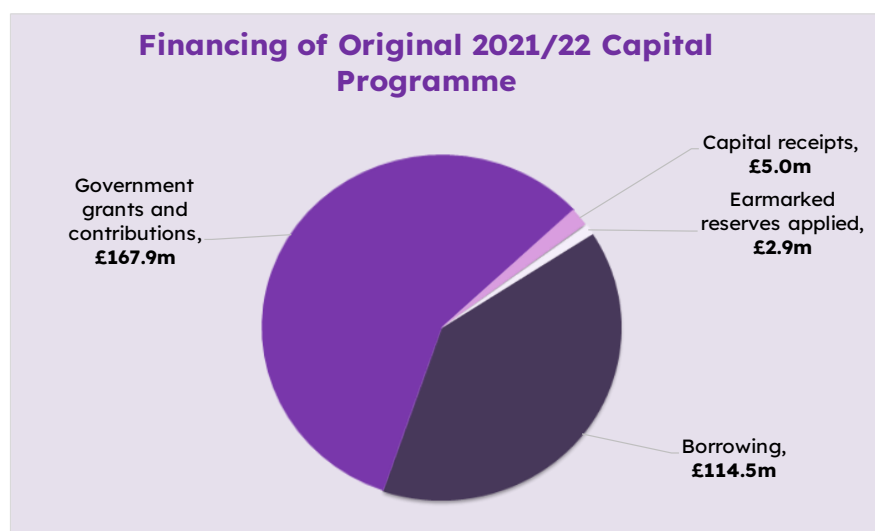
Background to the 2021/22 Capital Programme

Overall, the Capital Programme for 2021/22 was originally set at **£290.3m** 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 maintain** (29.9%) – projects intended to maintain but extend the life of our assets, including highways and the flood management programme.
- **Invest to save / generate return** (12.4%) – schemes that generate a return or saving, including accommodation for older people with disabilities, LED street lighting and the Essex Housing Programme.
- **Invest to Grow** (57.7%) – including areas where the Council is expanding its capacity, such as economic growth schemes in infrastructure and highways, the creation of new school places to meet additional demand from demographic changes and new housing developments and enhancing skills in key growth areas.

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



Narrative Report

2021/22 Outturn position

The final approved capital payments budget amounted to **£235.8m**. In comparison, actual expenditure amounted to **£221.2m**. This was **£14.5m** (6.2%) lower than budgeted. 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				
Adult Social Care and Health	1,160	652	653	1
Children's Services and Early Years	2,236	3,347	3,110	(237)
Community, Equality, Partnerships and Performance	500	554	489	(65)
Devolution, the Arts, Heritage and Culture	70	354	158	(196)
Economic Renewal, Instructure and Planning	136,623	89,137	80,416	(8,721)
Education Excellence, Lifelong Learning and Employability	62,374	47,039	44,462	(2,577)
Finance, Resources and Corporate Affairs	5,813	8,571	7,629	(942)
Highways Maintenance and Sustainable Transport	80,903	85,031	83,242	(1,789)
Leader	662	953	936	(17)
Waste Reduction and Recycling	-	124	124	-
Total of capital payments financed	290,341	235,762	221,219	(14,543)
Financed by				
Borrowing	(114,543)	(77,470)	(62,214)	15,256
Government grants and contributions	(167,898)	(149,992)	(150,705)	(713)
Capital receipts	(5,000)	(1,300)	(1,300)	-
Earmarked reserves applied	(2,900)	(7,000)	(7,000)	-
Total financing	(290,341)	(235,762)	(221,219)	14,543

Footnote: The total of capital payments for the year, as shown above, is less than the total capital investment disclosed in Note 16 to the Statement of Accounts (on page 74) because that note includes increases for assets acquired under finance leases and for the Landfill aftercare provision (see note 25.1 on page 91).

During 2021/22, around **400** schemes were undertaken, including:

- Creating **1,725** new school places, including the County's first new school buildings designed to be carbon net zero in operation.
- Significant packages of transport improvement work, including progression of the M11 Junction 7A.
- Delivery of essential work to maintain a safe road network and contribute to longer-term economic growth.

Narrative Report

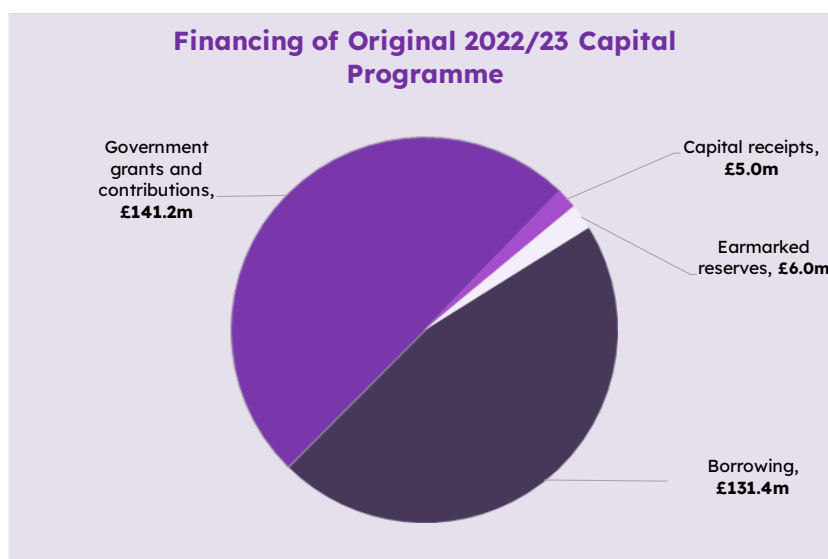
- **16** capital build projects intended to help regenerate the economy, made possible because of securing **£28.1m** of Get Building Funding (funding designed to progress 'shovel ready' projects quickly).
- Flood management schemes benefiting **126** properties, as well as completing feasibility studies for schemes that will be delivered in 2022/23.
- Delivery of several carbon reduction schemes, including the Green Homes initiative, solar panel installation at the Essex Records Office and installation of **25,000** new LED street lighting lanterns, all part of the Council's ambition to achieve net zero carbon emissions by 2030.

Capital investment plans for 2022/23

Overall, the Capital Programme for 2022/23 has been set at **£283.6m**.

The 2022/23 Capital Programme will be financed from a combination of:

- Borrowing (**£131.4m**)
- Grants and contributions (**£141.2m**)
- Capital receipts (**£5m**)
- Earmarked reserves (**£6m**).



Our overall aim is to have a diverse portfolio of activity, prioritised in line with the **Everyone's Essex** strategic aims, ensuring the creation of new assets, whilst maintaining the quality of existing infrastructure for the benefit of our residents and businesses.

Having secured Housing Infrastructure Funding (HIF) in 2021/22, schemes are now progressing through the design phase and will soon be in construction, including the Beaulieu Station, Chelmsford North-East bypass, the A133-A120 Link Road and Colchester Rapid Transit System.

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 for Transport and Highways England to secure funding for our long-term pipeline too.

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

The Council also plans to deliver a range of other schemes to enhance, maintain and develop new assets and will continue the aspiration to achieve net zero through delivering buildings that will have a net zero carbon operational design, making our estate more energy efficient and making Essex more resilient to climate impacts.

Finally, we will continue our collaboration with Essex Schools to further increase special school places and focus on new schools and pupil referral units.

Further details of the Council's capital investment programme are included in the [Essex County Council Annual Plan 2022/23](#), which is available on the Council's website.

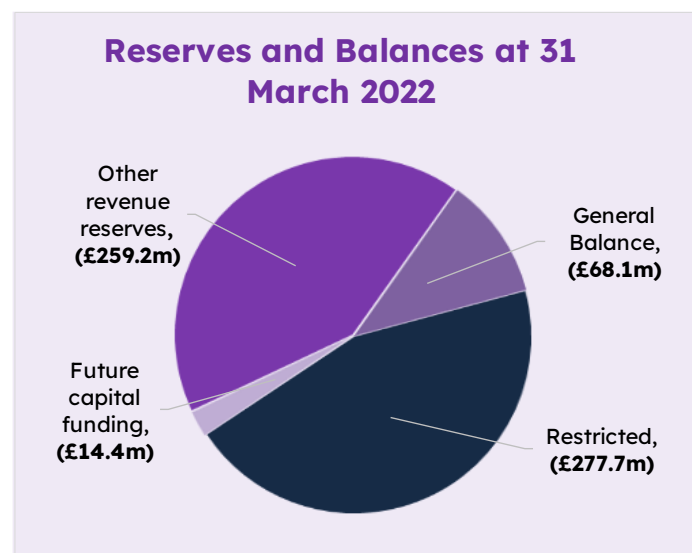
Revenue Reserves and Balances

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 proportion of the Council's reserves are 'restricted' in use (**£277.7m**). This means they are ring-fenced to long-term contractual commitments, or they are funds held on behalf of others (including schools). These reserves are not available to address the general cost pressures facing the Council.

A further **£259.2m** of our reserves are funds set aside to enable the Council to mitigate against the significant risks the Council faces, or to enable the Council to change the way it delivers services to achieve future efficiencies.

A further **£14.4m** has been earmarked for funding future capital investment.



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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. The current balance is enough to fund **23** 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 62).

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 and working capital balances, that can either be invested or temporarily utilised to defer the need for external borrowing.

Short-term loans were secured during 2021/22, 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 though.

The cash balances held by the Council during 2021/22 were mainly invested for periods of less than 1 year with the UK Government, money market funds and bodies with high credit ratings. Further details are provided in the Statement of Accounts (see page 80).

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 2021/22 is presented within this document, commencing on page 20.

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 2022 and of its income and expenditure for the 2021/22 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 reserves for future use.

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The Financial Statements (shown on pages 26 to 32) summarise the financial effects of transactions and events that occurred during 2021/22. 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 2022 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 2021/22.

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

The accounting cost in the year of providing services (as presented in the Comprehensive Income and Expenditure Statement) differs from the amount to be funded from taxation. For this reason, the Expenditure and Funding Analysis (shown on page 53) 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.

Accounting policies (see pages 35 to 49) 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 50) and 3 (page 52) of the judgements and estimates made in 2021/22.

Other notes to the accounts (see pages 53 to 120) 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

Narrative Report

subsidiaries (Essex Cares Ltd and Essex Housing Development LLP) to provide a full picture of the Council's economic activities and financial position.

Annual Governance Statement

Our Annual Governance Statement (which commences on page 196 of this publication) summarises the outcome of our review of the Governance Framework that has been in place during 2021/22.

We updated our CIPFA Financial Management Code self-assessment as part of the review of our Governance Framework, and reviewed this with the Cabinet Member for Finance, Resources and Corporate Affairs. An action plan has been agreed, to ensure we sustain our continuous improvement approach to financial management.

The Annual Governance Statement demonstrates that we have effective governance arrangements in place, 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

Despite another volatile year as a consequence of the COVID-19 pandemic, through careful planning and robust financial management, the Council was able to close its 2021/22 Accounts showing a modest under spend. This has enabled the Council to set resources aside to provide some mitigation in the short-term against escalating costs and to set funds aside for one-off investment in our key priorities.

We face an extremely challenging period now and in the medium-term though, with inflation at a 40-year high and further increases forecast.

We will continue to plan, moving forward, to ensure we continue to spend within our means, and to prioritise our resources to achieve the **Everyone's Essex** strategic aims.

Nicole Wood
Executive Director, Corporate Services
29 July 2022

Statement of Accounts 2021/22

Statement of Accounts

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Introduction

Financial Statements

The Council's financial statements for 2021/22 are set out on pages 26 to 32, 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 33 to 120) to provide further detail on the financial performance of the Council during 2021/22.

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 2021/22 financial statements are described in note 1 to the Accounts, which commences on page 35.

The notes to the accounts also include an **Expenditure and Funding Analysis** (see note 5, commencing on page 54). 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 pages 121 to 135.

Introduction

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 136 to 189.

Glossary of terms

A glossary of the terminology used throughout the Statement of Accounts is provided on pages 190 to 195.

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 2022 and its expenditure and income for the year then ended.

Nicole Wood

Executive Director, Corporate Services

29 July 2022

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 [date to be determined].

Cllr Anthony Hedley
Chairman of the Audit, Governance and Standards Committee
Date to be determined

Financial Statements

Introduction

The financial statements comprise:

- **Comprehensive Income and Expenditure Statement (page 28)**

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 29)**

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 in-year movements 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 (pages 30 and 31)**

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 for, and funding, certain transactions which are permitted under regulations.

- **Cash Flow Statement (page 32)**

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.

Financial Statements

- **Notes to the financial statements (pages 33 to 120)**

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 54) 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 2022

2020/21				Note		2021/22			
Gross expenditure	Government grants	Other income	Net expenditure			Gross expenditure	Government grants	Other income	Net expenditure
£000	£000	£000	£000			£000	£000	£000	£000
765,127	(167,640)	(171,484)	426,003		Adult Social Care and Health	785,732	(164,213)	(165,197)	456,322
					Children's Services and Early Years				
83,408	(86,326)	(1,054)	(3,972)		Dedicated Schools Budget	86,158	(85,646)	(584)	(72)
172,134	(24,412)	(8,312)	139,410		Non Dedicated Schools Budget	202,717	(40,036)	(9,975)	152,706
9,652	(1,828)	(3,762)	4,062		Community, Equality, Partnerships and Performance	10,601	(939)	(3,991)	5,671
47,821	(20,779)	(5,964)	21,078		Devolution, the Arts, Heritage and Culture	46,412	(7,017)	(8,038)	31,357
31,812	(25,469)	(15,718)	(9,375)		Economic Renewal, Infrastructure and Planning	48,553	(20,455)	(7,751)	20,347
					Education Excellence, Lifelong Learning and Employability				
458,215	(455,206)	(21,194)	(18,185)		Dedicated Schools Budget	489,930	(467,262)	(32,539)	(9,871)
119,160	(31,390)	(30,110)	57,660		Non Dedicated Schools Budget	119,871	(24,675)	(35,208)	59,988
13,389	(331)	(14,322)	(1,264)		Finance, Resources and Corporate Affairs	5,925	(1,889)	(884)	3,152
177,610	(12,562)	(20,569)	144,479		Highways Maintenance and Sustainable Transport	162,451	(11,469)	(22,320)	128,662
1,813	(283)	128	1,658		Leader	5,291	(1,358)	92	4,025
88,078	(114)	(2,813)	85,151		Waste Reduction and Recycling	88,973	(373)	(3,200)	85,400
					Strategic Support Services				
18,597	-	-	18,597		Community, Equality, Partnerships and Performance	21,661	-	-	21,661
1,287	-	-	1,287		Economic Renewal, Infrastructure and Planning	1,752	-	-	1,752
98,006	-	-	98,006		Finance, Resources and Corporate Affairs	109,661	-	-	109,661
2,213	-	-	2,213		Leader	2,926	-	-	2,926
2,088,322	(826,340)	(295,174)	966,808		Cost of services - continuing operations	2,188,614	(825,332)	(289,595)	1,073,687
35,149	-	-	35,149	9	Other Operating Expenditure	3,575	-	-	3,575
100,060	-	(39,151)	60,909	10	Financing and Investment Income and Expenditure	106,178	-	(53,521)	52,657
-	(364,569)	(731,298)	(1,095,867)	12	Taxation and Non-Specific Grant Income	-	(404,130)	(762,765)	(1,166,895)
2,223,531	(1,190,909)	(1,065,623)	(33,001)		Surplus on Provision of Services	2,298,367	(1,229,462)	(1,105,881)	(36,976)
			2,668	26.2	(Surplus) / deficit arising on revaluation of non-current assets				(89,479)
			68,756	26.4	Re-measurements of the net defined benefits pension liability				(388,640)
			71,424		Other Comprehensive Income and Expenditure				(478,119)
			38,423		Total Comprehensive Income and Expenditure				(515,095)

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 2021/22; comparative figures for 2020/21 have been restated on a consistent basis.

Movement in Reserves Statement

For the years ended 31st March 2021 and 31st March 2022

	Notes	Usable Reserves					Total Unusable Reserves £000	Total Council Reserves £000
		Earmarked General Reserves £000	General Fund Balance £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000		
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		-	(33,001)	-	-	(33,001)	71,424	38,423
Adjustments between accounting basis and funding under regulations	7	-	(133,194)	(1,326)	(1,014)	(135,534)	135,534	-
Net (increase)/decrease before transfers to earmarked reserves		-	(166,195)	(1,326)	(1,014)	(168,535)	206,958	38,423
Transfers to Earmarked Reserves	8	(154,538)	154,538	-	-	-	-	-
(Increase) / decrease in 2020/21		(154,538)	(11,657)	(1,326)	(1,014)	(168,535)	206,958	38,423
Balance at 31 March 2021		(493,555)	(68,096)	(10,907)	(2,272)	(574,830)	(676,150)	(1,250,980)
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure		-	(36,976)	-	-	(36,976)	(478,119)	(515,095)
Adjustments between accounting basis and funding under regulations	7	-	(20,844)	(606)	(822)	(22,272)	22,272	-
Net (increase)/decrease before transfers to earmarked reserves		-	(57,820)	(606)	(822)	(59,248)	(455,847)	(515,095)
Transfers to Earmarked Reserves	8	(57,820)	57,820	-	-	-	-	-
(Increase) / decrease in 2021/22		(57,820)	-	(606)	(822)	(59,248)	(455,847)	(515,095)
Balance at 31 March 2022		(551,375)	(68,096)	(11,513)	(3,094)	(634,078)	(1,131,997)	(1,766,075)

Financial Statements

Balance Sheet as at 31st March 2022

31 March 2021 £000	Note		31 March 2022 £000
		Property, Plant and Equipment	
		Operational assets	
1,343,573		Land and buildings	1,421,734
7,317		Vehicles, plant and equipment	5,522
1,227,022		Infrastructure	1,283,732
3,671		Community assets	3,924
		Non operational assets	
162,180		Assets under construction	200,447
53,872		Surplus assets held pending disposal	47,968
2,797,635	15	Total Property, Plant and Equipment	2,963,327
14,678	15	Heritage assets	14,711
38,446	15	Investment property	40,402
5,436	15	Intangible assets	2,118
11,167	19	Long term investments	13,014
11,107	21	Long term debtors	14,475
2,878,469		Long term assets	3,048,047
96,595	19	Short term investments	14,998
6,438	15	Assets held for sale	12,453
6,435	20	Inventories	4,725
168,035	21	Short term debtors	179,822
504,691	22	Cash and cash equivalents	589,860
782,194		Current Assets	801,858
(34,632)	22	Bank overdraft	(27,516)
(40,704)	19	Short-term borrowing	(23,402)
(331,677)	23	Creditors (current)	(316,615)
(12,497)	25	Provisions (current)	(11,045)
(30,368)	24	Revenue grant receipts in advance	(41,391)
(99,493)	24	Capital grant receipts in advance (current)	(85,912)
(2,534)		Donated Inventories Account	(2,673)
(12,595)	17	Finance Lease obligations (current)	(13,192)
(564,500)		Current liabilities	(521,746)
(1,432)	23	Creditors (non-current)	(437)
(63,266)	24	Capital grant receipts in advance (non-current)	(70,876)
(37,721)	25	Provisions (non-current)	(42,051)
(586,398)	19	Long-term borrowing	(582,194)
(103,106)	17	Finance lease obligations (non-current)	(89,977)
(10,584)		Deferred credits	(9,793)
(1,042,676)	31	Net Pensions Liability	(766,756)
(1,845,183)		Long term liabilities	(1,562,084)
1,250,980		Net Assets	1,766,075

Financial Statements

Balance Sheet as at 31st March 2022

31 March 2021 £000	Note		31 March 2022 £000
		Usable reserves	
(493,555)	8	Earmarked reserves	(551,375)
(68,096)		General Fund Balance	(68,096)
(10,907)		Usable capital receipts reserve	(11,513)
(2,272)		Capital grants unapplied	(3,094)
(574,830)			(634,078)
		Unusable reserves	
(596,239)	26.2	Revaluation reserve	(667,530)
(1,167,857)	26.3	Capital Adjustments Account	(1,251,447)
11,610		Financial Instruments Adjustment Account	10,768
(560)		Pooled Investment Funds Adjustment Account	(2,414)
1,042,676	26.4	Pension reserve	766,756
(71)		Deferred capital receipts	(4,337)
18,541		Collection Fund Adjustment Account	(4,700)
15,750		Accumulated Absences Account	20,907
(676,150)			(1,131,997)
(1,250,980)		Total Reserves	(1,766,075)

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

Nicole Wood
Executive Director, Corporate Services
29 July 2022

Financial Statements

Cash Flow Statement

For year ended 31st March 2022

2020/21 £000	Notes		2021/22 £000
(141,022)	27	Operating activities	(52,139)
(84,628)	↓	Investing activities	(67,633)
64,227		Financing activities	27,487
(161,423)		Net increase in cash and cash equivalents	(92,285)
308,636	22	Cash and cash equivalents at 1 April	470,059
470,059	22	Cash and cash equivalents at 31 March	562,344

Note: 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 (see note 22, on page 90 for further details).

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 26 to 32) and provide further information on the financial performance of the Council during 2021/22. The notes set out within this section are as follows:

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Notes to the Financial Statements

1. Accounting policies

1.1 Introduction

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year, and its position as at 31 March 2022. 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 2021/22 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 2021/22, 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

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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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 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.

Notes to the Financial Statements

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 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.

Notes to the Financial Statements

- **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.

1.10 Value added tax (VAT)

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.

Notes to the Financial Statements

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 accrual's basis in the accounts, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a period extending beyond one year, and the cost of the item can be measured reliably.

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

1.12.2 Measurement

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

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

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

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

Asset category	Measurement basis
Land and buildings	Current value (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.

Notes to the Financial Statements

Asset category	Measurement basis
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 generally measured at depreciated historical cost. However, it is a modified form of historical cost because the opening balance for these assets, as at 1 April 1994, represented the amount of capital undischarged for sums borrowed, which was deemed at that time to be historical cost. Where impairment losses are identified for highway infrastructure assets, the carrying amount of the assets is written down to the recoverable amount.

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.

Notes to the Financial Statements

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:												
	<table> <tr> <td>▪ Structure</td><td>80 years</td></tr> <tr> <td>▪ Roof</td><td>25 to 80 years</td></tr> <tr> <td>▪ Plant and machinery</td><td>30 to 40 years</td></tr> <tr> <td>▪ External works</td><td>30 years</td></tr> </table>	▪ Structure	80 years	▪ Roof	25 to 80 years	▪ Plant and machinery	30 to 40 years	▪ External works	30 years				
▪ 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.												
Infrastructure	Depreciation is provided on a straight-line basis over the following periods:												
	<table> <tr> <td>▪ Road signage</td><td>30 years</td></tr> <tr> <td>▪ Roads and highway lighting</td><td>40 years</td></tr> <tr> <td>▪ Structures (e.g. bridges)</td><td>120 years</td></tr> <tr> <td>▪ Off-highways drainage</td><td>100 years</td></tr> <tr> <td>▪ Other infrastructure</td><td>15 to 20 years</td></tr> <tr> <td>▪ Additions prior to 2008/09</td><td>30 to 35 years</td></tr> </table>	▪ Road signage	30 years	▪ Roads and highway lighting	40 years	▪ Structures (e.g. bridges)	120 years	▪ Off-highways drainage	100 years	▪ Other infrastructure	15 to 20 years	▪ Additions prior to 2008/09	30 to 35 years
▪ Road signage	30 years												
▪ Roads and highway lighting	40 years												
▪ Structures (e.g. bridges)	120 years												
▪ Off-highways drainage	100 years												
▪ Other infrastructure	15 to 20 years												
▪ Additions prior to 2008/09	30 to 35 years												
Assets under construction	Assets are re-categorised upon completion, from which point depreciation will be charged in accordance with the policies set out above.												

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

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

Notes to the Financial Statements

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 via 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 comprises 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.

Payments made by BACS transfer are treated as a cash outflow on the day a payment request is submitted into the BACS system, whereas BACS receipts are treated as a cash inflow to the Council on the day that the funds are settled.

Notes to the Financial Statements

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 which 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 against 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

Notes to the Financial Statements

- 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.

Notes to the Financial Statements

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

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

Land and buildings provided by religious bodies for use by voluntary controlled, voluntary aided and certain foundation schools without the right to continuing use, such that they can be taken back by the owners at any point, are not recognised in the Council's financial statements.

1.23 Accounting estimates

Changes in accounting estimates are accounted for prospectively.

1.24 Events after the Reporting Period

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

The Statement of Accounts is only adjusted for events after the reporting period if they provide evidence of conditions that existed at the end of the reporting period.

Where they provide evidence of conditions that arose after the reporting period, the Statement of Accounts is not adjusted, but the event may be disclosed in the Statement of Accounts if it is expected to have a material effect.

Notes to the Financial Statements

2. Critical judgements in applying accounting policies

The Council must make judgements, when applying the accounting policies set out in note 1, about complex transactions and those involving uncertainty about future events. The critical judgements made in applying the accounting policies for 2021/22 that have the most significant effect on amounts recognised in the financial statements are as follows:

Infrastructure Assets

Infrastructure (highway) assets work as a part of a continuous network that is maintained in a relatively steady state. Consequently, when the Council incurs expenditure to renew or replace any part of its highways network, it assumes that the replaced or restored part had been fully depreciated before the replacement expenditure is added to historical cost, and hence that no adjustment is required to the carrying (or net) amount. For this reason, gross book value and accumulated depreciation are not disclosed in the Accounts, but movements in net book value are disclosed (see note 15, which commences on page 70).

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 (as detailed in note 18.3, on page 79).

Group entities

Whilst 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 (see Group Accounting note 1, on page 127 for further details). 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

Notes to the Financial Statements

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 the SELEP's behalf. At 31 March 2022, this creditor amounted to **£34.801m** (2020/21: £38.860m).

Pooled budgets

Pooled budgets arise 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.

Notes to the Financial Statements

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 2022** for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

3.1 Property, plant and equipment

The Council operates a rolling programme of valuations which ensures that all operational land and buildings are valued by a Royal Institution of Chartered Surveyors (RICS) qualified property advisor at intervals of no greater than five years (see note 15.5 on page 73 for details).

At each year-end, a review is undertaken by the Council's property advisor to determine whether the carrying amount of these assets is consistent with their current value.

Using indices provided by the Council's property advisor, it was estimated that the carrying amounts of the following assets would be under stated as at 31 March 2022 as follows:

- Operational land and buildings - **£65.389m**
- Surplus assets - **£2.353m**

The carrying amounts were therefore increased for these estimates.

The veracity of these estimates will only be confirmed when these assets are subject to formal valuation as part of the Council's rolling valuation programme.

If it is subsequently necessary to reduce the gross book values, this would result in a corresponding reduction to the Revaluation Reserve and / or a loss being recorded in the Comprehensive Income and Expenditure Statement. Conversely, a further increase in values would increase the Revaluation Reserve and / or reverse any downward revaluations previously charged to the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

3.2 Fair value measurement

It is not possible to measure the fair values of surplus and investment properties based on quoted prices. Instead, fair value is measured using valuation techniques based on observable data (see note 15.3 on page 72). Variations in any of the observable data inputs could result in a significantly lower or higher fair value measurement for these assets.

In the event that the fair value measurement is under or over stated for these assets, gains and losses on revaluation and, ultimately on disposal, could be under or over stated when posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

3.3 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 **£766.756m** at 31 March 2022. 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 105.

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 2022/23, but none will have a material impact on the Council's financial statements.

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS 16) which, when adopted, will require the Council to recognise most of the assets it has secured the use of through a lease arrangement on its Balance Sheet as 'right of use' assets, together with the corresponding lease liabilities. This differs from the current practice of only recognising the assets and liabilities associated with the finance leases entered into by the Council on its Balance Sheet. The Council is required to adopt IFRS 16 no later than in 2024/25.

Notes to the Financial Statements

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 56).

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

2020/21				2021/22		
Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
414,172	11,831	426,003	Adult Social Care and Health	440,295	16,027	456,322
			Children's Services and Early Years			
(3,974)	2	(3,972)	Dedicated Schools Budget	(75)	3	(72)
126,706	12,704	139,410	Non Dedicated Schools Budget	135,244	17,462	152,706
2,205	1,857	4,062	Community, Equality, Partnerships and Performance	3,941	1,730	5,671
14,933	6,145	21,078	Devolution, the Arts, Heritage and Culture	23,726	7,631	31,357
(2,831)	(6,544)	(9,375)	Economic Renewal, Infrastructure and Planning	21,205	(858)	20,347
			Education Excellence, Lifelong Learning and Employability			
(7,955)	(10,230)	(18,185)	Dedicated Schools Budget	(8,577)	(1,294)	(9,871)
18,613	39,047	57,660	Non Dedicated Schools Budget	19,914	40,074	59,988
585	(1,849)	(1,264)	Finance, Resources and Corporate Affairs	5,260	(2,108)	3,152
102,006	42,473	144,479	Highways Maintenance and Sustainable Transport	102,128	26,534	128,662
2,191	(533)	1,658	Leader	2,736	1,289	4,025
81,282	3,869	85,151	Waste Reduction and Recycling	80,666	4,734	85,400
			Strategic Support Services			
15,496	3,101	18,597	Community, Equality, Partnerships and Performance	17,471	4,190	21,661
956	331	1,287	Economic Renewal, Infrastructure and Planning	1,125	627	1,752
71,887	26,119	98,006	Finance, Resources and Corporate Affairs	84,601	25,060	109,661
1,960	253	2,213	Leader	2,606	320	2,926
838,232	128,576	966,808	Cost of services - continuing operations	932,266	141,421	1,073,687
(1,004,427)	4,618	(999,809)	Other income and expenditure not charged to services	(990,086)	(120,577)	(1,110,663)
(166,195)	133,194	(33,001)	Surplus on Provision of Services	(57,820)	20,844	(36,976)
			General Fund Balance			
(56,439)			Balance as at 1 April	(68,096)		
(166,195)			Surplus on Provision of Services	(57,820)		
154,538			Transfers to Earmarked Revenue Reserves	57,820		
(68,096)			Balance as at 31 March	(68,096)		

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 2021/22; comparative figures for 2020/21 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.

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
Adult Social Care and Health	1,060	9,012	1,759	-	11,831
Children's Services and Early Years					
Dedicated Schools Budget	-	-	2	-	2
Non Dedicated Schools Budget	539	10,865	1,300	-	12,704
Community, Equality, Partnerships and Performance	1,017	722	118	-	1,857
Devolution, the Arts, Heritage and Culture	2,613	3,257	275	-	6,145
Economic Renewal, Infrastructure and Planning	(8,340)	1,483	313	-	(6,544)
Education Excellence, Lifelong Learning and Employability					
Dedicated Schools Budget	-	-	(1,924)	(8,306)	(10,230)
Non Dedicated Schools Budget	24,885	21,573	386	(7,797)	39,047
Finance, Resources and Corporate Affairs	3,750	124	7	(5,730)	(1,849)
Highways Maintenance and Sustainable Transport	50,051	2,119	487	(10,184)	42,473
Leader	(1,374)	(2,368)	51	3,158	(533)
Waste Reduction and Recycling	3,588	241	51	(11)	3,869
Strategic Support Services					
Community, Equality, Partnerships and Performance	-	2,780	321	-	3,101
Economic Renewal, Infrastructure and Planning	-	471	49	(189)	331
Finance, Resources and Corporate Affairs	16,765	8,289	1,065	-	26,119
Leader	-	204	49	-	253
Cost of services - continuing operations	94,554	58,772	4,309	(29,059)	128,576
Other income and expenditure not charged to services	(78,380)	27,047	26,892	29,059	4,618
Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	16,174	85,819	31,201	-	133,194

2021/22	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
Adult Social Care and Health	2,623	13,370	34	-	16,027
Children and Families					
Dedicated Schools Budget	-	-	3	-	3
Non Dedicated Schools Budget	1,884	15,268	310	-	17,462
Community, Equality, Partnerships and Performance	739	1,003	(12)	-	1,730
Devolution, the Arts, Heritage and Culture	3,004	4,626	1	-	7,631
Economic Renewal, Infrastructure and Planning	(3,185)	2,272	55	-	(858)
Education Excellence, Lifelong Learning and Employability					
Dedicated Schools Budget	-	-	4,485	(5,779)	(1,294)
Non Dedicated Schools Budget	16,143	31,607	13	(7,689)	40,074
Finance, Resources and Corporate Affairs	(2,405)	193	5	99	(2,108)
Highways Maintenance and Sustainable Transport	36,735	2,704	(93)	(12,812)	26,534
Leader	(289)	51	62	1,465	1,289
Waste Reduction and Recycling	4,262	461	28	(17)	4,734
Strategic Support Services					
Community, Equality, Partnerships and Performance	-	4,100	90	-	4,190
Economic Renewal, Infrastructure and Planning	-	674	29	(76)	627
Finance, Resources and Corporate Affairs	12,405	12,513	142	-	25,060
Leader	-	340	(20)	-	320
Cost of services - continuing operations	71,916	89,182	5,132	(24,809)	141,421
Other income and expenditure not charged to services	(143,012)	23,538	(25,912)	24,809	(120,577)
Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(71,096)	112,720	(20,780)	-	20,844

Notes to the Financial Statements

5.3.2 Adjustments for capital purposes

This column adds the following amounts into service lines:

- Depreciation and impairments of non-current assets.
- Amortisation of intangible assets.
- Revenue expenditure funded from capital under statute.
- 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.

Notes to the Financial Statements

- 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:

2020/21 £000		2021/22 £000
	Expenditure	
569,063	Employee expenses	609,806
1,428,063	Other service expenditure	1,490,784
91,196	Depreciation, amortisation and impairment	88,024
37,614	Interest payable and similar charges	38,790
3,366	Precepts and levies	3,439
31,783	(Gain) / loss on disposal of fixed assets	136
62,446	Corporate amounts	67,388
2,223,531	Total expenditure	2,298,367
	Income	
(295,174)	Fees, charges and other service income	(289,595)
(1,010)	Interest and investment income	(2,917)
(38,141)	Corporate amounts	(50,604)
(731,298)	Income from council tax and non domestic rates	(762,765)
(1,190,909)	Government grants and contributions	(1,229,462)
(2,256,532)	Total income	(2,335,343)
(33,001)	Surplus on Provision of Services	(36,976)

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.

Notes to the Financial Statements

2020/21	Notes	Usable Reserves				
		Earmarked	General	Usable	Capital	Total
		General Reserves £000	Fund Balance £000	Capital Receipts Reserve £000	Grants Unapplied Account £000	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		-	(87,904)	-	-	(87,904)
Amortisation of intangible assets		-	(3,292)	-	-	(3,292)
Impairment of assets held for sale		-	-	-	-	-
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		-	(23,287)	-	-	(23,287)
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 Account		-	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 administrative 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						
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 Financial Instruments Adjustment Account		-	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 Adjustment Account		-	(76)	-	-	(76)
Adjustments involving the Pensions Reserve	26.4					
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						
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						
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		-	(133,194)	(1,326)	(1,014)	(135,534)

Notes to the Financial Statements

2021/22	Notes	Usable Reserves				
		Earmarked	General	Usable	Capital	Total
		General Reserves £000	Fund Balance £000	Capital Receipts Reserve £000	Grants Unapplied Account £000	Usable Reserves £000
Adjustments involving the Capital Adjustment Account (CAA)	26.3					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Depreciation and impairment of non current assets		-	(84,706)	-	-	(84,706)
Amortisation of intangible assets		-	(3,318)	-	-	(3,318)
Movement in market value of investment properties		-	3,751	-	-	3,751
Capital grants and contributions applied		-	150,563	-	-	150,563
Revenue expenditure funded from capital under statute		-	(49,051)	-	-	(49,051)
Value of assets disposed of during the year		-	(8,905)	-	-	(8,905)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment		-	45,953	-	-	45,953
Capital expenditure charged against the General Fund		-	7,000	-	-	7,000
Adjustments involving the Capital Adjustment Account		-	61,287	-	-	61,287
Adjustments involving the Capital Grants Unapplied Account						
Grants applied to financing (transferred to the CAA)		-	-	-	142	142
Grants and contributions unapplied		-	964	-	(964)	-
Adjustments involving the Capital Grants Unapplied Account		-	964	-	(822)	142
Adjustments involving the Capital Receipts Reserve						
Sale proceeds (part of gain/loss on disposal)		-	8,845	(4,579)	-	4,266
Loan repayments - loans awarded for capital purposes		-	-	(1,350)	-	(1,350)
Use of reserve to finance new capital expenditure		-	-	1,300	-	1,300
Use of capital receipts to repay debt		-	-	4,023	-	4,023
Adjustments involving the Capital Receipts Reserve		-	8,845	(606)	-	8,239
Adjustments involving the Financial Instruments Adjustment Account						
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 Financial Instruments Adjustment Account		-	842	-	-	842
Adjustments involving the Pooled Investment Funds Adjustment Account						
Gain or loss on the valuation of pooled investment funds		-	1,854	-	-	1,854
Adjustments involving Pooled Investment Funds Adjustment Account		-	1,854	-	-	1,854
Adjustments involving the Pensions Reserve	26.4					
Reversal of items debited/credited to the CIES		-	(174,054)	-	-	(174,054)
Employers' pension contributions payable in the year		-	61,334	-	-	61,334
Adjustments involving the Pensions Reserve		-	(112,720)	-	-	(112,720)
Adjustments involving the Collection Fund Adjustment Account						
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		-	23,241	-	-	23,241
Adjustments involving the Collection Fund Adj Account		-	23,241	-	-	23,241
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in accordance with statutory requirements		-	(5,157)	-	-	(5,157)
Adjustments involving the Accumulated Absences Account		-	(5,157)	-	-	(5,157)
Total adjustments		-	(20,844)	(606)	(822)	(22,272)

Notes to the Financial Statements

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.
Trading activities	Surpluses generated by the Council's internal trading activities, to be applied by these activities in subsequent years.
OTHER RESERVES	
Adults' risk	To manage commercial price pressures related to adult social care provision.
Adults' transformation	Set up to support delivery of ongoing future sustainability work in relation to Adult Social Care.
Ambition Fund	To support investment that will deliver service improvements.
Capital receipts pump priming	To meet costs associated with bringing properties into readiness for disposal.

Notes to the Financial Statements

Reserves	Purpose and usage
Carry forwards	Used to carry under spends in the year of account forward to support expenditure plans in the forthcoming financial year.
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.
Everyone's Essex	To support the delivery of the Everyone's Essex strategy for levelling up the County and improving lives and opportunities for all our residents.
General risk	To support against inflationary risk for future years.
Health and safety	Used to meet the costs of undertaking asbestos, legionella and disability discrimination act surveys.
Insurance	Provides for future potential and contingent liabilities for insurance claims.
Property Fund	To mitigate against future losses of income related to the Council's investment properties.
Renewal Fund	To support COVID-19 recovery activity.
Technology and digitisation	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 provided overleaf.

	Balance	2020/21 movements		Balance	2021/22 movements		Balance
	1 April	Contributions	Withdrawals	31 March	Contributions	Withdrawals	31 March
	2020			2021			2022
	£000	£000	£000	£000	£000	£000	£000
Restricted use							
Grant equalisation reserve	(49,853)	(39,845)	39,289	(50,409)	(11,607)	25,177	(36,839)
COVID-19 equalisation	-	(38,505)	1,009	(37,496)	(32,489)	29,216	(40,769)
PFI equalisation reserves	(40,673)	(3,726)	5,424	(38,975)	(2,766)	9,619	(32,122)
Waste reserve	(112,276)	(4,574)	-	(116,850)	(7,178)	9,159	(114,869)
Partnership reserves	(1,458)	(426)	120	(1,764)	(637)	25	(2,376)
Schools	(34,642)	(11,378)	2,419	(43,601)	(9,045)	3,435	(49,211)
Dedicated Schools Grant deficit	5,359	(5,359)	-	-	-	-	-
Trading activities	(828)	(513)	-	(1,341)	(173)	-	(1,514)
Total restricted reserves	(234,371)	(104,326)	48,261	(290,436)	(63,895)	76,631	(277,700)
Reserves earmarked for future use							
Future capital funding	(1,905)	(7,942)	-	(9,847)	(11,590)	7,000	(14,437)
Other reserves							
Adults' risk	-	-	-	-	(14,259)	38	(14,221)
Adults' transformation	-	(3,500)	-	(3,500)	(9,218)	-	(12,718)
Ambition Fund	(3,971)	(13,819)	1,212	(16,578)	(6,598)	16,652	(6,524)
Capital receipts pump priming	(3,204)	(1,000)	-	(4,204)	-	170	(4,034)
Carry forwards	(14,804)	(19,933)	13,464	(21,273)	(24,704)	21,233	(24,744)
Children's transformation	-	(1,314)	-	(1,314)	(6,019)	146	(7,187)
Collection Fund investment risk	(1,412)	(2,617)	-	(4,029)	(13,843)	10,286	(7,586)
Commercial investment in Essex places	(12,583)	-	-	(12,583)	(3,094)	18	(15,659)
EES pension risk reserve	(4,000)	-	-	(4,000)	-	-	(4,000)
Emergency	-	(33,069)	20,505	(12,564)	(5,000)	-	(17,564)
Essex Climate Change Commission	(250)	(5,000)	250	(5,000)	(53)	722	(4,331)
Everyone's Essex	-	-	-	-	(47,600)	328	(47,272)
General risk	-	-	-	-	(13,859)	-	(13,859)
Health and safety	(3,100)	(681)	969	(2,812)	(2,579)	735	(4,656)
Insurance	(7,411)	(1,238)	1,151	(7,498)	-	1,238	(6,260)
Property Fund	(651)	(326)	-	(977)	(325)	-	(1,302)
Renewal Fund	(2,900)	(26,018)	1,018	(27,900)	(273)	25,650	(2,523)
Technology and digitisation	(3,785)	(9,129)	4,165	(8,749)	(13,034)	10,142	(11,641)
Transformation	(37,401)	(25,705)	8,420	(54,686)	(5,538)	11,719	(48,505)
Other reserves	(7,269)	(2,277)	3,941	(5,605)	(11,385)	12,338	(4,652)
Total other reserves	(102,741)	(145,626)	55,095	(193,272)	(177,381)	111,415	(259,238)
Total earmarked revenue reserves	(339,017)	(257,894)	103,356	(493,555)	(252,866)	195,046	(551,375)

Notes to the Financial Statements

9. Other operating expenditure

Other operating expenditure is comprised of the following:

2020/21 £000		2021/22 £000
	(Gains)/losses on the disposal of non current assets	
(6,069)	Disposal proceeds	(8,845)
37,630	Carrying value of assets and inventory disposed of during the year	8,905
222	Disposal costs	76
31,783	Total losses on the disposal of non current assets	136
	Precepts and levies	
1,254	Lee Valley Regional Park	1,288
1,722	Environment Agency	1,761
390	Kent and Essex Inshore Fisheries and Conservation Authority	390
3,366	Precepts and levies	3,439
35,149	Total Other Operating Expenditure	3,575

The carrying value of assets disposed of during 2020/21 included the effect of removing locally maintained schools from the Council's Balance Sheet that 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:

2020/21 £000		2021/22 £000
	Net interest on the net defined benefit liability	
61,537	Interest cost	70,880
(34,922)	Interest on assets	(48,348)
26,615		22,532
37,614	Interest payable and similar charges	38,790
(1,010)	Interest receivable and similar income	(2,917)
	Income and expenditure related to investment properties	
(1,005)	and changes in their value	(5,174)
(353)	Net (surplus) / deficit on trading activities	555
(952)	Other investment income (Dividends receivable)	(1,129)
60,909	Financing and Investment income and expenditure	52,657

Notes to the Financial Statements

11. Trading operations

The Council's trading activities are required to balance their budgets by generating sufficient income from other parts of the Council and other organisations to cover their costs. The net surplus or deficit on these trading activities is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

	Music Services £000	Place Services £000	Total £000
1 April 2020	(115)	(713)	(828)
Income	(3,790)	(3,264)	(7,054)
Expenditure	3,805	2,896	6,701
Net (surplus)/ deficit	15	(368)	(353)
Appropriations	(128)	(32)	(160)
31 March 2021	(228)	(1,113)	(1,341)
Income	(4,135)	(3,557)	(7,692)
Expenditure	4,545	3,702	8,247
Net (surplus)/ deficit	410	145	555
Appropriations	(443)	(285)	(728)
31 March 2022	(261)	(1,253)	(1,514)

The Music Services trading activity delivers music services to schools, and the Place Services trading activity provides environmental planning support and arboriculture services.

12. Taxation and non-specific grant income

Taxation and non-specific grant income are as follows:

2020/21 £000		2021/22 £000
	Taxation	
(709,221)	Council tax	(726,416)
(22,077)	Non domestic rates	(36,349)
(364,569)	Non specific grant income	(404,130)
(1,095,867)	Taxation and non specific grant income	(1,166,895)

Notes to the Financial Statements

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

2020/21 £000		2021/22 £000
	Non ring-fenced grants	
(136,057)	Non Domestic Rates (Top up grant and Safety net / levy)	(135,918)
(33,252)	Social Care grant	(38,236)
(12,283)	Business Rates (Section 31 grants)	(33,291)
(47,170)	COVID-19 Emergency Funding	(28,808)
(27,123)	Private Finance Initiative grants	(22,982)
(18,598)	Revenue Support grant	(18,701)
(4,826)	New Homes Bonus / New Homes Bonus Adjustment grant	(3,640)
(5,089)	Independent Living Fund grant	(5,089)
-	Local Council Tax Support grant	(10,292)
(1,130)	Other non ring-fenced grants	(3,388)
(285,528)		(300,345)
	Capital grants and contributions	
-	Department for Business, Energy and Industrial Strategy	(3,989)
(798)	Department for Education grants	(13,814)
	Department for Transport grants	
(23,893)	Direct funding	(12,764)
(6,409)	Integrated transport grant	(8,328)
(22,878)	Other	(37,583)
(11,159)	Homes England - Housing Infrastructure Fund	(11,626)
(3)	Other local authorities - Housing Investment grant	(3,495)
	South East Local Enterprise Partnership (Local Growth & Get	
(7,224)	Building funding)	(2,666)
(6,677)	Other grants and contributions	(9,520)
(79,041)		(103,785)
(364,569)	Total non-specific grant income	(404,130)

Notes to the Financial Statements

13. Specific revenue and capital grants

The following grants have been credited to the Net Cost of Services within the Comprehensive Income and Expenditure Statement:

2020/21				2021/22		
Capital grants	Specific revenue	Total		Capital grants	Specific revenue	Total
£000	£000	£000		£000	£000	£000
			Department for Education (incl. Education and Skills Funding Agency)			
(20,440)	(10,993)	(31,433)	Department for Education grants	(12,831)	(15,310)	(28,141)
			Education and Skills Funding Agency grants			
-	(488,600)	(488,600)	Dedicated Schools grant	-	(516,129)	(516,129)
-	(16,853)	(16,853)	Pupil Premium grant	-	(16,619)	(16,619)
-	(9,621)	(9,621)	Universal Infants Free School Meals	-	(8,110)	(8,110)
-	(7,141)	(7,141)	Adult Community Learning	-	(7,992)	(7,992)
-	(22,991)	(22,991)	Other grants	-	(7,761)	(7,761)
(20,440)	(556,199)	(576,639)		(12,831)	(571,921)	(584,752)
			Department of Health and Social Care			
-	(63,203)	(63,203)	Public Health grant	-	(63,627)	(63,627)
			COVID-19			
-	(31,020)	(31,020)	Infection Control grant	-	(19,483)	(19,483)
-	(35,644)	(35,644)	Contain Outbreak Management Fund	-	(7,434)	(7,434)
-	(9,989)	(9,989)	Other COVID-19 related grants	-	(12,640)	(12,640)
-	-	-	Workforce recruitment and retention	-	(11,408)	(11,408)
-	(5,238)	(5,238)	Other grants	-	(5,659)	(5,659)
-	(145,094)	(145,094)		-	(120,251)	(120,251)
			Department for Levelling Up, Housing and Communities			
-	(41,070)	(41,070)	Additional Better Care Fund grant	-	(39,325)	(39,325)
-	(13,297)	(13,297)	Other grants	(68)	(11,596)	(11,664)
-	(54,367)	(54,367)		(68)	(50,921)	(50,989)
			Grants awarded by other bodies			
(4,080)	(5,316)	(9,396)	Department for Transport	(4,283)	(8,716)	(12,999)
-	(3,399)	(3,399)	Department for Work and Pensions	-	(13,141)	(13,141)
(2,064)	-	(2,064)	Homes England - Housing Infrastructure Fund	-	-	-
-	(7,028)	(7,028)	Home Office	-	(9,002)	(9,002)
(8,207)	-	(8,207)	South East Local Enterprise Partnership	(15,249)	-	(15,249)
(6,912)	(13,234)	(20,146)	Other grants	(4,904)	(14,045)	(18,949)
(21,263)	(28,977)	(50,240)		(24,436)	(44,904)	(69,340)
(41,703)	(784,637)	(826,340)		(37,335)	(787,997)	(825,332)

Note: Comparative figures for the prior year have been grouped on a basis consistent with 2021/22.

Notes to the Financial Statements

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) Regulations 2021.

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 2021/22 are provided in the following table.

2020/21 £000		2021/22 Total £000	Deployment in 2021/22	
			Central Expenditure £000	Individual Schools Budget £000
(1,167,390)	Final DSG for the year (before Academy recoupment)	(1,264,878)		
678,148	Academy and other recoupments	743,206		
(489,242)	Total DSG after Academy and other recoupment	(521,672)		
5,359	Brought forward from previous year	(1,708)		
(483,883)	Agreed initial budgeted distribution	(523,380)	(100,574)	(422,806)
(1,066)	In year adjustments	504	-	504
(484,949)	Final budgeted distribution	(522,876)	(100,574)	(422,302)
483,241	Actual central expenditure / ISB deployed	516,129	93,827	422,302
(1,708)	Surplus carried forward to next year	(6,747)	(6,747)	-

Note:

Actual central expenditure / IBS deployed for 2020/21 differs from Dedicated School Grant credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement for the year (as disclosed in note 13, on page 68) because of the deficit on the Dedicated Schools Grant brought forward from the previous financial year.

15. Property, plant, equipment and similar assets

15.1 Movement in balances – 2020/21

	Property, plant and equipment						Intangible	Investment	Heritage	Assets
	Land and buildings	Vehicles and equipment	Infra-structure Assets	Community Assets	Assets under construction	Surplus Assets	Assets	Property	Assets	held for sale
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value										
As at 1 April 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)	(44,870)	(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	1,227,022	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)	46,088	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)	(44,870)	(76)	-	(304)	(3,292)	-	(2)	-
Total movements in Net Book Value	(54,531)	(2,327)	46,088	396	24,661	1,534	(3,146)	(735)	11	4,025

15.2 Movement in balances – 2021/22

	Property, plant and equipment						Intangible	Investment	Heritage	Assets
	Land	Vehicles	Infra-	Community	Assets	Surplus	Assets	Property	Assets	held for
	and buildings £000	and equipment £000	structure Assets £000	Assets £000	under construction £000	Assets £000	£000	£000	£000	sale £000
Gross Book Value										
As at 1 April 2021	1,364,981	52,535		4,041	162,180	54,352	19,901	38,446	14,721	6,438
Additions	4,158	746	-	-	166,778	-	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	59,976	-	-	-	-	6,554	-	-	-	-
Surplus/Deficit on the provision of services	(10,038)	-	-	-	-	(689)	-	3,751	-	-
Derecognition - disposals	(932)	(1,045)	-	-	-	(651)	-	-	-	(4,850)
Reclassifications to / (from) other categories	2,227	-	121	-	-	(11,418)	-	(1,795)	-	10,865
Transfers from assets under construction	23,712	470	103,862	340	(128,511)	90	-	-	37	-
As at 31 March 2022	1,444,084	52,706		4,381	200,447	48,238	19,901	40,402	14,758	12,453
Depreciation / Amortisation										
As at 1 April 2021	(21,408)	(45,218)		(370)	-	(480)	(14,465)	-	(43)	-
Depreciation / amortisation for the year	(27,536)	(2,908)	(47,273)	(87)	-	(408)	(3,318)	-	(4)	-
Revaluations and restatements written out to:										
Revaluation Reserve	22,377	-	-	-	-	572	-	-	-	-
Surplus/Deficit on the provision of services	4,196	-	-	-	-	41	-	-	-	-
Derecognition - disposals	21	942	-	-	-	5	-	-	-	-
As at 31 March 2022	(22,350)	(47,184)		(457)	-	(270)	(17,783)	-	(47)	-
Net Book Value at 31 March 2021	1,343,573	7,317	1,227,022	3,671	162,180	53,872	5,436	38,446	14,678	6,438
Net Book Value at 31 March 2022	1,421,734	5,522	1,283,732	3,924	200,447	47,968	2,118	40,402	14,711	12,453
Movement in Net Book Value in 2021/22	78,161	(1,795)	56,710	253	38,267	(5,904)	(3,318)	1,956	33	6,015
Analysis of movements in Net Book Value in 2021/22										
Additions	4,158	746	-	-	166,778	-	-	-	-	-
Revaluation increases / (decreases) recognised in:										
Revaluation Reserve	82,353	-	-	-	-	7,126	-	-	-	-
Surplus/Deficit on the provision of services	(5,842)	-	-	-	-	(648)	-	3,751	-	-
Derecognition - disposals	(911)	(103)	-	-	-	(646)	-	-	-	(4,850)
Reclassifications to / (from) other categories	2,227	-	121	-	-	(11,418)	-	(1,795)	-	10,865
Transfers from assets under construction	23,712	470	103,862	340	(128,511)	90	-	-	37	-
Depreciation / amortisation for the year	(27,536)	(2,908)	(47,273)	(87)	-	(408)	(3,318)	-	(4)	-
Total movements in Net Book Value	78,161	(1,795)	56,710	253	38,267	(5,904)	(3,318)	1,956	33	6,015

Notes to the Financial Statements

15.3 Fair value measurement

The Council measures its surplus assets and investment property at fair value. The fair values of these assets as at 31 March 2022 are as follows:

31 March 2021 £000		31 March 2022 £000
	Surplus properties	
30,429	Former school sites	27,215
10,878	Land	10,536
13,045	Other	10,487
54,352		48,238
	Investment properties	
9,000	Retail Park	10,475
9,300	Office Block	9,650
7,000	Industrial Unit	7,580
12,145	Agricultural tenancies	11,596
1,001	Other	1,101
38,446		40,402

The fair values have 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).

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 2022, the Council had entered contracts for the construction or enhancement of Property, Plant and Equipment. These commitments are as follows:

31 March 2021 £000		31 March 2022 £000
27,075	Highways and Transportation	19,539
15,610	Education (schools)	23,987
9,010	Information Services	13,843
2,831	Other	11,453
54,526		68,822

Notes to the Financial Statements

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 2017 £000	1 April 2018 £000	1 April 2019 £000	1 April 2020 £000	1 April 2021 £000	
Operational Assets							
Land and buildings	-	41,533	92,439	255,510	506,263	548,339	1,444,084
Vehicles, plant & equipment	52,706	-	-	-	-	-	52,706
Infrastructure	1,830,036	-	-	-	-	-	1,830,036
Community Assets	4,381	-	-	-	-	-	4,381
Non-Operational Assets							
Surplus Assets	-	3,896	16,670	5,383	16,212	6,077	48,238
Assets under construction	200,447	-	-	-	-	-	200,447
Gross book value	2,087,570	45,429	109,109	260,893	522,475	554,416	3,579,892

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.

In addition to these formal valuations, a review is undertaken by the Council's property advisor at each year-end, to determine whether the carrying amount of land and buildings in the year of account is consistent with their current value as at 31 March. 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.

Operational 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 (**95%** 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).

Notes to the Financial Statements

- 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 72, 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.

2020/21 £000		2021/22 £000
1,076,153	Opening Capital Financing Requirement	1,106,237
	Capital investment	
146,714	Property, plant and equipment	171,683
146	Investment property	-
	Inventories	
621	Expenditure	545
(4,636)	Written off balances	-
59,194	Revenue expenditure funded from capital under statute	49,051
-	Loans awarded for capital purposes	4,273
202,039	Total capital investment	225,552
	Sources of finance	
(6,423)	Capital receipts	(5,323)
(125,821)	Government grants and contributions	(150,705)
-	Earmarked revenue reserves applied	(7,000)
(39,711)	Revenue provision for the repayment of debt	(45,953)
(171,955)	Total sources of finance	(208,981)
30,084	Increase in the Capital Financing Requirement	16,571
1,106,237	Closing Capital Financing Requirement	1,122,808
	Explanation of movements in year	
29,954	Increase in underlying need to borrow	16,395
130	Increase for assets acquired under finance lease	176
30,084	Increase in the Capital Financing Requirement	16,571

Notes to the Financial Statements

17. Leases

17.1 Council as Lessee – Finance leases

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

31 March 2021			31 March 2022	
Short Term	Long Term		Short Term	Long Term
£000	£000		£000	£000
9	385	Property	4	380
970	3,050	Vehicles, plant and equipment	680	2,434
11,616	99,671	Private Finance Initiatives	12,508	87,163
12,595	103,106		13,192	89,977

Further detail on the liabilities related to Private Finance Initiative schemes is provided in note 18, which commences on page 76.

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 2021				31 March 2022		
Property £000	Other £000	Total £000		Property £000	Other £000	Total £000
2,940	694	3,634	One year	2,793	726	3,519
8,461	1,161	9,622	Two to five years	8,098	1,119	9,217
45,454	76	45,530	Over five years	43,666	2	43,668
56,855	1,931	58,786	Total rentals	54,557	1,847	56,404

17.3 Council as Lessor

The Council has leased several properties under the terms of a finance lease. The Council has a gross investment in these leases of **£65,000** as at 31 March 2022 (31 March 2021: £71,000), made up of the minimum lease payments expected to be received over the remaining term of the leases.

Notes to the Financial Statements

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 72), 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 2021 £000		31 March 2022 £000
2,501	Not later than one year	2,441
4,143	Later than one year and not later than five years	3,881
1,818	Later than five years	2,190
8,462	Total	8,512

The future minimum lease payments receivable as at 31 March 2022 reflect the amounts receivable up to the earliest date that the lessees can exit from the arrangements without penalty.

18. Private Finance Initiative (PFI) contracts

18.1 Nature and significant terms

The nature and significant terms of these arrangements are as follows:

Scheme	Nature and significant terms
A130 Bypass	<p>This contract was entered into in October 1999 for the design, construction and maintenance of the A130 Bypass and associated off-site facilities.</p> <p>Construction was completed in two phases; the Northern section was completed in 2002 and the Southern section in 2003. No payments were made until construction of the road was complete. Construction and land costs were estimated at £80m.</p> <p>Payments are made to the Contractor for the provision of the road surface and are based upon the availability and usage of the road. Deductions can be made if the road is closed or if traffic flow is affected by road works.</p> <p>The road will be passed to the Council in a repaired/neutral state at the end of the arrangements in 2030.</p>

Notes to the Financial Statements

Scheme	Nature and significant terms
Debden Park School	<p>Under this arrangement, the Operator was firstly responsible for construction of the school and subsequently for the running of it. Initial construction costs were in the region of £15m.</p> <p>The contractor is operating and maintaining the school facilities for a contract term of 25 years (i.e. until 2026).</p> <p>The amounts paid to the Contractor vary according to inflation, the proportion of time that the facilities are made available to the school, and the achievement of performance goals.</p>
Clacton Secondary Schools	<p>This contract was entered into in 2003/04 for the construction of a new secondary school and the expansion and refurbishment of a further two secondary schools, all within the Clacton area. Total construction costs were in the region of £34m.</p> <p>The contract also provides for a full facilities management service for all sites for the contract term of 30 years (i.e. from 2005 until 2035).</p> <p>The annual unitary charge varies according to inflation, the proportion of the time that the facilities are made available to the schools, and the extent to which the Operator meets agreed performance goals.</p>
Castlevew, Cornelius Vermuyden and Columbus Schools	<p>This contract was entered into in April 2010 for the provision of three schools under one project agreement, with one unitary payment. The contract includes buildings and grounds maintenance, security, caretaking and cleaning. The operational term for the PFI contract, which commenced in January 2012, is 25 years.</p> <p>At financial close of this contract, two of the schools were foundation schools and one was a community school. All three of the schools have subsequently converted to academy status.</p> <p>These schools' governing bodies consent to the Council acting on their behalf and they accept the arrangements included within the PFI project agreement. Payment arrangements between the Council and these schools reflect those agreed in the project agreement.</p> <p>The Council carries the PFI liability in its own Balance Sheet for the Columbus School, as this was a community school at financial close of the contract. The construction costs of this school amounted to £22.3m.</p>
Woodlands School	<p>The contract includes buildings and grounds maintenance, security, caretaking and cleaning. The operational term for the PFI contract is 23 years (excluding the construction period).</p> <p>Construction costs for this school amounted to £27m. The school became operational in January 2014. It converted to academy status on 1 April 2015.</p> <p>Annual unitary payments include payment for services provided, financing charges and repayment of this liability.</p>

Notes to the Financial Statements

18.2 Details of payments to be made under PFI contracts

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

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

	Estimated timing of payments to PFI/PPP operators				
	Within one year	2 - 5 years	6 - 10 years	11 - 15 years	Total
	£000	£000	£000	£000	£000
Service charges	7,149	30,168	35,191	27,082	99,590
Interest and similar charges	19,080	52,919	24,275	12,214	108,488
Repayment of liability	12,508	37,646	21,652	27,865	99,671
Lifecycle replacement	3,469	9,772	16,045	4,355	33,641
Total	42,206	130,505	97,163	71,516	341,390

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.

Notes to the Financial Statements

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 2021 £000		31 March 2022 £000
	Gross Book Value	
102,760	As at 1 April	103,861
	Revaluation increases / (decreases) recognised in:	
591	Revaluation Reserve	3,466
510	Surplus/Deficit on the provision of services	(2,445)
103,861	As at 31 March	104,882
	Depreciation / Amortisation	
(37,089)	As at 1 April	(39,337)
48	Revaluations and restatements	1,455
(2,296)	Depreciation / amortisation for the year	(2,473)
(39,337)	As at 31 March	(40,355)
<i>65,671</i>	<i>Net book value at 1 April</i>	<i>64,524</i>
<i>64,524</i>	<i>Net book value at 31 March</i>	<i>64,527</i>

18.4 Value of PFI liabilities for capital expenditure

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

2020/21 £000		2021/22 £000
(117,864)	Balance as at 1 April	(111,287)
6,577	Liabilities repaid	11,616
(111,287)	Balance as at 31 March	(99,671)

19. Financial instruments

19.1 Categories of Financial Instruments

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

31 March 2021				31 March 2022		
Long term £000	Short term £000	Total £000		Long term £000	Short term £000	Total £000
			Financial assets			
			Investments			
11,167	-	11,167	Fair value through Profit or Loss	13,014	-	13,014
-	96,595	96,595	Amortised cost	-	14,998	14,998
11,167	96,595	107,762		13,014	14,998	28,012
557	94,527	95,084	Debtors (contractual)	4,440	111,475	115,915
-	504,691	504,691	Cash and cash equivalents	-	589,860	589,860
11,724	695,813	707,537	Total	17,454	716,333	733,787
			Financial liabilities (amortised cost)			
(586,398)	(40,704)	(627,102)	Borrowing	(582,194)	(23,402)	(605,596)
(103,106)	(12,595)	(115,701)	PFI / Finance lease liabilities	(89,977)	(13,192)	(103,169)
(1,432)	(265,764)	(267,196)	Creditors (contractual)	(437)	(271,276)	(271,713)
-	(34,632)	(34,632)	Bank overdraft	-	(27,516)	(27,516)
(690,936)	(353,695)	(1,044,631)	Total	(672,608)	(335,386)	(1,007,994)

The above totals for debtors and creditors differ from the figures shown in the Balance Sheet because amounts related to statutory debts (e.g. such as Council Tax and non-domestic rates) are not classified as financial instruments.

Notes to the Financial Statements

19.2 Income, expense, gains and losses

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 are as follows:

2020/21 £000		2021/22 £000
	Net (gains) / losses	
76	Financial assets classified as Fair Value through Profit or Loss	(1,854)
76		(1,854)
	Interest revenue	
(454)	Financial assets classified as Fair value through profit or loss	(403)
(632)	Financial assets classified as amortised cost	(660)
(1,086)		(1,063)
37,614	Interest expense	38,790
36,604	Net (gain) / loss for the year	35,873

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.

Notes to the Financial Statements

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

31 March 2021			31 March 2022	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Financial liabilities		
		Borrowing		
(520,940)	(652,585)	Public Works Loans Board	(511,290)	(596,965)
(77,916)	(155,175)	Money Market loans	(77,928)	(119,985)
(28,246)	(28,250)	Other	(16,378)	(15,558)
(627,102)	(836,010)	Total borrowing	(605,596)	(732,508)
(115,701)	(181,341)	PFI / finance lease liabilities	(103,169)	(150,819)
(34,632)	(34,632)	Bank overdraft	(27,516)	(27,516)
(267,196)	(267,196)	Creditors (contractual)	(271,713)	(271,713)
(1,044,631)	(1,319,179)	Total financial liabilities	(1,007,994)	(1,182,556)
		Financial assets		
		Investments		
96,595	96,604	Investments at amortised cost	14,998	16,029
96,595	96,604	Total investments	14,998	16,029
504,691	504,691	Cash and cash equivalents	589,860	589,860
95,084	95,084	Debtors (contractual)	115,915	115,915
696,370	696,379	Total financial assets	720,773	721,804

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 (£596.965m) and the carrying amount (£511.290m) 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 £166.711m for the additional interest that would now not be paid. The exit price for the PWLB loans, including this penalty charge, would therefore be £678.001m.

Whilst the 'fair value' measurements provide an indication of the cost of prematurely repaying existing PWLB and Money Market loans at 31 March 2022, the Council does not foresee the need to prematurely repay these loans.

Notes to the Financial Statements

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 2022 of **0.50%** to **1.57%** 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 2022 of **1.91%** to **2.66%** 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.

Notes to the Financial Statements

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 amounts 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 exposed 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, and by not paying suppliers in advance of goods and services being received, wherever this is possible.

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 satisfied the credit rating criteria set out within its investment strategy. This strategy sought to provide a sound approach to investing in normal market circumstances.

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UK banks and building societies, and non-UK banks domiciled in a country with a minimum sovereign rating of '**AA-**', were eligible for inclusion on the Council's lending list during 2021/22 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.

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 2021/22 by the Council with any financial institution, at any point in time, ranged between **£15m** and **£75m** (*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 Investment 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 2021/22, this limit was **£50m** (2020/21: £50m).

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.

Notes to the Financial Statements

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

31 March 2021				Repayment period	31 March 2022			
PWLB	Money	Other	Total		PWLB	Money	Other	Total
£000	Market £000	£000	£000		£000	Market £000	£000	£000
25,827	3,174	26,059	55,060	Less than one year	25,798	3,162	9,220	38,180
25,827	3,174	26,059	55,060	Short term borrowing	25,798	3,162	9,220	38,180
25,799	3,162	1,289	30,250	Between 1 and 2 years	26,209	3,162	1,875	31,246
90,417	9,487	898	100,802	Between 2 - 5 years	98,680	9,487	5,061	113,228
170,659	15,812	-	186,471	Between 5 - 10 years	169,342	15,812	222	185,376
324,137	47,434	-	371,571	Between 10 - 25 years	299,936	47,434	-	347,370
249,708	47,435	-	297,143	Between 25 - 40 years	240,718	47,435	-	288,153
-	31,623	-	31,623	Between 40 - 50 years	-	31,623	-	31,623
-	95,092	-	95,092	Over 50 years	-	91,930	-	91,930
860,720	250,045	2,187	1,112,952	Long term borrowing	834,885	246,883	7,158	1,088,926
886,547	253,219	28,246	1,168,012	Total borrowing	860,683	250,045	16,378	1,127,106

Market Risk

A rise in interest rates could impact the Council in the following ways:

- 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.

Because the Council only carries a small proportion of its investments at fair value, and none of its borrowings, 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 Surplus or Deficit on the Provision of Services pound for pound.

Notes to the Financial Statements

The Council has several strategies for managing interest rate risk, including limiting exposure to variable rate borrowing to a maximum of **30%** of total borrowing (2020/21: 30%). If interest rates had been 1% higher throughout 2021/22 (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:

2020/21 £000		2021/22 £000
	Impact on the Comprehensive Income and Expenditure Statement	
444	Interest payable on variable rate borrowing	415
(1,675)	Interest receivable on variable rate investments	(1,760)
(1,231)	Net (gain) / loss	(1,345)

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.

Notes to the Financial Statements

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

	Credit risk rating			Gross carrying amount £000
	Low £000	Medium £000	High £000	
Deposits with banks and other financial institutions	556,714	-	-	556,714
Loans to subsidiaries (Essex Housing)	1,023	-	-	1,023
	557,737	-	-	557,737
Other debtors (contractual) - not subject to credit rating				115,915
Total amount exposed to credit risk				673,652

The following movements in the impairment loss allowances for financial assets took place in 2021/22:

	Cash and cash equivalents £000	Investments at amortised cost £000	Other debtors (contractual) £000	Total £000
Allowance at 1 April 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
Assets derecognised	-	-	(1,290)	(1,290)
Assets recognised	9	-	-	9
Allowance at 31 March 2022	99	8	14,813	14,920

The total credit loss allowance for contractual debtors, at **£14.813m**, equates to **12.8%** of the debt outstanding at 31 March 2022 (31 March 2021: £16.103m, equating to 15.8% of the debt outstanding).

Notes to the Financial Statements

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 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 1 April 2021	3,852	2,534	49	6,435
Purchases	545	-	4	549
Donations	-	975	-	975
Recognised as an expense in the year	(2,395)	(836)	(3)	(3,234)
Written off balances	-	-	-	-
Balance as at 31 March 2022	2,002	2,673	50	4,725

21. Debtors

The following table analyses short and long-term debtors:

31 March 2021				31 March 2022		
Short term £000	Long term £000	Total £000		Short term £000	Long term £000	Total £000
79,351	100	79,451	Trade debtors	91,100	-	91,100
9,656	-	9,656	Recoverable Value Added Tax	17,412	-	17,412
			Council Tax and Non Domestic Rates			
794	-	794	Billing authorities	5,720	-	5,720
69,435	-	69,435	Taxpayers	77,712	-	77,712
27,267	396	27,663	Prepayments	21,231	394	21,625
16,765	-	16,765	Grants and accrued income	14,081	-	14,081
5,519	10,611	16,130	Other debtors	2,963	14,081	17,044
208,787	11,107	219,894		230,219	14,475	244,694
			Credit loss allowances			
(16,103)	-	(16,103)	Sundry debtors	(14,813)	-	(14,813)
(24,649)	-	(24,649)	Council Tax and Non Domestic Rates	(35,584)	-	(35,584)
168,035	11,107	179,142	Total	179,822	14,475	194,297

Notes to the Financial Statements

22. Cash and cash equivalents

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

31 March 2021				31 March 2022		
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			
144,999	-	144,999	Cash repayable on demand	191,146	-	191,146
313,191	-	313,191	Cash equivalents	338,869	-	338,869
-	(34,719)	(34,719)	Bank overdraft	-	(27,639)	(27,639)
-	87	87	Petty cash balances	-	123	123
458,190	(34,632)	423,558		530,015	(27,516)	502,499
46,501	-	46,501	Cash held by schools	59,845	-	59,845
504,691	(34,632)	470,059	Total of cash and cash equivalents	589,860	(27,516)	562,344

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 2021				31 March 2022		
Short term £000	Long term £000	Total £000		Short term £000	Long term £000	Total £000
(182,092)	(1,135)	(183,227)	Trade creditors	(172,325)	-	(172,325)
(45,786)	-	(45,786)	Cash held on behalf of partnerships	(52,513)	-	(52,513)
			Council Tax and Non Domestic Rates			
(36,618)	-	(36,618)	Billing authorities	(19,141)	-	(19,141)
(21,065)	-	(21,065)	Taxpayers	(18,230)	-	(18,230)
(25,239)	-	(25,239)	Employee related creditors	(33,000)	-	(33,000)
(12,647)	-	(12,647)	Other creditors	(13,438)	-	(13,438)
(8,230)	(297)	(8,527)	Receipts in advance	(7,968)	(437)	(8,405)
(331,677)	(1,432)	(333,109)	Total	(316,615)	(437)	(317,052)

Notes to the Financial Statements

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 2021				31 March 2022		
Revenue	Capital			Revenue	Capital	
Short term £000	Short term £000	Long term £000		Short term £000	Short term £000	Long term £000
			Dept for Education and related			
(1,556)	(218)	-	Department for Education grants	(1,304)	(6,655)	(3,006)
(2,573)	-	-	Education and Skills Funding Agency	(7,824)	-	-
(4,129)	(218)	-		(9,128)	(6,655)	(3,006)
			Dept for Levelling Up, Housing and Communities			
(12,128)	-	-	Improved Better Care Fund	(17,819)	-	-
(2,541)	-	-	Other	(6,027)	-	-
(14,669)	-	-		(23,846)	-	-
			Other grants			
-	(7,058)	-	Dept for Business, Energy and Industrial Strategy	-	(2,011)	-
(5,745)	(38,374)	(3,900)	Department for Transport	(5,751)	(18,097)	(3,424)
(4,807)	-	-	Department of Health and Social Care	(1,354)	-	-
-	(23,263)	(15,000)	South East Local Enterprise Partnership	-	(10,470)	(12,000)
(1,004)	(2,071)	-	Other	(1,298)	(1,074)	(1,586)
(11,556)	(70,766)	(18,900)		(8,403)	(31,652)	(17,010)
(30,354)	(70,984)	(18,900)	Total of grant receipts in advance	(41,377)	(38,307)	(20,016)
(14)	(28,509)	(44,366)	Developer contributions (S106)	(14)	(47,605)	(50,860)
(30,368)	(99,493)	(63,266)	Total	(41,391)	(85,912)	(70,876)

Note: Comparative figures for 2020/21 have been analysed on a basis consistent with 2021/22.

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).

Notes to the Financial Statements

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 2021	(5,000)	(496)	(6,438)	(563)	(12,497)
Amounts arising	(2,977)	(4,158)	(1,413)	(495)	(9,043)
Provisions reversed	-	-	-	324	324
Provisions utilised	3,332	316	2,074	136	5,858
Unwinding of discount	-	(17)	-	-	(17)
Amounts reclassified as (current) / non current	645	3,685	-	-	4,330
Balance at 31 March 2022	(4,000)	(670)	(5,777)	(598)	(11,045)
Non-current provisions					
Balance at 31 March 2021	(19,427)	(18,294)	-	-	(37,721)
Amounts arising	-	-	-	-	-
Provisions reversed	-	-	-	-	-
Provisions utilised	-	-	-	-	-
Amounts reclassified as current / (non current)	(645)	(3,685)	-	-	(4,330)
Balance at 31 March 2022	(20,072)	(21,979)	-	-	(42,051)
Total current and non-current provisions					
31 March 2021	(24,427)	(18,790)	(6,438)	(563)	(50,218)
31 March 2022	(24,072)	(22,649)	(5,777)	(598)	(53,096)

An explanation of each provision is as follows:

Provision	Purpose
Insurance	<p>The Insurance Provision represents the estimated outstanding liabilities of the Council that are likely to be paid over a number of years. They arise due to:</p> <ul style="list-style-type: none"> The self-insured elements of the Council's Insurance programme; and Other claims related to the period when Municipal Mutual Insurance (MMI) and Independent Insurance were the Council's insurers. <p>MMI insured the Council's liability risks from 1983, until they ceased trading in 1992. Since ceasing trading, MMI dealt with all outstanding claims, operating under a contingent Scheme of Arrangements. This Scheme allows MMI to claw back monies paid (in the form of a levy) from the scheme participants if it has insufficient funds to pay remaining claims itself. This Scheme was put in place to avoid winding up the company if a solvent run-off was not achievable.</p> <p>The Scheme of Arrangements was triggered, and therefore came into effect, on 13th November 2012. As a result, the Council made 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.</p>

Notes to the Financial Statements

Provision	Purpose
	<p>The 25% levy may be enough to enable MMI to continue its run-off for several years. However, because of the latent nature of many claims, it is not possible to guarantee that the current levy percentage of 25% will remain adequate.</p> <p>The claims position has stabilised in recent years, and MMI are not anticipating a further levy in the short term. However, it is possible that the levy will ultimately be closer to 35%. Allowance has been made for this in the Insurance Reserve (see note 8, which commences on page 62).</p>
Landfill aftercare	<p>The Council has responsibility for the aftercare of twelve former landfill sites. Restoration work was undertaken at all sites during the 1990's, when the sites were closed. However, the Council continues to monitor each site, and to operate and maintain pollution control infrastructure, to ensure that these sites do not bring harm to human health, property and the environment. The Council will have this obligation until the sites become inert.</p> <p>As the Council expects to discharge its environmental monitoring liabilities over a prolonged period, the provision has been discounted to the present value of the expenditures expected to be required to settle the obligation.</p>
Non-domestic rating appeals	<p>Under the legislative framework for the Collection Fund, billing and precepting authorities share proportionately the risks that the amount of non-domestic rates collectable could be affected by the requirement to make backdated refunds to non-domestic ratepayers who lodge appeals against the Valuation Rating Lists. For this reason, the Council's Balance Sheet includes an attributable share of the provisions raised by the billing authorities for non-domestic rating appeals.</p>
Other	<p>Various provisions have been established in respect of legal claims and constructive obligations.</p>

25.2 Contingencies

The Care and Support (Charging and Assessment of Resources) Regulations 2014 make provision for financial assessments and how income is to be calculated for the purposes of charging for care services, including income that must be disregarded.

The Council may need to reassess financial assessments for social care service users who lack mental capacity, and have a court appointed professional deputy appointed to manage their financial affairs. It is possible that the reassessments that are deemed necessary may conclude that some service users incurred higher care costs than they should have. However, it is not yet possible to quantify how many care packages will need to be reassessed, or what the financial impacts of carrying out these reassessments will be.

Notes to the Financial Statements

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 26.4 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:

2020/21 £000		2021/22 £000
(634,629)	Balance as at 1 April	(596,239)
(76,440)	Revaluation of non current assets (increases)	(106,256)
79,108	Revaluation of non current assets (subsequent decreases)	16,777
2,668	(Surplus) / deficit on revaluations	(89,479)
13,923	Depreciation on revaluation gains	15,326
21,799	Accumulated gains on assets sold or scrapped	2,862
35,722	Amounts written off to the Capital Adjustment Account	18,188
(596,239)	Balance as at 31 March	(667,530)

Notes to the Financial Statements

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.

2020/21 £000		2021/22 £000
(1,150,386)	Balance as at 1 April	(1,167,857)
	Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
78,813	Depreciation	81,534
12,383	Impairment of non-current assets	6,490
-	Impairment of assets held for sale	-
59,194	Revenue expenditure financed from capital under statute	49,051
37,630	Cost / value of assets disposed of during the year	8,905
188,020		145,980
	Adjusting amounts written out of the Revaluation Reserve	
(13,923)	Difference between fair value and historical cost depreciation	(15,326)
(21,799)	Revaluation gains outstanding for assets upon disposal	(2,862)
(35,722)		(18,188)
152,298	Net written out amount of the cost of non current assets consumed in the year	127,792
	Capital financing applied in the year	
-	Revenue reserves applied	(7,000)
(39,711)	Statutory provision for the financing of capital investment	(45,953)
(6,423)	Capital receipts applied	(5,323)
	Capital grants and contributions applied to finance:	
(78,968)	Capital Expenditure	(102,821)
(46,789)	Revenue expenditure funded from capital	(47,742)
(64)	Application of grants from the Capital Grants Unapplied Account	(142)
(171,955)		(208,981)
1,451	Repayment of loans awarded for capital purposes	1,350
735	Movement in market value of investment properties	(3,751)
(1,167,857)	Balance as at 31 March	(1,251,447)

26.4 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

Notes to the Financial Statements

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.

2020/21				2021/22		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
862,099	26,002	888,101	Balance as at 1 April	1,017,034	25,642	1,042,676
			Pension Reserve appropriation to / (from) the General Fund for:			
			Reversal of items relating to retirement benefits debited or credited to the surplus / deficit on the Provision of Services in the Other Comprehensive Income			
			Expenditure line of the Comprehensive			
151,693	556	152,249	Income and Expenditure Statement	173,639	415	174,054
(63,809)	(2,621)	(66,430)	Council contributions to the schemes	(58,874)	(2,460)	(61,334)
87,884	(2,065)	85,819	Total appropriation from Pension Reserve	114,765	(2,045)	112,720
67,051	1,705	68,756	Remeasurements of the net pension liability	(388,260)	(380)	(388,640)
1,017,034	25,642	1,042,676	Balance as at 31 March	743,539	23,217	766,756

27. Cash Flows from operating, investing and financing activities

The cash flows from operating, investing and financing activities include the items shown overleaf.

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.

Notes to the Financial Statements

2020/21 £000		2021/22 £000
	Cash flows from operating activities	
	Cash inflows	
(758,924)	Taxation	(739,524)
(1,054,556)	Grants	(1,101,271)
(283,301)	Sales of goods and rendering of services	(275,935)
(1,477)	Interest received	(1,147)
(952)	Dividends received	(1,129)
(2,099,210)		(2,119,006)
	Cash outflows	
460,019	Cash paid to and on behalf of employees	470,441
38,209	Interest paid	40,405
1,285,880	Cash paid to suppliers of goods and services	1,383,256
59,194	Revenue expenditure funded from capital under statute	49,051
114,886	Other payments for operating activities	123,714
1,958,188		2,066,867
(141,022)	Net inflow of cash from operating activities	(52,139)
	Cash flows from investing activities	
	Cash inflows	
(7,783)	Proceeds from the sale of property, plant and equipment, investment property and intangible	(4,579)
(351,327)	Proceeds from short and long term investments	(116,600)
(194,902)	Other receipts from investing activities	(150,156)
(554,012)		(271,335)
	Cash outflows	
137,322	Purchase of property, plant and equipment, investment property and intangible assets	168,127
331,400	Purchase of short and long term investments	35,000
662	Other payments for investing activities	575
469,384		203,702
(84,628)	Net inflow of cash from investing activities	(67,633)
	Cash flows generated from financing activities	
	Cash inflows	
(20,662)	Cash receipts of short and long term borrowing	(7,065)
-	Other receipts from financing activities	(6,727)
(20,662)		(13,792)
	Cash outflows	
7,638	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	12,708
18,049	Repayment of short and long term borrowing	28,571
59,202	Other payments for financing activities	-
84,889		41,279
64,227	Net outflow of cash from financing activities	27,487
(161,423)	Net increase in cash and cash equivalents	(92,285)

Notes to the Financial Statements

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 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)
Cash flows	4,204	17,302	12,708	34,214
Non cash adjustments	-	-	(176)	(176)
Balance at 31 March 2022	(582,194)	(23,402)	(103,169)	(708,765)

29. Termination benefits

The Council has recognised liabilities in the Cost of Services, in the Comprehensive Income and Expenditure Statement, arising as a consequence of ending the contracts of employment for a number of employees during the year:

2020/21 £000		2021/22 £000
17	Adult Social Care and Health	-
-	Children's Services and Early Years	15
214	Community, Equality, Partnerships and Performance	(152)
173	Devolution, the Arts, Heritage and Culture	(102)
384	Education Excellence, Lifelong Learning and Employability	384
52	Finance, Resources and Corporate Affairs	-
-	Highways Maintenance and Sustainable Transport	110
411	Strategic Support Services - Finance, Resources and Corporate Affairs	56
-	Traded Services	36
1,251	Total	347

Notes: The above figures include movements in provisions for termination benefits, which are recognised on the basis of the best estimate of costs when formal plans for the restructuring of services are announced. Increases in provisions arise when actual exit packages have yet to be agreed as at 31 March and decreases arise where actual costs arising in the year differ from the estimates made for those packages in the prior year.

Notes to the Financial Statements

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

2020/21				Value of exit packages	2021/22			
No. of agreed packages			Cost of packages £000		No. of agreed packages			Cost of packages £000
Compulsory	Other	Total			Compulsory	Other	Total	
19	18	37	146	Less than £20,000	41	27	68	276
5	9	14	732	More than £20,000	7	4	11	444
				Total no. of agreed packages	48	31	79	720
24	27	51	878	Other termination benefits				(373)
			373					
			1,251					347

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 **11,900** 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.

Notes to the Financial Statements

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 **8,050** 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:

2020/21				2021/22		
Teachers £000	NHS £000	Total £000		Teachers £000	NHS £000	Total £000
30,974	103	31,077	Employer's contributions	31,643	115	31,758
11,885	81	11,966	Employee contributions	12,222	78	12,300
42,859	184	43,043	Total	43,865	193	44,058

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	
	2020/21	2021/22	2020/21	2021/22
Employer's contribution rate	23.68%	23.68%	14.38%	16.88%
Employee contribution rate	7.4% to 11.7%	7.4% to 11.7%	5.0% to 14.5%	5.0% to 14.5%

As at 31 March 2022, no contributions remained payable for the Teachers' pension scheme but **£16,000** was outstanding for the NHS pension scheme (31 March 2021: Nil for both schemes).

The employer's contributions due to be paid in 2022/23 are estimated to be **£32.2m** for the teachers' pension scheme and **£111,000** for the NHS pension scheme.

Notes to the Financial Statements

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.

Notes to the Financial Statements

- **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 (page 38).

- **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.

Notes to the Financial Statements

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

2020/21				2021/22		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
128,297	-	128,297	Current service cost	151,947	-	151,947
681	-	681	Past service cost	184	-	184
(3,344)	-	(3,344)	(Gain) / loss on settlement	(609)	-	(609)
125,634	-	125,634		151,522	-	151,522
			Financing and Investment Income and Expenditure			
26,059	556	26,615	Net interest expense	22,117	415	22,532
151,693	556	152,249	Total charged to the Surplus / Deficit on Provision of Services	173,639	415	174,054
			Re-measurements of the net pensions liability			
(603,722)	-	(603,722)	Return on scheme assets	(216,305)	-	(216,305)
			Actuarial (gains) / losses arising from changes in:			
764,783	2,378	767,161	Financial assumptions	(181,951)	(449)	(182,400)
(51,277)	(333)	(51,610)	Demographic assumptions	-	-	-
(42,733)	(340)	(43,073)	Experience (gain) / loss on defined benefit obligation	9,996	69	10,065
67,051	1,705	68,756	Total charged to Other Comprehensive Income and Expenditure	(388,260)	(380)	(388,640)
218,744	2,261	221,005	Total charged to Comprehensive Income and Expenditure Statement	(214,621)	35	(214,586)
			Movement in Reserves Statement			
(151,693)	(556)	(152,249)	Reversal of net charges made to the Surplus / Deficit on the Provision of Services	(173,639)	(415)	(174,054)
63,809	2,621	66,430	Actual amount charged against the General Fund Balance for pensions in the year	58,874	2,460	61,334
(87,884)	2,065	(85,819)		(114,765)	2,045	(112,720)

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:

2020/21				2021/22		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,831,331	25,642	3,856,973	Present value of the defined benefit obligation	3,807,574	23,217	3,830,791
(2,814,297)	-	(2,814,297)	Fair value of plan assets	(3,064,035)	-	(3,064,035)
1,017,034	25,642	1,042,676	Sub total	743,539	23,217	766,756
-	-	-	Other movements in the liability / (asset)	-	-	-
1,017,034	25,642	1,042,676	Net liability arising from defined benefit obligations	743,539	23,217	766,756

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net deficit of the pension schemes of **£766.756m** (2020/21: **£766.756m**)

Notes to the Financial Statements

£1.043bn) 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:

2020/21				2021/22		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
3,050,857	26,002	3,076,859	Balance as at 1 April	3,831,331	25,642	3,856,973
128,297	-	128,297	Current service cost	151,947	-	151,947
60,981	556	61,537	Interest cost	70,465	415	70,880
18,520	-	18,520	Contributions by scheme participants	19,516	-	19,516
			Remeasurement (gains)/losses arising from:			
(51,277)	(333)	(51,610)	Changes in demographic assumptions	-	-	-
764,783	2,378	767,161	Changes in financial assumptions	(181,951)	(449)	(182,400)
(42,733)	(340)	(43,073)	Other	9,996	69	10,065
681	-	681	Past service costs	184	-	184
(92,356)	(2,621)	(94,977)	Benefits paid	(93,630)	(2,460)	(96,090)
(6,422)	-	(6,422)	Liabilities extinguished on settlements	(284)	-	(284)
3,831,331	25,642	3,856,973	Balance as at 31 March	3,807,574	23,217	3,830,791

Scheme Assets

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

2020/21				2021/22		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
2,188,758	-	2,188,758	Balance as at 1 April	2,814,297	-	2,814,297
34,922	-	34,922	Interest income	48,348	-	48,348
			Remeasurement gain/(loss)			
603,722	-	603,722	Return on plan assets (excl. amount incl in net interest expense)	216,305	-	216,305
-	-	-	Other	-	-	-
63,809	2,621	66,430	Contributions by the Council	58,874	2,460	61,334
18,520	-	18,520	Contributions from employees into the scheme	19,516	-	19,516
(92,356)	(2,621)	(94,977)	Benefits paid	(93,630)	(2,460)	(96,090)
(3,078)	-	(3,078)	Amounts made for settlements	325	-	325
2,814,297	-	2,814,297	Balance as at 31 March	3,064,035	-	3,064,035

Notes to the Financial Statements

Local Government Pension Scheme assets comprised:

31 March 2021			31 March 2022	
£000	%		£000	%
1,780,267	63.3%	Equities	1,839,740	60.0%
71,705	2.5%	Gilts	73,147	2.4%
136,900	4.9%	Other bonds	134,176	4.4%
198,328	7.0%	Property	251,303	8.2%
70,890	2.5%	Cash and cash equivalents	77,745	2.5%
323,456	11.5%	Alternative assets	378,639	12.4%
232,751	8.3%	Other managed funds	309,285	10.1%
2,814,297	100.0%	Total assets	3,064,035	100.0%

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

31 March 2021						31 March 2022				
UK		Overseas		Total		UK		Overseas		Total
Quoted	Unquoted	Quoted	Unquoted			Quoted	Unquoted	Quoted	Unquoted	
4.9%	-	53.7%	4.7%	63.3%	Equities	4.7%	-	50.7%	4.6%	60.0%
2.5%	-	-	-	2.5%	Gilts	2.4%	-	-	-	2.4%
4.9%	-	-	-	4.9%	Other bonds	4.4%	-	-	-	4.4%
2.0%	5.0%	-	-	7.0%	Property	2.3%	5.9%	-	-	8.2%
-	2.5%	-	-	2.5%	Cash and cash equivalents	-	2.5%	-	-	2.5%
-	0.6%	-	10.9%	11.5%	Alternative assets	-	0.4%	-	12.0%	12.4%
-	8.3%	-	-	8.3%	Other managed funds	-	10.1%	-	-	10.1%
14.3%	16.4%	53.7%	15.6%	100.0%	Total assets	13.8%	18.9%	50.7%	16.6%	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	2020/21	2021/22
Rate of inflation		
▪ RPI	3.20%	3.55%
▪ CPI	2.80%	3.20%
Rate of increase in salaries	3.80%	4.20%
Rate of increase in pensions	2.80%	3.20%
Discount rate	2.00%	2.60%

Notes to the Financial Statements

Assumptions	2020/21	2021/22
Mortality assumptions for members retiring in normal health:		
▪ Life expectancy for future pensioners retiring in 20 years' time at 65:		
- Male	22.9 years	23.0 years
- Female	25.1 years	25.1 years
▪ Life expectancy of current pensioners retiring today aged 65:		
- Male	21.6 years	21.6 years
- Female	23.6 years	23.7 years
Expected rate of return on assets in the scheme	29.30%	9.48%

The actuarial assumptions used in the calculation of the liabilities for Teachers' additional unfunded pensions were those shown on page 105 for the Local Government Pension Scheme, with the following exceptions:

Assumptions	2020/21	2021/22
Rate of increase in pensions	2.80%	3.55%
Discount rate	1.70%	2.60%

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

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

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

Notes to the Financial Statements

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	3,734,999	3,807,574	3,881,631
Projected Service Cost	121,999	126,334	130,806
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,812,510	3,807,574	3,802,679
Projected Service Cost	126,403	126,334	126,264
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,876,188	3,807,574	3,740,242
Projected Service Cost	130,769	126,334	122,031
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	3,975,176	3,807,574	3,647,434
Projected Service Cost	131,484	126,334	121,361

Unfunded Teachers' Pensions	Effect of change in assumptions		
	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	23,043	23,217	23,392
Adjustment to pension increases	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	23,390	23,217	23,044
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	24,361	23,217	22,125

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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is **£53.024m**. 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 **£0.572m** as at 31 March 2023.

Notes to the Financial Statements

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 costs of audit and non-audit services provided by the Council's External Auditor are as follows:

2020/21 £000		2021/22 <i>Estimate</i> £000
	Audit fees payable to the appointed auditor	
169	External audit services carried out by appointed auditor	169
12	Other services carried out by appointed auditor	15
181		184
	Rebates received in respect of fees paid in previous years	
(15)	Rebates received from Public Sector Auditor Appointments (PSAA)	(25)
166	Net total	159

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:

2020/21 £000		2021/22 £000
	Members allowances	
877	Basic allowances	896
628	Special responsibility allowances	644
1,505		1,540
10	Members expenses	18
1,515		1,558

Notes to the Financial Statements

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 Clinical Commissioning Group (CCG) 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.

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

- **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 2021/22 were as follows:

2020/21								2021/22						
Basildon & Brentwood	Castle Point & Rochford	Mid Essex	North East Essex	West Essex	Central Pool	Total		Basildon & Brentwood	Castle Point & Rochford	Mid Essex	North East Essex	West Essex	Central Pool	Total
£000	£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000
							Contributions							
(18,646)	-	-	-	-	-	(18,646)	Clinical Commissioning Groups	(19,389)	-	-	-	-	-	(19,389)
-	(12,462)	-	-	-	-	(12,462)	Basildon and Brentwood	-	(12,941)	-	-	-	-	(12,941)
-	-	(25,557)	-	-	-	(25,557)	Castle Point and Rochford	-	-	(26,549)	-	-	-	(26,549)
-	-	-	(24,842)	-	-	(24,842)	Mid Essex	-	-	-	(25,876)	-	-	(25,876)
-	-	-	-	(21,299)	-	(21,299)	North East Essex	-	-	-	-	(22,165)	-	(22,165)
-	-	-	-	-	(52,955)	(52,955)	West Essex	-	-	-	-	-	(57,947)	(57,947)
(18,646)	(12,462)	(25,557)	(24,842)	(21,299)	(52,955)	(155,761)	Total Contributions	(19,389)	(12,941)	(26,549)	(25,876)	(22,165)	(57,947)	(164,867)
							Expenditure							
11,393	-	-	-	-	-	11,393	Clinical Commissioning Groups	11,997	-	-	-	-	-	11,997
-	7,404	-	-	-	-	7,404	Basildon and Brentwood	-	7,793	-	-	-	-	7,793
-	-	15,147	-	-	-	15,147	Castle Point and Rochford	-	-	15,922	-	-	-	15,922
-	-	-	15,452	-	-	15,452	Mid Essex	-	-	-	16,271	-	-	16,271
-	-	-	-	13,046	-	13,046	North East Essex	-	-	-	-	13,738	-	13,738
7,253	5,058	10,410	9,390	8,253	52,955	93,319	West Essex	7,392	5,148	10,627	9,605	8,427	57,947	99,146
18,646	12,462	25,557	24,842	21,299	52,955	155,761	Total Expenditure	19,389	12,941	26,549	25,876	22,165	57,947	164,867
-	-	-	-	-	-	-	Net (surplus) / deficit	-	-	-	-	-	-	-

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

2020/21					2021/22			
Equipment		Transforming Care			Equipment		Transforming Care	
Contributions	Expenditure	Contributions	Expenditure		Contributions	Expenditure	Contributions	Expenditure
£000	£000	£000	£000		£000	£000	£000	£000
(8,686)	8,686	(1,169)	4,394	Local authorities				
-	-	(94)	241	Essex County Council	(10,544)	10,544	(1,185)	5,696
(1,242)	1,242	(94)	109	Southend Council	-	-	(137)	417
				Thurrock Council	(1,464)	1,464	(137)	429
				Clinical Commissioning Groups				
-	-	(273)	358	Basildon and Brentwood	-	-	(237)	447
-	-	(2,469)	301	Castle Point and Rochford	-	-	(4,315)	365
(1,214)	1,214	(989)	695	Mid Essex	(1,040)	1,040	(1,003)	665
-	-	(1,248)	848	North East Essex	-	-	(1,235)	693
-	-	(664)	294	Southend	-	-	(767)	582
-	-	(263)	259	Thurrock	-	-	(308)	283
-	-	(823)	587	West Essex	-	-	(840)	587
				NHS Trusts				
(995)	995	-	-	East Suffolk and North Essex NHS Foundation Trust	(1,218)	1,218	-	-
(35)	35	-	-	Mid Essex Hospital Service NHS Trust	(59)	59	-	-
(285)	285	-	-	Essex Partnership University NHS Foundation Trust	(325)	325	-	-
(641)	641	-	-	North East London Foundation Trust	(709)	709	-	-
(13,098)	13,098	(8,086)	8,086	Total	(15,359)	15,359	(10,164)	10,164

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. Remuneration 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.

2020/21			Remuneration band	2021/22		
Non-schools	Schools	Total		Non-schools	Schools	Total
202	133	335	£50,000 to £54,999	216	135	351
181	69	250	£55,000 to £59,999	175	82	257
153	66	219	£60,000 to £64,999	160	68	228
56	62	118	£65,000 to £69,999	46	60	106
27	34	61	£70,000 to £74,999	21	40	61
47	17	64	£75,000 to £79,999	43	20	63
34	14	48	£80,000 to £84,999	32	15	47
12	6	18	£85,000 to £89,999	15	7	22
10	5	15	£90,000 to £94,999	4	5	9
15	1	16	£95,000 to £99,999	18	3	21
2	2	4	£100,000 to £104,999	4	3	7
5	1	6	£105,000 to £109,999	4	-	4
4	-	4	£110,000 to £114,999	3	1	4
12	-	12	£115,000 to £119,999	17	-	17
3	-	3	£120,000 to £124,999	4	-	4
1	-	1	£125,000 to £129,999	-	-	-
-	-	-	£130,000 to £134,999	-	-	-
-	-	-	£135,000 to £139,999	3	-	3
-	-	-	£140,000 to £144,999	-	-	-
-	-	-	£145,000 to £149,999	-	-	-
-	-	-	£150,000 to £154,999	-	-	-
1	-	1	£155,000 to £159,999	-	-	-
765	410	1,175	Total	765	439	1,204

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

Notes to the Financial Statements

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 2021/22. The fees payable by the Council in respect of some of these individuals amounted to **£150,000** or more in 2021/22, as follows:

2020/21 £	Position	2021/22 £
53,306	Solutions Architect (Zabair Zafar)	154,038
134,920	Senior Associate Educational Psychologist (Yashica Prithivirajh)	152,732
65,550	Head of Customer Transformation Programmes (Alexander Garnett)	152,255

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.

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.	(iv) The 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.	

2021/22	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	(i)	201,600	-	14,054	-	215,654	38,799	254,453
Executive Director, Adult Social Care - Mr Nicholas Presmeg	(ii)	167,196	-	-	-	167,196	31,559	198,755
Executive Director, Children and Families and Education - Ms Helen Lincoln	(iii)	162,605	-	7,508	-	170,113	31,559	201,672
Executive Director, Corporate and Customer Services - Mrs Margaret Lee	(iv)	111,217	-	391	-	111,608	-	111,608
Executive Director, Corporate Services - Miss Nicole Wood	(v)	165,897	-	1,245	-	167,142	31,563	198,705
Executive Director, Place and Public Health - Mr Mark Carroll	(vi)	97,740	-	614	-	98,354	17,013	115,367
Executive Director, People and Transformation - Ms Pam Parkes		161,738	-	1,660	-	163,398	30,705	194,103
Director, Wellbeing, Public Health and Communities - Dr Michael Gogarty	(vii)	170,889	-	-	-	170,889	33,173	204,062
Director, Legal and Assurance	(viii)	136,987	-	-	-	136,987	26,494	163,481
Director of Policy		127,922	-	1,660	-	129,582	24,708	154,290

Notes

- | | |
|---|--|
| <p>(i) The Chief Executive was appointed, on a part time basis, as a commissioner at Slough Borough Council with effect from 12 January 2022, by the Secretary of State for Levelling Up, Housing and Communities. The Chief Executive does not receive payment for the role at Slough Borough Council, but the Council is remunerated for the time he spends there; the Council received £26,400 as reimbursement in 2021/22.</p> | <p>(ii) The Executive Director, Adult Social Care fulfils the statutory role of Director for Adult Social Services (DASS).</p> |
| <p>(iv) The Executive Director, Corporate and Customer Services left the Council on 30 June 2021. The salaries, fees and allowances shown in the above analysis includes £69,418 for annual leave entitlement accrued but not taken and payment in lieu of notice.</p> | <p>(iii) 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.</p> |
| <p>(vii) The Director, Wellbeing, Public Health and Communities, who fulfilled the statutory role of Director of Public Health, left the Council on 31 March 2022.</p> | <p>(v) The Executive Director, Corporate Services, fulfils the statutory role of Chief Finance Officer under Section 151 of the Local Government Act 1972.</p> <p>(vi) The Executive Director, Place and Public Health left the Council on 3 October 2021.</p> <p>(viii) The Council's Director, Legal and Assurance fulfils the statutory role of Monitoring Officer.</p> |

Notes to the Financial Statements

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 66) and 13 (page 68).
Elected members	<p>Members of the Council have direct control over the Council's financial and operating policies. The Council's Constitution requires members to declare their pecuniary interests and any other interests that could reasonably be regarded as likely to prejudice their judgement of the public interest in a Register of Interests and at relevant meetings. The Register of Interests is published on the Council's website. In addition, members are asked to declare separately any related party transactions with the Authority.</p> <p>Based on these declarations, the following matters require disclosure as related party transactions:</p> <p>Abberton Rural Training (ART)</p> <p>ART supports people living in rural locations to access jobs, further education and training. The Council paid £186,000 to ART during 2021/22 to deliver training (2020/21: £51,000). Cllr Ann Brown, who was a County Councillor until 5 May 2021, is a trustee of this charity.</p> <p>Anglian Community Enterprise (ACE)</p> <p>ACE provided community health and well-being services. The Council paid £4.031m to ACE during 2021/22 (including £4.006m via the Better Care Fund) (2020/21: £17.851m, including £15.216m via the Better Care Fund). Cllr Julie Young, who was a County Councillor until 5 May 2021, is a Director of ACE.</p> <p>Chelmsford Science and Engineering Society</p> <p>This charity promotes science, engineering and technology learning in the region. The Council made payments totalling £5,000 to this charity in 2021/22. Cllr Anthony McQuiggan, who has been a Councillor since 5 May 2021, is a trustee of this charity.</p>

Notes to the Financial Statements

Related party	Declaration
Elected Members	<p>Colchester United FC Football in the Community</p> <p>This charity aims 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 of £133,000 in 2021/22 (2020/21: £61,000). Cllr Anne Turrell, who was a Councillor until 5 May 2021, is a trustee of this charity.</p>
	<p>Community360</p> <p>Community360 is a charitable infrastructure organisation whose aim is to inspire local groups to become more enterprising and sustainable. The Council paid £1.953m to this charity in 2021/22. Cllr David King, who has been a Councillor since 5 May 2021, is a trustee of this charity.</p>
	<p>Essex Cares Ltd</p> <p>Essex Cares Ltd is a wholly owned subsidiary of the Council (see page 117 for further details). Cllr Penny Channer, who was a Councillor until 5 May 2021, was a non-executive director of Essex Cares until May 2021. She received an allowance of £1,000 from Essex Cares in respect of this role in 2021/22 (2020/21: £12,000). Cllr Ian Grundy took over the role of non-executive director on 11 June 2021 and he received an allowance of £9,659 in 2021/22.</p>
	<p>Essex Recovery Foundation</p> <p>This charity is focussed on revolutionising recovery from drug addiction. The Council paid £60,000 to this charity in 2021/22. Cllr Andrew Sheldon is a trustee of this charity.</p>
	<p>Mosaic Publicity Ltd</p> <p>During 2021/22, the Council paid £1,000 to this company for services provided to the Council (2020/21: £7,000). Cllr Kevin Bentley is a director of this company. Cllr Bentley is the current Leader of the Council.</p>
	<p>Playout Group</p> <p>A group of companies providing a range of childcare and education services for children from 0 to 14 years. During 2021/22, the Council made payments to these companies amounting to £94,000 (2020/21: £100,000). Cllr Derek Louis is a director of the group of companies.</p>
	<p>Provide Community Interest Company</p> <p>The principal activities of the company are the provision of integrated health and social care. The Council made payments totalling £33.990m to this organisation in 2021/22 (including £13.888m via the Better Care Fund) (2020/21: £29.864m, including £13.888m via the Better Care Fund). Cllr Derrick Louis is a Director and the Chairman of Provide.</p>

Notes to the Financial Statements

Related party	Declaration
Elected Members	<p>Rayleigh, Rochford and District Association Voluntary Services (RRAVS)</p> <p>The RRAVS is an umbrella organisation representing the interests of all voluntary and charitable groups in the area. The Council provided £94,000 to this organisation during 2021/22 (2020/21: £53,000). Cllr June Lumley is a trustee of this charity.</p>
	<p>Rural Community Council of Essex (RCCE)</p> <p>The RCCE is a registered charity that works with local community groups in villages and market towns across the County. The Council provided £2.178m to the charity during 2021/22 (2020/21: £1.159m). Cllr Simon Walsh, who was a Councillor until 5 May 2021, and Cllr Graham Butland, are both trustees of the RCCE.</p>
	<p>Tendring Eldercare</p> <p>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 £50,000 to this charity in 2021/22 (2020/21: £72,000). Cllr Mark Platt is a trustee of this charity.</p>
	<p>Wyvern Community Transport</p> <p>This charity provides transport to people who find mainstream public transport difficult to access. The Council provided £126,000 to this charity in 2021/22 (2020/21: £127,000). Cllr June Lumley is a trustee of this charity.</p>
	<p>The total of members' allowances paid is shown in note 33 (page 108).</p>
Officers	<p>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.</p>
Essex Pension Fund	<p>The Council administers the Essex Pension Fund on behalf of its employees and those of the Essex district councils and other admitted bodies. The Council charged £3.589m for administering the Fund during 2021/22, of which £351,000 was outstanding at 31 March 2022 (2020/21: £3.437m, of which £3,000 was outstanding at 31 March 2021).</p>
Essex Cares Ltd	<p>Essex Cares Ltd is a wholly owned subsidiary of the Council. It provides services for people requiring care, support and assistance living in the community. Essex Cares' transactions are consolidated fully within the Council's Group Accounts, which are set out on pages 121 to 135.</p>

Notes to the Financial Statements

Related party	Declaration
	<p>The Council commissioned services from Essex Cares Ltd to the value of £42.355m in 2021/22 (<i>2020/21: £44.508m</i>).</p> <p>The Council provided financial, internal audit and other support services to Essex Cares Ltd during 2021/22; the value of these services in 2021/22 was £93,400 (<i>2020/21: £350,000</i>).</p> <p>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 2021/22 (<i>2020/21: no interest paid</i>).</p> <p>As noted on page 116, Cllr Penny Channer and Cllr Ian Grundy held positions on the Essex Cares' Board of Directors during 2021/22.</p>
Essex Housing Development LLP	<p>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 121 to 135.</p> <p>The Council provided financial and other support services to the Essex Housing Development LLP during 2021/22. 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 2021/22 was £1.388m, all of which was outstanding at 31 March 2022 (<i>2020/21: £541,000, all of which was outstanding at 31 March 2021</i>).</p> <p>The Council also provided development and working capital loan funding to the LLP in 2021/22 of £5.295m. The Council charged interest of £156,000 on the sums loaned, all of which was outstanding as at 31 March 2022.</p>
South East Local Enterprise Partnership	<p>The South East Local Enterprise Partnership (South East LEP) is a business-led, public / private body established to drive economic growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock. It has a range of members (<i>including representatives from businesses, local authorities and higher / further education</i>).</p> <p>The South East LEP secured £718,000 from the Government's Local Growth Fund in 2021/22 to support economic growth in the area, which was allocated to the Council to fund major economic growth and transport schemes (<i>2020/21: £77.873m of which £33.429m was allocated to the Council for major transport schemes</i>).</p> <p>In addition, the South East LEP secured £42.5m from the Government's Getting Building Fund in 2021/22 to support economic recovery in the region, of which £10.550m was allocated to the Council to fund projects prioritised by the South East LEP and agreed with the Government (<i>2020/21: £42.5m of which £17.533m was allocated to the Council</i>).</p> <p>The Local Growth and Getting Building funding allocated to the Council by</p>

Notes to the Financial Statements

Related party	Declaration
	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 repaid this loan during 2021/22.

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:

2020/21						2021/22				
Nursery schools	Primary Schools	Secondary schools	Special schools	Total		Nursery schools	Primary Schools	Secondary schools	Special schools	Total
2	110	-	6	118	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
-	40	-	-	40	Voluntary controlled schools	-	40	-	-	40
-	41	3	-	44	Voluntary aided schools	-	41	3	-	44
2	222	4	7	235	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

Notes to the Financial Statements

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 69) shows the total of the Individual Schools budget, which is divided into a budget share for each maintained school.

39. Events after the Reporting Date

The Statement of Accounts was certified by the Executive Director, Corporate Services on **29 July 2022**. Events taking place after this date were not reflected in the financial statements or notes.

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, Essex Cares Ltd and Essex Housing Development LLP 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 26*), 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	122
Group Movement in Reserves Statement	123
Group Balance Sheet	124
Group Cash Flow Statement	126
Notes to the Group Accounts	127

Group Comprehensive Income and Expenditure Statement

For the year ended 31st March 2022

2020/21					2021/22			
Gross expenditure £000	Government grants £000	Other Income £000	Net expenditure £000		Gross expenditure £000	Government grants £000	Other income £000	Net expenditure £000
767,430	(167,640)	(175,199)	424,591	Adult Social Care and Health	791,109	(164,213)	(173,548)	453,348
				Children's Services and Early Years				
83,408	(86,326)	(1,054)	(3,972)	Dedicated Schools Budget	86,158	(85,646)	(584)	(72)
172,134	(24,412)	(8,312)	139,410	Non Dedicated Schools Budget	202,717	(40,036)	(9,975)	152,706
9,652	(1,828)	(3,762)	4,062	Community, Equality, Partnerships and Performance	10,601	(939)	(3,991)	5,671
47,821	(20,779)	(5,964)	21,078	Devolution, the Arts, Heritage and Culture	46,412	(7,017)	(8,038)	31,357
31,530	(25,469)	(15,275)	(9,214)	Economic Renewal, Infrastructure and Planning	48,673	(20,455)	(6,161)	22,057
				Education Excellence, Lifelong Learning and Employability				
458,215	(455,206)	(21,194)	(18,185)	Dedicated Schools Budget	489,930	(467,262)	(32,539)	(9,871)
119,160	(31,390)	(30,110)	57,660	Non Dedicated Schools Budget	119,871	(24,675)	(35,208)	59,988
13,389	(331)	(14,322)	(1,264)	Finance, Resources and Corporate Affairs	5,925	(1,889)	(884)	3,152
177,610	(12,562)	(20,569)	144,479	Highways Maintenance and Sustainable Transport	162,451	(11,469)	(22,320)	128,662
1,813	(283)	128	1,658	Leader	5,291	(1,358)	92	4,025
88,078	(114)	(2,813)	85,151	Waste Reduction and Recycling	88,973	(373)	(3,200)	85,400
				Strategic Support Services				
18,597	-	-	18,597	Community, Equality, Partnerships and Performance	21,661	-	-	21,661
1,287	-	-	1,287	Economic Renewal, Infrastructure and Planning	1,752	-	-	1,752
98,006	-	-	98,006	Finance, Resources and Corporate Affairs	109,661	-	-	109,661
2,213	-	-	2,213	Leader	2,926	-	-	2,926
2,090,343	(826,340)	(298,446)	965,557	Cost of services - continuing operations	2,194,111	(825,332)	(296,356)	1,072,423
35,149	-	-	35,149	Other Operating Expenditure	6,122	-	(3,562)	2,560
99,017	-	(38,199)	60,818	Financing and Investment Income and Expenditure	106,089	-	(52,237)	53,852
-	(364,569)	(731,298)	(1,095,867)	Taxation and non specific grant income	-	(405,361)	(762,765)	(1,168,126)
2,224,509	(1,190,909)	(1,067,943)	(34,343)	Surplus on Provision of Services	2,306,322	(1,230,693)	(1,114,920)	(39,291)
			2,668	(Surplus) / deficit arising on revaluation of non-current assets				(89,479)
			66,750	Re-measurements of the net defined benefits pension liability				(399,554)
			69,418	Other Comprehensive Income and Expenditure				(489,033)
			35,075	Total Comprehensive Income and Expenditure				(528,324)

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 2021/22; comparative figures for 2020/21 have been restated on a consistent basis.

Group Movement in Reserves Statement

For the years ended 31st March 2021 and 31st March 2022

	Usable Reserves							Total	Total	Analysis of Reserves	
	Earmarked General Reserves £000	General Fund Balance £000	Authority share of Profit and Loss Reserve of Subsidiary £000	Authority share of Pension Reserve of Subsidiary £000	Usable Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Reserves £000	Total Authority Reserves £000	Authority Share of Reserves of Subsidiary £000
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	-	(33,001)	(1,342)	(2,006)	-	-	(36,349)	71,424	35,075	38,423	(3,348)
Adjustments between accounting basis and funding under regulations	-	(133,194)	-	-	(1,326)	(1,014)	(135,534)	135,534	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	-	(166,195)	(1,342)	(2,006)	(1,326)	(1,014)	(171,883)	206,958	35,075	38,423	(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)	206,958	35,075	38,423	(3,348)
Balance at 31 March 2021	(493,555)	(68,096)	(6,251)	(10,943)	(10,907)	(2,272)	(592,024)	(676,150)	(1,268,174)	(1,250,980)	(17,194)
Movement in Reserves during 2021/22											
Total Comprehensive Expenditure and Income	-	(36,976)	(2,315)	(10,914)	-	-	(50,205)	(478,119)	(528,324)	(515,095)	(13,229)
Adjustments between accounting basis and funding under regulations	-	(20,844)	-	-	(606)	(822)	(22,272)	22,272	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	-	(57,820)	(2,315)	(10,914)	(606)	(822)	(72,477)	(455,847)	(528,324)	(515,095)	(13,229)
Transfers to Earmarked Reserves	(57,820)	57,820	-	-	-	-	-	-	-	-	-
(Increase) / decrease in 2021/22	(57,820)	-	(2,315)	(10,914)	(606)	(822)	(72,477)	(455,847)	(528,324)	(515,095)	(13,229)
Balance at 31 March 2022	(551,375)	(68,096)	(8,566)	(21,857)	(11,513)	(3,094)	(664,501)	(1,131,997)	(1,796,498)	(1,766,075)	(30,423)

Group Accounts

Group Balance Sheet as at 31st March 2022

31 March 2021	Note		31 March 2022
£000			£000
		Property, Plant and Equipment	
		Operational assets	
1,344,992		Land and buildings	1,422,743
7,521		Vehicles, plant and equipment	6,241
1,227,022		Infrastructure	1,283,732
3,671		Community assets	3,924
		Non operational assets	
162,180		Assets under construction	200,447
53,872		Surplus assets held pending disposal	47,968
2,799,258		Total Property, Plant and Equipment	2,965,055
14,678		Heritage assets	14,711
38,446		Investment property	40,402
5,909		Intangible assets	2,501
11,167		Long term investments	13,014
10,924		Long term debtors	12,302
2,880,382		Long term assets	3,047,985
96,595		Short term investments	14,998
8,122	5	Inventories	7,873
169,020	6	Short term debtors	180,081
504,948		Cash and cash equivalents	589,248
6,438		Assets held for sale	16,725
785,123		Current assets	808,925
(34,632)		Bank overdraft	(27,524)
(35,559)		Short-term borrowing	(16,246)
(331,663)	6	Creditors (current)	(316,889)
(30,368)		Revenue grant receipts in advance	(41,391)
(99,493)		Capital grant receipts in advance	(85,912)
(2,534)		Donated assets account	(2,673)
(12,734)		Provisions (current)	(11,282)
(12,595)		Finance lease obligations (current)	(13,192)
(559,578)		Current liabilities	(515,109)
(1,432)		Long term creditors	(437)
(63,266)		Capital grant receipts in advance (non-current)	(70,876)
(37,721)		Provisions (non-current)	(42,051)
(586,398)		Long term borrowing	(582,194)
(103,106)		Finance lease obligations (non-current)	(89,977)
(10,340)		Deferred credits	(9,793)
(1,035,490)	7	Net Pensions liability	(749,975)
(1,837,753)		Long term liabilities	(1,545,303)
1,268,174		Net Assets	1,796,498

Group Accounts

Group Balance Sheet as at 31st March 2022

31 March 2021	Note		31 March 2022
£000			£000
		Usable reserves	
(493,555)		Earmarked reserves	(551,375)
(68,096)		General Fund Balance	(68,096)
(6,251)		Profit and Loss reserve	(8,566)
(10,943)	6	Pension reserve	(21,857)
(10,907)		Usable capital receipts reserve	(11,513)
(2,272)		Capital grants unapplied	(3,094)
(592,024)			(664,501)
		Unusable reserves	
(596,239)		Revaluation reserve	(667,530)
(1,167,857)		Capital Adjustments Account	(1,255,719)
11,610		Financial Instruments Adjustment Account	10,768
(560)		Pooled Investment Funds Adjustment Account	(2,414)
1,042,676	6	Pension reserve	766,756
(71)		Deferred capital receipts	(65)
18,541		Collection Fund Adjustment Account	(4,700)
15,750		Accumulating Compensated Absences Adjustment Account	20,907
(676,150)			(1,131,997)
(1,268,174)		Total Reserves	(1,796,498)

Group Accounts

Group Cash Flow Statement

For the year ended 31st March 2022

2020/21 £000	Notes		2021/22 £000
(144,995)	7	Operating activities	(51,054)
(84,106)	↓	Investing activities	(69,852)
67,395		Financing activities	29,498
(161,706)		Net increase in cash and cash equivalents	(91,408)
308,610		Cash and cash equivalents at 1 April	470,316
470,316		Cash and cash equivalents at 31 March	561,724

Note: 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.

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. Whilst 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 its subsidiaries with those of the Council and made consolidation adjustments where necessary.
- Consolidated the financial statements of the subsidiaries with those of the Council on a line-by-line basis.
- Eliminated any balances, transactions, income and expenses between the Council and its subsidiaries.

3. Group Expenditure and Funding Analysis

2020/21				2021/22		
Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between the Funding and Accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
412,760	11,831	424,591	Adult Social Care and Health	437,321	16,027	453,348
			Children's Services and Early Years			
(3,974)	2	(3,972)	Dedicated Schools Budget	(75)	3	(72)
126,706	12,704	139,410	Non Dedicated Schools Budget	135,244	17,462	152,706
2,205	1,857	4,062	Community, Equality, Partnerships and Performance	3,941	1,730	5,671
14,933	6,145	21,078	Devolution, the Arts, Heritage and Culture	23,726	7,631	31,357
(2,670)	(6,544)	(9,214)	Economic Renewal, Infrastructure and Planning	22,915	(858)	22,057
			Education Excellence, Lifelong Learning and Employability			
(7,955)	(10,230)	(18,185)	Dedicated Schools Budget	(8,577)	(1,294)	(9,871)
18,613	39,047	57,660	Non Dedicated Schools Budget	19,914	40,074	59,988
585	(1,849)	(1,264)	Finance, Resources and Corporate Affairs	5,260	(2,108)	3,152
102,006	42,473	144,479	Highways Maintenance and Sustainable Transport	102,128	26,534	128,662
2,191	(533)	1,658	Leader	2,736	1,289	4,025
81,282	3,869	85,151	Waste Reduction and Recycling	80,666	4,734	85,400
			Strategic Support Services			
15,496	3,101	18,597	Community, Equality, Partnerships and Performance	17,471	4,190	21,661
956	331	1,287	Economic Renewal, Infrastructure and Planning	1,125	627	1,752
71,887	26,119	98,006	Finance, Resources and Corporate Affairs	84,601	25,060	109,661
1,960	253	2,213	Leader	2,606	320	2,926
836,981	128,576	965,557	Cost of services - continuing operations	931,002	141,421	1,072,423
(1,004,518)	4,618	(999,900)	Other income and expenditure not charged to services	(991,137)	(120,577)	(1,111,714)
(167,537)	133,194	(34,343)	Surplus on Provision of Services	(60,135)	20,844	(39,291)
			General Fund Balance & Profit and Loss Reserve			
(61,348)			Balance as at 1 April	(74,347)		
(167,537)			Surplus on Provision of Services	(60,135)		
154,538			Transfers from Earmarked Revenue Reserves	57,820		
(74,347)			Balance as at 31 March	(76,662)		

4. Note to the Group Expenditure and Funding Analysis

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
Adult Social Care and Health	1,060	9,012	1,759	-	11,831
Children's Services and Early Years					
Dedicated Schools Budget	-	-	2	-	2
Non Dedicated Schools Budget	539	10,865	1,300	-	12,704
Community, Equality, Partnerships and Performance	1,017	722	118	-	1,857
Devolution, the Arts, Heritage and Culture	2,613	3,257	275	-	6,145
Economic Renewal, Infrastructure and Planning	(8,340)	1,483	313	-	(6,544)
Education Excellence, Lifelong Learning and Employability					
Dedicated Schools Budget	-	-	(1,924)	(8,306)	(10,230)
Non Dedicated Schools Budget	24,885	21,573	386	(7,797)	39,047
Finance, Resources and Corporate Affairs	3,750	124	7	(5,730)	(1,849)
Highways Maintenance and Sustainable Transport	50,051	2,119	487	(10,184)	42,473
Leader	(1,374)	(2,368)	51	3,158	(533)
Waste Reduction and Recycling	3,588	241	51	(11)	3,869
Strategic Support Services					
Community, Equality, Partnerships and Performance	-	2,780	321	-	3,101
Economic Renewal, Infrastructure and Planning	-	471	49	(189)	331
Finance, Resources and Corporate Affairs	16,765	8,289	1,065	-	26,119
Leader	-	204	49	-	253
Cost of services - continuing operations	94,554	58,772	4,309	(29,059)	128,576
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	16,174	85,819	31,201	-	133,194

2021/22	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
Adult Social Care and Health	2,623	13,370	34	-	16,027
Children's Services and Early Years					
Dedicated Schools Budget	-	-	3	-	3
Non Dedicated Schools Budget	1,884	15,268	310	-	17,462
Community, Equality, Partnerships and Performance	739	1,003	(12)	-	1,730
Devolution, the Arts, Heritage and Culture	3,004	4,626	1	-	7,631
Economic Renewal, Infrastructure and Planning	(3,185)	2,272	55	-	(858)
Education Excellence, Lifelong Learning and Employability					
Dedicated Schools Budget	-	-	4,485	(5,779)	(1,294)
Non Dedicated Schools Budget	16,143	31,607	13	(7,689)	40,074
Finance, Resources and Corporate Affairs	(2,405)	193	5	99	(2,108)
Highways Maintenance and Sustainable Transport	36,735	2,704	(93)	(12,812)	26,534
Leader	(289)	51	62	1,465	1,289
Waste Reduction and Recycling	4,262	461	28	(17)	4,734
Strategic Support Services					
Community, Equality, Partnerships and Performance	-	4,100	90	-	4,190
Economic Renewal, Infrastructure and Planning	-	674	29	(76)	627
Finance, Resources and Corporate Affairs	12,405	12,513	142	-	25,060
Leader	-	340	(20)	-	320
Cost of services - continuing operations	71,916	89,182	5,132	(24,809)	141,421
Other income and expenditure not charged to services	(143,012)	23,538	(25,912)	24,809	(120,577)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(71,096)	112,720	(20,780)	-	20,844

Group Accounts

5. Inventory

	Council £000	Subsidiaries £000	Total £000
Balance as at 1 April 2020	9,269	1,073	10,342
Purchases	1,913	8,179	10,092
Donations	2,601	-	2,601
Recognised as an expense in the year	(2,712)	(7,565)	(10,277)
Written off balances	(4,636)	-	(4,636)
Balance as at 1 April 2021	6,435	1,687	8,122
Purchases	549	13,877	14,426
Donations	975	-	975
Recognised as an expense in the year	(3,234)	(12,416)	(15,650)
Balance as at 31 March 2022	4,725	3,148	7,873

6. Debtors and creditors

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

7. 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.

Group Accounts

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during 2021/22 in relation to participation in the **Local Government Pension Scheme**.

2020/21				2021/22		
Council £000	Essex Cares £000	Group £000		Council £000	Essex Cares £000	Group £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
128,297	1,405	129,702	Current service cost	151,947	1,714	153,661
681	-	681	Past service cost	184	-	184
(3,344)	(10)	(3,354)	Gain / loss on settlement	(609)	(52)	(661)
125,634	1,395	127,029		151,522	1,662	153,184
			Financing and Investment Income and Expenditure			
26,059	(103)	25,956	Net interest expense	22,117	(100)	22,017
26,059	(103)	25,956		22,117	(100)	22,017
151,693	1,292	152,985	Total charge to the Surplus / Deficit on Provision of Services	173,639	1,562	175,201
			Re-measurement of the net pensions liability			
(603,722)	(18,800)	(622,522)	Return on scheme assets	(216,305)	(7,239)	(223,544)
			Actuarial (gains) / losses arising from changes in:			
764,783	18,789	783,572	Financial assumptions	(181,951)	(3,847)	(185,798)
(51,277)	(1,121)	(52,398)	Demographic assumptions	-	-	-
(42,733)	(874)	(43,607)	Experience (gain) / loss on defined benefit obligation	9,996	172	10,168
-	-	-	Other	-	-	-
-	-	-	Change in effect of the asset ceiling	-	-	-
67,051	(2,006)	65,045	Total charged to Other Comprehensive Income and Expenditure	(388,260)	(10,914)	(399,174)
218,744	(714)	218,030	Total charged to the Comprehensive Income and Expenditure Statement	(214,621)	(9,352)	(223,973)
			Movement on the Authority's General Fund Balance			
(151,693)	-	(151,693)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(173,639)	-	(173,639)
63,809	265	64,074	Actual amount charged against the General Fund Balance for pensions in the year	58,874	243	59,117
(87,884)	265	(87,619)		(114,765)	243	(114,522)

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

2020/21				2021/22		
Council £000	Essex Cares £000	Total £000		Council £000	Essex Cares £000	Total £000
3,831,331	83,998	3,915,329	Present value of the defined benefit obligation	3,807,574	82,060	3,889,634
(2,814,297)	(91,184)	(2,905,481)	Fair value of plan assets	(3,064,035)	(98,841)	(3,162,876)
1,017,034	(7,186)	1,009,848	Sub total	743,539	(16,781)	726,758
-	-	-	Impact of asset ceiling	-	-	-
1,017,034	(7,186)	1,009,848	Net liability arising from defined benefit obligations	743,539	(16,781)	726,758

Group Accounts

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

2020/21				2021/22		
Council £000	Essex Cares £000	Group £000		Council £000	Essex Cares £000	Group £000
3,050,857	65,845	3,116,702	Balance as at 1 April	3,831,331	83,998	3,915,329
128,297	1,405	129,702	Current service cost	151,947	1,714	153,661
60,981	1,531	62,512	Interest Cost	70,465	1,667	72,132
18,520	251	18,771	Contributions by scheme participants	19,516	223	19,739
			Actuarial (gains) / losses arising from			
(51,277)	(1,121)	(52,398)	Changes in demographic assumptions	-	-	-
764,783	18,789	783,572	Changes in financial assumptions	(181,951)	(3,847)	(185,798)
-	(874)	(874)	Experience loss (gain) on defined benefit obligation	-	172	172
(42,733)	-	(42,733)	Other	9,996	-	9,996
681	-	681	Past service costs	184	-	184
(92,356)	(1,709)	(94,065)	Benefits paid	(93,630)	(1,718)	(95,348)
(6,422)	(119)	(6,541)	Liabilities extinguished on settlements	(284)	(149)	(433)
3,831,331	83,998	3,915,329	Balance as at 31 March	3,807,574	82,060	3,889,634

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

2020/21				2021/22		
Council £000	Essex Cares £000	Group £000		Council £000	Essex Cares £000	Group £000
2,188,758	72,052	2,260,810	Balance as at 1 April	2,814,297	91,184	2,905,481
34,922	1,634	36,556	Interest income	48,348	1,767	50,115
			Remeasurement gain / (loss)			
603,722	18,800	622,522	Return on plan assets (excl. amount incl in net interest expense)	216,305	7,239	223,544
-	-	-	Other	-	-	-
63,809	265	64,074	Contributions by Employer	58,874	243	59,117
18,520	251	18,771	Contributions by scheme participants	19,516	223	19,739
(92,356)	(1,709)	(94,065)	Benefits paid	(93,630)	(1,718)	(95,348)
(3,078)	(109)	(3,187)	Settlements	325	(97)	228
2,814,297	91,184	2,905,481	Balance as at 31 March	3,064,035	98,841	3,162,876

The Local Government Pension Scheme assets comprised:

31 March 2021			31 March 2022	
£000	%		£000	%
1,836,608	63.3%	Equities	1,899,089	60.0%
74,059	2.5%	Gilts	75,505	2.4%
141,475	4.9%	Other bonds	138,504	4.4%
204,820	7.0%	Property	259,410	8.2%
75,193	2.6%	Cash and cash equivalents	80,253	2.5%
333,990	11.5%	Alternative Assets	390,853	12.4%
239,336	8.2%	Other managed funds	319,262	10.1%
2,905,481	100.0%	Total assets	3,162,876	100.0%

Group Accounts

Note 31.4 of the Council's 'single entity' accounts, which commences on page 105, 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 **4.00%** (2020/21: 3.60%).

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	3,815,397	3,889,634	3,965,389
Projected Service Cost	123,485	127,863	132,371
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,894,694	3,889,634	3,884,617
Projected Service Cost	127,933	127,863	127,792
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	3,959,810	3,889,634	3,820,772
Projected Service Cost	132,341	127,863	123,519
Adjustment to life expectancy assumption	+ 1 year	None	- 1 year
Present value of total obligation	4,060,593	3,889,634	3,726,271
Projected Service Cost	133,077	127,863	122,829

Group Accounts

8. Cash Flow

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

2020/21 £000		2021/22 £000
	Cash flows from operating activities	
	Cash inflows	
(758,924)	Taxation	(739,524)
(1,054,556)	Grants	(1,102,502)
(290,601)	Sales of goods and rendering of services	(285,700)
(1,477)	Interest received	(1,147)
(952)	Dividends received	(1,129)
(2,106,510)		(2,130,002)
	Cash outflows	
460,019	Cash paid to and on behalf of employees	470,441
38,209	Interest paid	40,405
1,289,207	Cash paid to suppliers of goods and services	1,395,337
59,194	Revenue expenditure funded from capital under statute	49,051
114,886	Other payments for operating activities	123,714
1,961,515		2,078,948
(144,995)	Net inflow of cash from operating activities	(51,054)
	Cash flows from investing activities	
	Cash inflows	
(7,783)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,569)
(351,327)	Proceeds from short and long term investments	(116,600)
(194,902)	Other receipts from investing activities	(150,156)
(554,012)		(273,325)
	Cash outflows	
137,844	Purchase of property, plant and equipment, investment property and intangible assets	168,142
331,400	Purchase of short and long term investments	35,000
662	Other payments for investing activities	331
469,906		203,473
(84,106)	Net inflow of cash from investing activities	(69,852)
	Cash flows generated from financing activities	
	Cash inflows	
(20,662)	Cash receipts of short and long term borrowing	(7,065)
-	Other receipts from financing activities	(6,727)
(20,662)		(13,792)
	Cash outflows	
7,638	Cash payments for the reduction of liabilities related to Finance Leases (incl. PFI contracts)	12,708
21,217	Repayment of short and long term borrowing	30,582
59,202	Other payments for financing activities	-
88,057		43,290
67,395	Net outflow of cash from financing activities	29,498
(161,706)	Net increase in cash and cash equivalents	(91,408)

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	137
Net Assets Statement	138
Notes to the Pension Fund Accounts	139

Pension Fund Accounts

Pension Fund Accounts

Fund Account for the year ended 31st March 2022

2020/21 £000	Note		2021/22 £000
		Dealing with members and others directly involved in the Fund	
		Income	
		Contributions receivable	
(64,677)	9	Member contributions	(68,094)
(249,049)	9	Employers' contributions	(224,231)
(21,226)	9	Transfers in from other Pension Funds	(26,082)
(2,533)		Other income	(2,618)
(337,485)		Total income	(321,025)
		Expenditure	
		Benefits payable	
219,711	9	Pensions	224,908
30,649	9	Commutation of pensions & lump sum retirement benefits	34,829
6,948	9	Lump sum death benefits	6,242
11,120	9	Payments to and on account of Leavers	17,892
268,428		Total expenditure	283,871
(69,057)		Net (additions) / withdrawals from dealings with members	(37,154)
58,191	10	Management expenses	81,377
(10,866)		Net (additions) / withdrawals including Fund Management expenses	44,223
		Returns on investments	
(96,539)	11	Investment income	(125,896)
(2,008,342)	12	Profit and losses on disposal of investments and changes in the value of investments	(828,663)
4,236		Taxes on income	3,891
(2,100,645)		Net returns on investments	(950,668)
(2,111,511)		Net (increase) / decrease in the assets available for benefits during the year	(906,445)
(6,627,625)		Opening net assets as at 1 April	(8,739,136)
(8,739,136)		Closing net assets as at 31 March	(9,645,581)

Pension Fund Accounts

Pension Fund Accounts

Net Assets Statement as at 31st March 2022

31 March 2021 £000	Note		31 March 2022 £000
	12	Investments at market value	
		Investment assets	
		Pooled Investments	
425,110		Fixed interest securities	418,839
2,322,874		Equities - Unit Life assurance policies	2,598,348
2,044,184		Equities - ACCESS pooled global equity funds	2,139,042
222,663		Index linked securities	233,401
179,292		Property unit trusts	227,785
722,751		Other managed funds	956,556
751,629		Equities - market quoted	500,582
436,570		Property	596,068
409,514		Private equity	486,213
607,190		Infrastructure	837,168
244,419		Timber	276,329
152,808		Private debt	102,223
156		Derivative contracts	82
206,044		Cash/deposits	218,687
10,090		Other investment balances	11,570
8,735,294			9,602,893
		Investment liabilities	
(156)		Derivative contracts	(82)
(60,598)		Other investment balances	(1,014)
(60,754)			(1,096)
8,674,540		Total net investments	9,601,797
	14	Long term debtors	
526		Contributions due from employers	4,377
		Current assets and liabilities	
		Current Assets	
49,467		Cash	22,026
23,467		Contributions due from employers and other current assets	26,522
8,748,000			9,654,722
		Current liabilities	
(8,864)		Unpaid benefits and other current liabilities	(9,141)
8,739,136		Net assets of the scheme available to fund benefits at the end of the reporting period	9,645,581

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.

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).

Pension Fund Accounts

Regional Asset Pools

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

In 2018 a joint procurement was undertaken by ACCESS for a passive provider with UBS Asset Management appointed as the preferred provider. In addition, in March 2018 Link Solutions Limited (Link) was appointed to act as operator of the ACCESS's Authorised Contractual Scheme (ACS). As at 31 March 2022 Link had launched 25 sub funds.

The Fund had transitioned **£5.927bn** into the Access Pool as at 31 March 2022. **£3.095bn** was managed by Link Solutions Limited, the Pool Operator, including a **£0.956bn** new investment in the 2021/22 financial year (no new assets were transitioned in 2020/21). The remaining **£2.832bn** was under ACCESS Pool governance and managed by ACCESS's passive provider.

It is anticipated that during 2022/23 further investment will be made into the ACS managed by Link. For more details, please refer to the Essex Pension Fund website www.essexpensionfund.co.uk.

1.2 Membership

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

Organisations participating in the Essex Pension Fund include:

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

There are **743** active employer organisations within Essex Pension Fund including the County Council itself. Membership details are set out below:

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31 March 2021		31 March 2022
54,568	Contributors	56,504
68,914	Deferred pensioners	69,777
46,210	Pensioners	48,070
169,692		174,351

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 2022. 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 2021/22 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 2022 and its position as at 31 March 2022. 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

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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 2022 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 2021/22 and 2020/21 were determined by the 2019 Actuarial Valuation.

3.1 Actuarial Valuation 2019

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

An Actuarial Valuation of the Essex Pension Fund was carried out as at 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

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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 2021	N/A
Long-term pay increase	3.9%	3.6%
Rate of increase to pensions in payment	2.4%	2.6%
Pension increases on Guaranteed Minimum Pension	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reached SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	

The assumed life expectancy from age 65 is as follows:

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

The assets were assessed at market value.

On the basis of the assumptions adopted, the Valuation revealed that the value of the Fund's assets of **£6.711bn** 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.

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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).

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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 2022 is **20 years** which in turn means a discount rate of **2.60%** per annum (2.00% as at 31 March 2021). 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 2021 £000		31 March 2022 £000
(11,989,111)	Present value of the defined benefit obligation	(11,719,188)
8,739,136	Fair value of the Fund assets (bid value) *	9,645,581
(3,249,975)	Net liability	(2,073,607)

* Based on IAS 26 report (unaudited)

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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 2021		31 March 2022
%		%
2.80	Pension increases	3.20
3.80	Salary increases	4.20
2.00	Discount rate	2.60

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

31 March 2021	Life expectancy from age 65	31 March 2022
Years		Years
	Retiring today	
21.6	Males	21.6
23.6	Females	23.7
	Retiring in 20 years	
22.9	Males	23.0
25.1	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 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:

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- 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 156).

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.

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.

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- **Income from other investments**

Income from other investments 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.

- **Distributions 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.

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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 on 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 2021/22, **£2.176m** of fees is based on such estimates (2020/21: £2.036m). 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.

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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 partnerships, 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 2021/22, the majority of these investments have been valued as at 31 March 2022 so the actual balance has been reflected. For

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the remaining investments valued at dates preceding 31 March 2022, an estimate has been made based on information provided by the fund manager.

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 2022 valuations.

– **Unit trusts and managed funds**

Unit trusts and managed funds 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 2022, 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.

– **Valuations relating to Russia/ Belarus and Ukraine investments**

Please note that the Investment valuations as at 31 March 2022 have taken into account the current conflict in Ukraine. Prior to the beginning of the conflict the Fund had minimal direct exposure to investments in Russia/Belarus and Ukraine. The value of these investments was **£11.360m** as at 31 March 2021 (**0.13%** of the Fund's value). The value of these investments reflected in the accounts as at 31 March 2022 was **£201,000** (**0.002%** of the Fund's value).

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 rate at the date of transaction. End of year spot

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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 13.

The AVC providers to the Fund are The Equitable Life Assurance Society, Prudential and Standard Life.

The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the AVC providers.

5. Critical judgements in applying accounting policies

In applying the accounting policies set out within note 4, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Fund Accounts are:

– Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard (IAS) 19. Assumptions underpinning the valuation are agreed with the Actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

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As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of the promised retirement benefits by way of a note to the Net Assets Statement. This is shown in note 3.3.

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

The Fund Accounts contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits <i>Note: Results are taken from the 2022 Actuary IAS 26 Report</i>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>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 £236m.</p> <p>A 0.1% increase in the Pensions and deferred revaluations would result in an increase in the pension liability of £215m.</p> <p>A 0.1% increase in the long-term rate of salary increase would increase the value of liabilities by approximately £19m.</p> <p>Increasing the life expectancy assumptions by +1 year would increase the liability by approximately £496m.</p> <p>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 Asset Statement.</p>

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Item	Uncertainties	Effect if actual results differ from assumptions
Property	<p>Direct property</p> <p>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.</p>	<p>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 £47.465m, on current value of £474.650m (notes 17.1 and 17.4)</p>
	<p>Pooled property funds and global property</p> <p>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 investments.</p>	<p>The effect of variations in the factors supporting the valuation could result in an increase or decrease in the value of:</p> <ul style="list-style-type: none"> • pooled property funds by +/- 10% an increase or decrease of £22.779m, on current value of £227.785m (notes 17.1 and 17.4). • global held property by +/- 15% an increase or decrease of £18.213m, on current value of £121.418m (notes 17.1 and 17.4).

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Item	Uncertainties	Effect if actual results differ from assumptions
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 £1,702m . There is a risk that this investment may be under or overstated in the accounts, totalling an increase / decrease of £152.608m (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:

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

There have been no adjusting or non-adjusting events taking place between 31 March 2022 and 29 July 2022.

The Statement of Accounts was certified by the Executive Director, Corporate Services on **29 July 2022**. Events taking place after this date were not reflected in the financial statements or notes.

8. Accounting standards issued but not yet adopted

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard 16 Leases (IFRS16). When this Standard is adopted by the Fund, no later than in 2024/25, most of the assets secured through a lease arrangement will be recognised on the 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. The impact of this new standard has not yet been determined for the Fund.

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9. Membership activities

9.1 Pension benefits payable

2020/21				2021/22		
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
76,956	8,312	2,188	Administering Authority	77,683	8,808	1,933
120,444	18,856	4,486	Scheduled Bodies	124,099	22,089	3,658
13,256	1,870	188	Community Admission Bodies	13,568	1,626	200
8,213	1,496	86	Transferee Admission Bodies	8,670	2,009	314
842	115	-	Resolution Bodies	888	297	137
219,711	30,649	6,948		224,908	34,829	6,242

9.2 Contributions receivable

9.2.1 By category

Contributions receivable from employers are set out below:

2020/21 £000		2021/22 £000
64,677	Employee's normal contributions	68,094
	Employers' contributions	
194,738	Normal contributions	203,940
52,094	Employers' deficit recovery contributions	18,282
2,217	Employers' augmentation	2,009
249,049		224,231
313,726		292,325

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.

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9.2.2 By type

2020/21			2021/22	
Member £000	Employer £000		Member £000	Employer £000
17,337	59,575	Administering Authority	18,690	54,909
43,897	176,748	Scheduled Bodies	46,112	153,016
1,785	7,544	Community Admission Bodies	1,695	11,178
1,313	3,905	Transferee Admission Bodies	1,232	3,775
345	1,277	Resolution Bodies	365	1,353
64,677	249,049		68,094	224,231

The higher employer contributions in 2020/21, in particular deficit recovery, was due to it being the first year that the new employers' rates, set by the 2019 Actuarial Valuation, were applied. It was also driven by many employers' front loading their deficit payment in year 1.

9.3 Payments to and on account of leavers

2020/21 £000		2021/22 £000
1,294	Refunds of contributions	1,060
9,826	Transfers out - individual transfers	16,832
11,120	Total	17,892

In 2021/22 and 2020/21, no bulk transfers were made.

10. Management expenses

10.1 By type

2020/21 £000		2021/22 £000
3,680	Administration costs	3,248
53,207	Investment management expenses	76,609
1,304	Oversight and governance	1,520
58,191	Total	81,377

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ACCESS ongoing costs were **£95,000** for 2021/22 (2020/21: £78,000). These costs are shown under oversight and governance costs line of the above note.

In 2021/22, amounts payable to the external auditor 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 disclosures and COVID-19 remote working (£40,000 and £12,000 respectively in 2020/21).

10.2 Investment management expenses

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	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

Pension Fund Accounts

2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Total £000
Pooled Investments				
Fixed Interest Securities	2,748	-	250	2,998
Equities - Unit Life assurance policies	815	-	-	815
Equities - ACCESS pooled global equity funds	8,465	-	-	8,465
Index linked securities	20	-	-	20
Property unit trusts	1,075	-	-	1,075
Other managed funds	2,828	-	256	3,084
Equities - market quoted	4,235	-	678	4,913
Property	2,648	-	-	2,648
Global property	4,061	4,142	-	8,203
Private equity	4,724	8,986	1	13,711
Infrastructure	10,303	11,830	-	22,133
Timber	3,134	162	-	3,296
Private Debt	1,651	1,582	-	3,233
Other investment management costs	255	-	-	255
	46,962	26,702	1,185	74,849
Custody fees				1,760
Total				76,609

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 **£247,000** and **£1.513m** in 2021/22 respectively (£301,000 and £42,000 in 2020/21).

Pension Fund Accounts

11. Investment Income

11.1 By Type

2020/21 £000		2021/22 £000
15,239	Dividends from equity	16,750
22,912	Dividends from equity pooled funds	23,969
3,223	Private Equity income	8,515
24,075	Infrastructure / timberland income	43,911
7,673	Managed fund income	7,746
3,350	Income from pooled property investments	6,466
14,477	Net rent from property	13,421
852	Interest from cash deposits	294
796	Other	2,044
92,597	Total investment income showing net property rent	123,116
	Add back:	
3,942	Property operating expenses	2,780
96,539	Total investment income showing gross property rent	125,896

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.

11.2 Investment property net rental

2020/21 £000		2021/22 £000
18,184	Rental Income from investment property	16,226
235	Other Property income	(25)
	Direct operating expenses arising from	
(3,942)	investment property	(2,780)
14,477	Total	13,421

Please note, no contingent rents have been included in the Fund Accounts as income for the year.

Pension Fund Accounts

12. Investments

12.1 Value of investments held by fund managers

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

31 March 2021			31 March 2022	
£m	%		£m	%
		Investments managed inside the ACCESS Pool		
765	8.8	Link Asset Solutions - Long Term Global Growth Fund	659	6.9
663	7.6	Link Asset Solutions - Global Dividend Fund	774	8.1
616	7.1	Link Asset Solutions - Global Equity Fund	706	7.3
-	-	Link Asset Solutions - Alpha Opportunities Fund	956	10.0
2,486	28.7	UBS Asset Management	2,832	29.4
4,530	52.2		5,927	61.7
		Investments managed outside of the ACCESS Pool		
153	1.8	Alcentra Ltd	102	1.1
647	7.5	Aviva Investors	762	7.9
346	4.0	Stewart Investors	369	3.8
425	4.9	Goldman Sachs Asset Management International	419	4.4
442	5.1	Hamilton Lane	557	5.8
177	2.0	IFM Investors	297	3.1
208	2.4	JPMorgan Asset Management	210	2.2
428	4.9	Marathon Asset Management Ltd	162	1.7
723	8.3	M&G Investments Alpha Opportunities	-	-
224	2.6	Partners Group Management II S.à r.l (Infrastructure)	334	3.5
31	0.4	Partners Group Management II S.à r.l (Global Property)	121	1.3
244	2.8	Stafford Timberland Limited	280	2.9
97	1.1	Other *	62	0.6
4,145	47.8		3,675	38.3
8,675	100.0		9,602	100.0

* The balance of **£62m** held under Other as at 31 March 2022 was operational cash being held on a temporary basis by the Fund. The balance of **£97m** held as at 31 March 2021 mainly related to cash held to finance a **£60m** investment on 1 April 2021.

Pension Fund Accounts

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:

2020/21	Value at 1 April 2020 £000	2020/21 Movement					Value at 31 March 2021 £000
		Purchases £000	Net Transfers £000	Sale Proceeds £000	Change in Market Value £000	Cash Movement £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	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 forward 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

Pension Fund Accounts

2021/22	Value at 1 April 2021 £000	2021/22 Movement					Value at 31 March 2022 £000
		Purchases	Net Transfers	Sale Proceeds	Change in Market Value	Cash Movement	
		£000	£000	£000	£000	£000	
Pooled investments							
Fixed interest securities	425,110	-	-	(865)	(5,406)	-	418,839
Equities - Unit life assurance policies	2,322,874	50,000	-	-	225,474	-	2,598,348
Equities - ACCESS pooled global equity funds	2,044,184	23,968	-	(8,465)	79,355	-	2,139,042
Index linked securities	222,663	-	-	-	10,738	-	233,401
Property unit trusts	179,292	23,387	-	(18,717)	43,823	-	227,785
Other managed funds	722,751	233,744	4	(2,828)	2,885	-	956,556
	5,916,874	331,099	4	(30,875)	356,869	-	6,573,971
Equities - market quoted	751,629	426,742	-	(731,532)	53,743	-	500,582
Property	436,570	106,240	-	(38,092)	91,350	-	596,068
Private equity	409,514	71,945	-	(161,279)	166,033	-	486,213
Infrastructure	607,190	163,196	-	(37,332)	104,114	-	837,168
Timber	244,419	8,798	-	(22,751)	45,863	-	276,329
Private Debt	152,808	3,297	-	(60,919)	7,037	-	102,223
Cash							
Cash deposits held at the custodian/other							
Sterling	145,534	-	-	-	-	(25,999)	119,535
Foreign currency	60,510	-	-	(3,682)	3,682	38,642	99,152
	206,044	-	-	(3,682)	3,682	12,643	218,687
	8,725,048	1,111,317	4	(1,086,462)	828,691	12,643	9,591,241
Derivative forward foreign currency contracts	-	65	-	(37)	(28)	-	-
	8,725,048	1,111,382	4	(1,086,499)	828,663	12,643	9,591,241
Other investment balances							
Assets							
Amounts receivable for sales of investments	847						487
Investment income due	9,243						9,896
Amounts receivable in respect of the GLF sales	-						1,187
Liabilities							
Amounts payable for purchase of investments	(60,107)						(655)
Investment withholding tax payable	(214)						(359)
Amounts payable in respect of the GLF purchases	(277)						-
	8,674,540						9,601,797

The change in market value includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments since 1 April.

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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 2021			31 March 2022	
£000	%		£000	%
-	-	- Link Asset Solutions - Alpha Opportunities Fund	956,555	10.0%
835,605	9.6%	UBS Asset Management Life All World Equity Tracker	935,473	9.7%
663,391	7.6%	Link Fund Solutions Global Dividend Fund	774,467	8.1%
615,930	7.1%	Link Fund Solutions Global Equity Fund	705,709	7.3%
764,863	8.8%	Link Fund Solutions LTGG Fund	658,866	6.9%
488,740	5.6%	UBS Asset Management Life USA Equity Tracker Hedged	555,651	5.8%
722,751	8.3%	M&G Alpha Opportunity Fund	-	-

12.4 Property Holdings

12.4.1 Rent receivable from operating lease

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

2020/21 £000		2021/22 £000
12,239	Within one year	16,023
40,967	Between one and five years	45,169
42,865	Beyond five years	53,573
96,071	Total	114,765

The above disclosure has been reduced by a loss allowance of **10.2%** per annum (2020/21: 12.7%), reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on Fund information for the year to 31 March 2022.

Pension Fund Accounts

12.4.2 Movement in the fair value of investment properties

The movements in the fair value of investment properties as at 31 March:

	Freehold £000	Leasehold £000	Total £000
Fair value at 1 April 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
Additions	29,498	10	29,508
Disposals	(17,250)	(12,640)	(29,890)
Net gain/loss on fair value	62,202	6,980	69,182
Fair value at 31 March 2022	396,800	77,850	474,650

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

2020/21 £000		2021/22 £000
8,783	Value of AVC fund at beginning of year	8,639
1,546	Employees contributions	1,382
(504)	Investment income and change in market value	751
(1,186)	Benefits paid and transfers out	(1,022)
8,639		9,750

Pension Fund Accounts

13.2 Analysis of AVC investments by Provider

2020/21 £000		2021/22 £000
64	Utmost (formerly Equitable Life)	46
4,651	Prudential *	5,972
3,924	Standard Life	3,732
8,639		9,750

* The Prudential were not able to confirm their Fund's balance as at 31 March 2022 at the time of the accounts being drafted. This is due to the ongoing impact on their operations, following a new system being implemented in 2020. The Statement as at 31 March 2021 was received in April 2022 and the movement is reflected in 2021/22 (the Statement as at 31 March 2020 was reflected in 2020/21).

14. Current assets and liabilities

14.1 Analysis of current assets

31 March 2021 £000		31 March 2022 £000
	Cash Balances	
1,469	Cash at bank	(173)
47,998	Cash on short term deposits within 3 months	22,199
49,467		22,026
	Debtors and payments in advance	
5,250	Contributions due – employees	5,785
17,540	Contributions due – employers	19,533
677	Sundry debtors	1,204
23,467		26,522
72,934	Total	48,548

14.2 Analysis of long-term debtors

31 March 2021 £000		31 March 2022 £000
199	Other employer contributions due	3,941
327	Reimbursement of lifetime allowances	436
526	Total	4,377

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In 2021/22 the Fund introduced a deferred debt arrangement (DDA), enabling employers unable to pay full exit costs in one payment to spread the debt over an agreed period of time. One employer entered into a DDA in 2021/22 a long-term debtor of **£3.743m** has been raised for a period of approximately 12 years, this arrangement will be reviewed during triennial valuation cycles.

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 **£436,000** has been raised in 2021/22 in this regard (2020/21: £327,000).

14.3 Analysis of current liabilities

31 March 2021 £000		31 March 2022 £000
	Unpaid benefits and other current liabilities	
(648)	Contributions due – employers	(386)
(2,763)	Investment manager fees payable	(3,131)
(5,047)	Benefits payable	(4,985)
(406)	Other	(639)
(8,864)	Total	(9,141)

14.4 Contingent liabilities and contractual commitments

As at 31 March 2022, the Fund had a commitment to contribute a further **£1.212bn** to its existing partnership investments, including private equity, infrastructure, private debt, timber and direct lending (31 March 2021: £1.089bn). 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.

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15.1 Administration of the Fund

The Essex Pension Fund is administered by Essex County Council.

The Council incurred gross costs of **£3.589m** in 2021/22 of which **£351,000** was outstanding at 31 March 2022 (2020/21: £3.437m, of which £3,000 was outstanding at 31 March 2021) 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 **£54.909m** to the Fund in 2021/22 (2020/21: £59.575m). 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** (2020/21: £28,000).

During the year to 31 March 2022, the Pension Fund had an average investment balance of **£36.650m** (2020/21: £47.121m) earning **£21,000** interest (2020/21: £57,000).

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 2021/22, were also members of the LGPS are listed below.

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Representative of scheme members	County Councillors
<ul style="list-style-type: none"> S. Child 	<ul style="list-style-type: none"> Cllr S. Barker
Representative of scheme employers	
<ul style="list-style-type: none"> C. Riley 	<ul style="list-style-type: none"> Cllr M. Maddocks (until May 2021) Cllr M. Mackrory (from May 2021)

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 2021/22, were also members of the LGPS are listed below:

Representative of scheme employers	Representative of scheme members
<ul style="list-style-type: none"> J. Durrant Cllr S. Walsh (until May 2021) 	<ul style="list-style-type: none"> A. Coburn C. Downes (from May 2021) D. Hurst S. Roberts

The employees of Essex County Council who held key positions in the financial management of the Essex Pension Fund during 2021/22 and were also members of the Fund were the Executive Director, Corporate Services, the Director for Essex Pension Fund and three personnel covering 20% each of the Head of Essex Pension Fund role.

During 2021/22 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:

2020/21 £000		2021/22 £000
137	Short term benefits	136
106	Current service costs	171
243		307

Pension Fund Accounts

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:

2020/21 £000		2021/22 £000
1,389	Administering Authority	1,305
5,026	Scheduled Bodies	4,818
86	Community Admission Bodies	80
2	Resolution Bodies	2
19	Former employers	19
6,522	Total	6,224

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 instrument's 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.

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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.
Link Asset Solutions	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.
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 known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided.	Pricing inputs are unobservable and include situations where there is little market activity. Estimated rental growth, covenant strength for existing 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 (+15.0% / - 15.0%).
Aviva Investors	Property unit trusts	Level 3	Assets are based on valuations received from the Managers which are determined in accordance with the last known NAV and 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 (+/-10.0%), comprising significant changes in yield movement (+/-5.0%) and estimated rental value movement (+/-5.0%) have been identified as key sensitivities.

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
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 (+15.0%/-15.0%).
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 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, fair value adjustments, discount factors used, EBITDA and recent transaction prices. Asset values can range between (+4.7% /-4.7%).
JP Morgan	Infrastructure	Level 3	Investments are valued based on the Fund's share of the net assets.	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, fair value adjustments, discount factors used, EBITDA and recent transaction prices. Asset values can range between (+4.7% /-4.7%).

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
Asset Management			<p>on the Fund's share of the net assets. Audited valuations are carried out annually on the investments.</p> <p>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.</p>	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.	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, asset values can range between (+9.7% /-9.7%).
IFM Investors	Infrastructure	Level 3	<p>The investments are valued based on the Fund's share of the net assets.</p> <p>Audited valuations are carried out annually on the investments</p> <p>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.</p>	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 (+7.0%/-7.0%).
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 similar assets, valuation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's reporting date by changes to expected cash flows earning multiple and discount rates used in the discounted cash flow analysis.

Fund Manager	Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuation
				techniques.	Asset values can range between (+4.6%/-4.6%).
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 (+9.0%/-9.0%).

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The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Level 1 to 3 based on the level at which the fair value is observable.

Values as at 31 March 2021				Values as at 31 March 2022		
Level 1 Quoted market prices	Level 2 Using observable inputs	Level 3 Significant unobservable inputs		Level 1 Quoted market prices	Level 2 Using observable inputs	Level 3 Significant unobservable inputs
£000	£000	£000		£000	£000	£000
3,231,013	3,268,444	1,471,572	Financial assets			
			Fair value through profit and loss	3,070,033	3,788,387	1,726,483
3,231,013	3,268,444	1,471,572		3,070,033	3,788,387	1,726,483
			Non financial assets			
-	-	558,221	Fair value through profit and loss	-	-	799,304
			Financial liabilities			
(60,598)	(156)	-	Fair value through profit and loss	(1,014)	(82)	-
(60,598)	(156)	-		(1,014)	(82)	-
3,170,415	3,268,288	2,029,793	Total net assets per level	3,069,019	3,788,305	2,525,787
		8,468,496	Total Net Assets			9,383,111

17.2 Transfers between hierarchy levels

No reclassifications were made as at 31 March 2021 or as at 31 March 2022.

17.3 Reconciliation of fair value measurements within Level 3

2021/22	Value at 1 April 2021 £000	2021/22 Movement				Value at 31 March 2022 £000
		Purchases	Sale Proceeds	Unrealised profit/ loss	Realised profit/ loss	
		£000	£000	£000	£000	
Properties						
UK properties (freehold)	322,350	29,498	(17,250)	61,189	1,013	396,800
UK properties (leasehold)	83,500	10	(12,640)	3,637	3,343	77,850
Global Property	30,720	76,732	(8,202)	22,168	-	121,418
Property unit trusts	179,292	23,387	(18,717)	47,370	(3,547)	227,785
Private equity (Overseas unquoted)	409,514	71,945	(161,279)	66,554	99,479	486,213
Infrastructure						
UK unquoted	1	-	-	-	-	1
Overseas unquoted	607,189	163,196	(37,332)	103,130	984	837,167
Timber (Overseas unquoted)	244,419	8,798	(22,751)	44,332	1,531	276,329
Private Debt						
UK unquoted	32,456	-	(34,034)	(8,233)	9,811	-
Overseas unquoted	120,352	3,297	(26,885)	14,506	(9,047)	102,223
	2,029,793	376,863	(339,090)	354,653	103,567	2,525,786

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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 2022.

Value at 1 April 2021 £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000		Value at 1 April 2022 £000	Assessed valuation range (+/-)	Value on increase £000	Value on decrease £000
405,850	10.0%	446,435	365,265	Freehold and leasehold properties	474,650	10.0%	522,115	427,185
30,720	14.2%	35,082	26,358	Global property	121,418	15.0%	139,631	103,205
179,292	10.0%	197,221	161,363	Property unit trusts	227,785	10.0%	250,564	205,007
409,514	15.0%	470,941	348,087	Private equity	486,213	15.0%	559,145	413,281
607,190	6.0%	643,621	570,759	Infrastructure	837,168	6.9%	894,933	779,403
244,419	5.0%	256,640	232,198	Timber (overseas unquoted)	276,329	4.6%	289,040	263,618
152,808	4.6%	159,837	145,779	Private debt	102,223	9.0%	111,423	93,023
2,029,793		2,209,777	1,849,809		2,525,786		2,766,851	2,284,722

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

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Statutory debtors and creditors are excluded from the financial instrument note and only contractual debtors and creditors are shown.

The debtor figure of **£30.899m** as at 31 March 2022 (31 March 2021: £23.993m) excludes statutory debtors of **£30.411m** (31 March 2021: £23.597m).

The creditor figure of **£9.141m** as at 31 March 2022 (31 March 2021: £8.864m) excludes statutory creditors of **£5.371m** (31 March 2021: £5.695m).

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 2021			Asset type	31 March 2022		
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			
425,110	-	-	Fixed interest securities	418,839	-	-
2,322,874	-	-	Equities - Unit life assurance policies	2,598,348	-	-
2,044,184	-	-	Equities - ACCESS pooled global equity funds	2,139,042	-	-
222,663	-	-	Index linked securities	233,401	-	-
179,292	-	-	Property unit trusts	227,785	-	-
722,751	-	-	Other managed funds	956,556	-	-
751,629	-	-	Equities - market quoted	500,582	-	-
409,514	-	-	Private equity	486,213	-	-
485,539	-	-	Infrastructure	633,933	-	-
244,419	-	-	Timber	276,329	-	-
152,808	-	-	Private debt	102,223	-	-
156	-	-	Derivative contracts	82	-	-
-	255,511	-	Cash deposits	-	240,713	-
10,090	-	-	Other investment balances	11,570	-	-
-	396	-	Debtors	-	488	-
7,971,029	255,907	-		8,584,903	241,201	-
			Financial liabilities			
(156)	-	-	Derivative contracts	(82)	-	-
(60,598)	-	-	Other investments balances	(1,014)	-	-
-	-	(3,169)	Creditors	-	-	(3,770)
(60,754)	-	(3,169)		(1,096)	-	(3,770)
7,910,275	255,907	(3,169)	Balance at the end of the year	8,583,807	241,201	(3,770)
		8,163,013	Total			8,821,238

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.

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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 **£133.126m** as at 31 March 2022 (31 March 2021: £26.209m).

Gain / Loss 2020/21 £000		Gain / Loss 2021/22 £000
	Financial assets	
1,986,960	Fair value through profit and loss	691,855
(4,827)	Amortised cost - unrealised gains	3,682
1,982,133	Total	695,537

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

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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 2022/23 and 2021/22.

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:

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31st March 2021 £000	Percentage change %	Value increase £000	Value decrease £000	Asset type	31st March 2022 £000	Percentage change %	Value increase £000	Value decrease £000
255,511	0.3%	256,278	254,744	Cash and equivalents	240,713	0.3%	241,435	239,991
				Investment portfolio assets				
425,110	7.5%	456,993	393,227	UK fixed interest securities	418,839	7.3%	449,414	388,264
46,565	16.7%	54,341	38,789	UK equities	27,618	19.9%	33,114	22,122
705,064	17.4%	827,745	582,383	Overseas equities	472,964	20.1%	568,030	377,898
374,439	16.7%	436,970	311,908	UK equities unit insurance policies	422,132	19.9%	506,136	338,128
1,112,830	17.4%	1,306,462	919,198	Overseas equities insurance policies	1,240,743	20.1%	1,490,132	991,354
835,605	17.4%	981,000	690,210	Global equities insurance policies	935,473	20.1%	1,123,503	747,443
2,044,184	17.4%	2,399,872	1,688,496	ACCESS pooled global equity funds	2,139,042	20.1%	2,568,989	1,709,095
222,663	7.5%	239,363	205,963	UK index linked life assurance policies	233,401	7.3%	250,439	216,363
179,292	14.2%	204,751	153,833	Property unit trusts	227,785	15.0%	261,953	193,617
409,514	28.5%	526,225	292,803	Private equity	486,213	31.2%	637,911	334,515
485,539	9.5%	531,665	439,413	Infrastructure	633,933	9.4%	693,523	574,343
244,419	21.0%	295,747	193,091	Timber	276,329	14.6%	316,673	235,985
152,808	4.6%	159,837	145,779	Private Debt	102,223	9.0%	111,423	93,023
722,751	9.5%	791,412	654,090	Other managed funds	956,556	9.4%	1,046,472	866,640
8,216,294		9,468,661	6,963,927	Total assets available to pay benefits	8,813,964		10,299,147	7,328,781

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 Link Asset Solutions Ltd 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 2021 £000	Asset type	Asset value as at 31 March 2022 £000
206,044	Cash and cash equivalents	218,687
49,467	Cash balances	22,026
425,110	Fixed interest securities	418,839
222,663	Index-linked securities	233,401
152,808	Private debt	102,223
1,056,092	Total assets	995,176

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19.6 Interest rate risk sensitivity analysis

Interest rates have remained constant but this is not always the case and can vary. As a result, any variation in interest rates affects the level of income achievable and the value of the net assets of the Fund to pay benefits. The Fund's institutional consultants, Hymans Robertson, have undertaken a sensitivity analysis and advised that it is reasonable in today's climate that a movement increase/(decrease) of not more than 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 2021 £000	Impact of 1% increase £000	Impact of 1% decrease £000	Asset type	Asset value as at 31 March 2022 £000	Impact of 1% increase £000	Impact of 1% decrease £000
206,044	206,044	206,044	Cash and cash equivalents	218,687	218,687	218,687
49,467	49,467	49,467	Cash balances	22,026	22,026	22,026
425,110	420,859	429,361	Fixed interest securities	418,839	414,651	423,027
222,663	222,663	222,663	Index-linked securities	233,401	233,401	233,401
152,808	151,280	154,336	Private debt	102,223	101,201	103,245
1,056,092	1,050,313	1,061,871	Total change in assets available	995,176	989,966	1,000,386

The above analysis demonstrates that a 1% change in interest rates will only impact the fair value of fixed interest and private debt, interest received would be unaffected.

A 1% movement of interest rates on cash and index linked securities would not impact the fair value and would have a negligible effect on interest received.

19.7 Currency risk

Currency risk is the extent to which the fair value of future cash flows of a financial asset/liability will fluctuate due to changes in exchange rates. The Fund is exposed to currency risk on all assets that are denominated in any currency other than sterling its reporting currency. To reduce the volatility associated with fluctuating currency rates (currency risk) the Fund invests in hedged overseas regional index funds via its passive provider UBS Asset Management.

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The following table summarises the Fund's currency exposure as at 31 March 2021 and 31 March 2022:

31 March 2021 £000	Asset type	31 March 2022 £000
705,064	Overseas equities quoted	472,964
1,112,830	Overseas unit life assurance policies	1,240,743
835,605	Global unit life assurance policies	935,473
2,044,184	ACCESS pooled global equity funds	2,139,042
30,720	Global property	121,418
409,514	Overseas private equity	486,213
607,189	Overseas infrastructure	837,167
244,419	Overseas timber	276,329
120,352	Overseas private debt	102,223
60,510	Foreign currency	99,152
6,170,387	Total assets	6,710,724

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 **9.5%** (2020/21: 9.8%) (approximately one standard deviation) assuming other factors remain constant.

The table below shows the effect of a **9.5%** (2020/21: 9.8%) 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 2021 £000	Change in year in the net assets to pay benefits		Asset type	Asset value as at 31 March 2022 £000	Change in year in the net assets to pay benefits	
	+9.8% £000	-9.8% £000			+9.5% £000	-9.5% £000
705,064	774,160	635,968	Overseas equities quoted	472,964	517,896	428,032
1,112,830	1,221,887	1,003,773	Overseas unit life assurance policies	1,240,743	1,358,614	1,122,872
835,605	917,494	753,716	Global unit life assurance policies	935,473	1,024,343	846,603
2,044,184	2,244,514	1,843,854	ACCESS pooled global equity funds	2,139,042	2,342,251	1,935,833
30,720	33,731	27,709	Global property	121,418	132,953	109,883
409,514	449,646	369,382	Overseas private equity	486,213	532,403	440,023
607,189	666,694	547,684	Overseas infrastructure	837,167	916,698	757,636
244,419	268,372	220,466	Overseas timber	276,329	302,580	250,078
120,352	132,146	108,558	Overseas private debt	102,223	111,934	92,512
60,510	66,440	54,580	Foreign currency	99,152	108,571	89,733
6,170,387	6,775,084	5,565,690	Total change in assets available	6,710,724	7,348,243	6,073,205

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19.9 Credit Risk

Credit risk is the possibility that the counterparty to a transaction or a financial instrument might fail in its obligation to pay amounts due to the Pension Fund resulting in a financial loss. The market value of investments reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk in all its operational activities through forward currency contracts, derivative positions (futures) where applicable and treasury management activities. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

19.9.1 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 2022 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.

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M&G manage pooled assets against a SONIA plus benchmark and GSAM manage pooled assets against a UK 3 month T-Bill Index plus benchmark. At 31 March 2022, the average credit quality of the M&G bond mandate was **BBB+** rated (BBB rated as at 31 March 2021). The portfolio had suffered seven defaults since inception, none within the financial year ended 31 March 2022 and one within the financial year end 31 March 2021.

The portfolio managed by GSAM as at 31 March 2022 had an average credit quality of **AA-** (AA rated as at 31 March 2021) and has suffered fourteen defaults since inception, none within the financial year ending 31 March 2022 and two within the financial year ending 31 March 2021.

19.9.3 Custody

Northern Trust are the global custodian with responsibility for safeguarding the assets of the Fund. As at 31 March 2022 Northern Trust had **\$12.0 trillion** of assets under custody (31 March 2021: \$11.5 trillion) and had a credit rating of **AA-** (31 March 2021: 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 2021) 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 2022 **£22.026m** (31 March 2021: £49.467m) 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 2022, the total balance held in the Sterling and US dollar AAA money

Statement of Accounts - Pension Fund Accounts

market funds was **£166.841m** with a smaller balance of **£51.846m** held in the custodian current account (31 March 2021: £191.575m and £14.469m 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 2021			31 March 2022	
Rating	£000		Rating	£000
		Cash managed externally		
		Cash held on deposit (GLF)		
AAA	76,420	BNP Paribas Investment Partners	AAA	78,169
AAA	115,155	Northern Trust	AAA	88,672
		Cash held in Current Account		
AA-	14,469	Northern Trust	AA-	51,846
	206,044	Total cash managed externally		218,687
		Cash managed internally		
		Cash held on deposit		
AAA	6,998	Blackrock	AAA	-
AA	16,000	Essex County Council	AA	-
A+	4,999	HSBC	A+	5,001
A	4,998	Santander UK	A	4,998
AAA	9,995	LGIM	AAA	7,190
AA-	5,009	Svenska Handelsbanken	AA-	5,009
		Cash held in Current Account		
A+	1,468	Lloyds Bank plc	A+	(172)
	49,467	Total cash managed internally		22,026
	255,511	Total		240,713

The following table summarises the maximum exposure to credit risk of the cash held with Northern Trust and other financial institutions. This is now reflected in the Pension Fund financial statements.

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31 March 2021		31 March 2022	Maximum limit per Financial Institution	Historical risk of default	Estimated maximum exposure to default and uncollectability
		£000	£000	%	£000
	Cash managed externally				
	Deposit with bank and other financial institutions				
191,575	AAA Rated	166,841	120,000	0.04%	67
14,469	AA Rated	51,846	-	0.02%	10
206,044	Total cash managed externally	218,687			77
	Cash managed internally				
	Deposit with bank and other financial institutions				
16,993	AAA Rated	7,190	10,000	0.04%	3
21,009	AA Rated	5,009	7,500	0.02%	1
11,465	A Rated	9,827	5,000	0.05%	5
49,467	Total cash managed internally	22,026			9
255,511	Total cash	240,713			86

Whilst the Fund has a cash limit of **£120m** for each financial institution managed externally 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 fall due.

The ISC reviews its strategy on a yearly basis and where necessary takes steps to ensure that the Fund has adequate readily realisable resources to meet its financial commitments. The majority of the Fund's investments are quoted on major stock markets and are in readily realisable form. The Fund also has an allocation to alternative investments, which are relatively illiquid.

In 2017 the ISC took the decision to de-risk reducing its equity allocation from 60% to 50% as a result the strategic allocation to alternatives will increase from 27% to 37% as and when opportunities arise. The Fund is relatively immature with almost as many contributors as pensioners, dependants and deferred pensioners. In consequence the Fund has a neutral cash flow and is able to pay benefits from contributions and income received. As the Fund is not in the position of a forced seller, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such illiquid investments to increase diversification, minimise risk and improve long-term investment performance.

Statement of Accounts - Pension Fund Accounts

The Fund as at 31 March 2022 had immediate access to its pension fund cash holdings held internally and externally of **£240.713m** (31 March 2021: £255.511m). 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

Glossary of terms

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 actuarial assumptions have been updated.
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, such as annual leave and other time in lieu, are typically earned by employees as they provide services and can be carried forward and used in future periods if the current period entitlement is not used in full.
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.
BACS	The Bankers' Automated Clearing System (BACS) is one of the most common ways of sending and receiving payments in the UK. A BACS payment usually takes three working days to go through from initiation to settlement.
Billing authority	City, district and borough councils are responsible for the billing and collection of Council Tax and Non-domestic rates (NDR).
Capital Adjustment Account	This account represents: <ul style="list-style-type: none"> ▪ Amounts set aside from revenue resources to repay debt. ▪ 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	Expenditure on the acquisition of Property, Plant and Equipment (with some 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, comprising interest and principal repayments.

Glossary of terms

Term	Explanation
Capital financing requirement	This is a measure of the Council's underlying need to borrow for capital financing purposes.
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the main professional body for 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 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.

Glossary of terms

Term	Explanation
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.
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 the 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 disregards potential alternative uses for the asset.
Expected credit losses	The credit losses that the Council estimates will arise from the amounts that it is currently owed. Expected credit losses are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value through profit and loss	Defined as financial assets that do not qualify for measurement at amortised cost.
Fees and charges	Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities.
Finance leases	Finance leases transfer all, or the majority of, the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the fixed asset is included within the Balance Sheet of the lessee, even though the lessor retains legal title of the asset (also see 'Leasing' and 'Operating Leases').
Financial instruments	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include the borrowing or lending of money and the making of investments.
Foundation Schools	Locally maintained schools that are state-funded by the Council. These schools are run by their governing body. The governing bodies employ the staff, determine the school admission policies and own the school land and buildings.
Heritage Assets	Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. These are accounting standards by which the Council prepares its accounts.

Glossary of terms

Term	Explanation
Inventories	Assets acquired or produced for resale or to be consumed or distributed in the provision of services.
Investment properties	Properties held solely to earn rentals and/or for capital appreciation purposes. This definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investments	<p>A long-term investment is intended to be held for use on a continuing basis in the activities of the Council. Investments are so classified only where an intention to hold the investment for the long-term (greater than one year) can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those related to the Pension Fund that do not meet the above criteria, are classified as current assets.</p>
Joint operations	Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.
Lease	An arrangement for securing the use of capital assets without legal title (ownership). There are two main types of leasing arrangements – namely finance leases and operating leases.
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 with 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	<p>Operating leases are agreements for the rental of assets where the rewards and risks of ownership of the asset remain with the leasing company.</p> <p>The annual rentals are charged directly to the Income and Expenditure Account (also see Leasing and Finance Leases).</p>
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.

Glossary of terms

Term	Explanation
Precept	The amount the County Council requires the city, borough and district councils to pay from the Council Tax they have collected (on behalf of all authorities that set Council Tax) to meet the cost of County Council services.
Premium	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.
Remuneration	Remuneration includes all amounts paid to or receivable by a person, including sums due by way of expense allowances (so far as these are chargeable to tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.
Return on plan assets	Interest, dividends and other income derived from the Local Government Pension Scheme's assets (excluding amounts included in net interest on the net defined benefit liability), together with realised and unrealised gains or losses on those assets, less costs of managing the assets and any taxes payable.
Reserves	<p>The Council's accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial events.</p> <p>Earmarked reserves are amounts set aside for a specific purpose in one financial year and can be carried forward to meet expenditure in future years.</p>
Revenue provision for repayment of debt	The minimum amount which must be charged, by Regulation, to the revenue account each year for repaying external loans.
Revenue Support Grant	This is the central government financial support towards the general expenditure of local authorities.
Retirement benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable. This is because these are not given in exchange for services rendered by employees.
RICS	The Royal Institution of Chartered Surveyors (RICS) is the professional body for qualifications and standards in land, property, infrastructure and construction.

Glossary of terms

Term	Explanation
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.
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.
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 2021/22

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 2021/22.

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 2022 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](#)).

The Member Code of Conduct was updated, with the [update](#) being agreed at Full Council in May 2022 and effective 1 June 2022. This update adopts the Local

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Government Association model code of conduct, following the recommendations of the Committee on Standards in Public Life.

74 of 75 Members have attended training on the Code of Conduct since the May 2021 election. Training is offered as part of induction and refresher sessions are offered annually. An additional briefing session was delivered In May 2022 to ensure members were fully aware of changes to the Member Code of Conduct and work is underway to ensure that all councillors attend a session or watch the recording of it.

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. There were no standards complaints made during 2021/22.

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 employees. Completion rates for all governance e-learning modules for officers are monitored by senior officers and at Corporate Governance Steering Board. At April 2022 64% of employees had completed all seven modules. ECC Members are offered this content via interactive sessions as part of induction and periodically throughout the term of office.

The Council's [Policy](#) is that all Members are asked to undergo a Disclosure and Barring Service (DBS) check when elected. Following the May 2021 elections all ECC Members were DBS checked.

ECC has arrangements in place for employees, consultants or contractors to raise any concerns they have in the workplace. The [Whistle-Blowing Policy](#) is available 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 Ethicspoint 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

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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, at April 2022 44% of employees had completed a declaration since November 2021. Work is underway to raise awareness of this requirement and increase compliance

Members are required to register details of Disclosable Pecuniary Interests and Other Registrable I 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 24.16 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](#). Members are asked to review their declarations at least annually.

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 2022, collated and analysed. The organisation's 2021/22 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.

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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. Until May 2022, audio from Council, Cabinet and most other committee meetings were broadcast live on the website and are [available to listen to after the meeting](#), and in 2021/22 we 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](#) (see section 5), was developed with partners 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.

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In 2021 the Council's new Organisational Strategy, 'Everyone's Essex' was adopted following a public consultation.

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 2021/22. 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 the pandemic members of the public were able to ask questions on a remote basis and this facility has been retained as meetings have returned to being 'in person'.

The [Petitions Policy](#) is available online. In 2021/22 ECC received 18 petitions.

ECC proactively engages with the community in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. These are inclusive and meet individual needs. This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, ethnographic work, workshops and consultation/discussion events.

A group of officers hold an oversight role for all consultations that ECC is currently undertaking or planning to undertake. This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council's decision making. All consultations are signed off by cabinet members prior to release.

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The consultation portal [‘Consultations in Essex’ also known as Citizen Space](#) is used by ECC for both public and internal consultations. This provides easy access to consultations for most of the population – alternative provisions are made for each consultation to reflect the needs of any individual groups who may be unable to share their views online. The contact details of the consultation owners are given so that anyone with a question can contact the owner. Our platform also provides a mechanism for communicating the outcomes of consultations and for demonstrating how these have had influence through the decision-making process – there is for example, a ‘We Asked, You Said, We Did’ section so that citizens can view information about what happened as a result of their input.

ECC also engages and gathers views and perspectives from groups with specific experiences. This is a valuable input to service design and planning. Examples include ‘Collaborate Essex’ – a new model through which ECC engages with individuals representing those with experience of different types of disability; the ‘Young Essex Assembly’ through which we engage with young people across the county; and the ‘Children in Care Council’ through which we can access insight, views and perspectives from those children and young people with lived experience of the care system. Building on this, across the population, ECC has invested in the development of the [Essex Residents’ Panel](#) which currently brings together 3,000+ residents to take part in research and engagement activities and to give their views on the issues affecting their communities. The panel provides an opportunity for on-going dialogue and provides insight into ongoing council projects throughout the calendar year.

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.

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6. Translating the vision into courses of action for the authority, its partnerships and collaborations

[Everyone's Essex, our organisation Strategy](#) can be found online, this articulates ECC's strategic aims and priorities and integrates the authority's Equality objectives.

ECC's [Organisation Plan and budget 2021/22](#) was endorsed at Full Council on 23 February 2021. The 2022/23 [Plan and Budget](#) was endorsed at Full Council on 10 February 2022.

The [Essex Joint health and wellbeing strategy](#) was considered and endorsed by the Essex Health and Well-being Board on 18 May 2022.

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 Research and Citizen Insight 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

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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](#). An annual report on scrutiny activity goes to Council at the Annual Meeting each year.

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 2021/22 208 decisions requiring an Equality Impact Assessment were published and of these 189 or 91% had one completed. It should be noted that nine of these were urgent decisions relating to Covid funding. For decisions being taken from April 2022 onwards a new Equality Comprehensive Impact Assessment framework is being launched to ensure the process is more robust.

ECC has a robust Data Quality Strategy in place, it is part of the Information Governance Policy Booklet which was last reviewed in May 2021.

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 performance framework was refreshed in 2021/22 to align with the council's ambitions as outlined in [Everyone's Essex](#). This framework includes measures at the contextual, strategic measures and operational level. Strategic performance measures are reviewed by the Corporate Leadership Team (CLT) on a quarterly basis, and by portfolio leads. Contextual measures (where data is not available as frequently) are reviewed annually. Functions and portfolio leads consider all levels of the framework, and escalated for consideration at CLT level by exception.

The council's [Corporate Policy and Scrutiny Committee](#) has an oversight role and from quarter 3 (2021/22), these measures have been published and considered by the committee, providing an independent and robust challenge to delivery of ECC's objectives and holding Cabinet to account for delivery.

Organisational Health is monitored in a quarterly performance report to CLT and bi-annually to the Corporate Governance Steering Board.

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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 2021/22:

- In November 2021 ECC was awarded Social Work Employer of the Year for both Adults and Children and Families social care services at the Social Work Awards and a social worker from Essex won the national accolade of Adult Social Worker of the Year.
- Essex Rapid Care Technology project for Video carephones was shortlisted at the 2021 LGC Awards under the Technology category for being one of the fastest technology rollouts in this sector in the UK.
- Essex Social Care Academy won Business of the Year at this year's Adult Community Learning Awards.
- The Connect programme has made the shortlist at the LGC Awards 2022. The programme has been shortlisted under the Health and Social Care category for leading the system changes that have improved outcomes for more than 3000 people as well as supporting our staff to have better access to information and services.
- The Care Technology service won the Transformation Award at the ITEC Awards 2022. The service won the award for introducing next generation Technology Enabled Care countywide to support our most vulnerable residents to live as independently as possible.
- A member of the Adult Social Care team has been nominated as an Amazing Social Worker at the British Association of Social Workers, as part of World Social Work Month.
- The Meaningful Lives Matter team were shortlisted in the National Social Care Awards in after winning the Regional Awards for Social Care Innovation for the ECL LIVE service.
- The Connect programme has been shortlisted for the Municipal Journal Awards, under the Care and Health Integration category.
- ECC was reaccredited with Charter Plus Status for Member development in January 2022.
- The Economic Growth team were finalists in the 2021 LGA Awards.
- ECC was shortlisted for two awards for excellence in recycling and waste management in May 2022: Love Your Period campaign – Best Local Authority Recycling Initiative (including waste reduction) and the Circular Economy Team - Local authority team of the year.

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- ECC's Sustainable Travel Planning Advisor received Honorary Membership of ModeShift - an organisation who accredit schools / workplaces on their travel planning.
- The Community Rail team were Highly Commended at the Community Rail Awards for Best Community Engagement Project and Best Communications.
- The Transformation Delivery and Support team were winners of the Association for Project Management Awards; Contribution to Project Management and received recognition in the category of 'Contribution to Project Management: Not-for-Profit.
- TIARA Talent Acquisition Awards 2021 - Excellence in Onboarding Award (Winner), Early Careers Pioneer Award (Highly Commended) and The Retinue Talent Solutions TA Operational Achievement Award (Highly Commended)
- Recruitment Marketing Awards 2021 - Recruitment Effectiveness (Finalists), Art Direction, with TMP Worldwide, (Winner), Recruitment website above £50,000, with TMP Worldwide (Finalists), Video £5,001-15,000, with Thirty-three (Winner)
- In House Recruitment Awards 2021: Candidate Experience (Finalists), Future Talent initiative (Finalists), Use of Video (Winners), In house recruiter (Finalist), RAD Awards Use of Video (Winners), Youth Friendly Employer Awards Developing People (Winners) and Recruitment Marketing Awards Grand Prix (awarded on the night as the Judges overall winner)
- Chartered Institute of Personnel Development People Management Awards 2021: Best Reward or Recognition initiative (Winner) and Best Wellbeing initiative (Finalist) and Best Resourcing initiative (Finalist)
- Essex County Council has been awarded the highest level of Working Well accreditation - Level 3. This demonstrates value and long-term commitment to staff health and wellbeing.
- Personnel Today Awards 2021; Apprenticeship Employer of the Year 2021 (Finalists)
- Learning Technologies Awards; Onboarding – Finalist in 2021 Best Technology-based onboarding programme.
- British Quality Foundation Awards 2021: Excellence in Continuous Improvement Finalist, Excellence in Lean Six Sigma Finalist and Excellence in Transformation Finalist.

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.

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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 10 February 2022.

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 2021/22 was the Executive Director for Corporate Services. The Director, Finance was the deputy S151 officer.

11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function

For 2021/22 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 2021/22 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.

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ECC has held Member Development Charter Plus status since November 2014, this was reaccredited in January 2022.

Members were offered a comprehensive Induction after the May 2021 Election and there are regular briefing and development sessions throughout their term of office. Further details can be found in the [Member development report](#) to Full Council from May 2022.

In 2021 ECC launched its next iteration of the People Plan, running between 2021 – 2025. The intention of the plan is to continue to build on the foundational work conducted during the previous People Plan and to continue to help ECC in achieving its strategic priorities. As such, growth and development is still a substantial and important part of the plan.

To support managers and leaders, ECC has continued to build on the Management Acceleration Programme and Leadership Programme launched in 2018 and updated the offering to ensure the learning reflects the new ways of hybrid working.

ECC has also developed a new programme aimed specifically at managing in a hybrid world, which will shortly be available to all ECC managers and senior leaders.

In November 2021 ECC delivered the third iteration of LearnFest, this time in a hybrid way with sessions taking place both virtually and face-to-face. The theme was Connection, as a clear indicator of the need to remain connected with each in our new ways of working.

ECC has continued to embed the Performance Development approach across the organisation and has developed the approach to succession management.

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 2022. 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 2022. The Internal Audit review of the Council's risk management arrangements for 2021/22 received a Satisfactory Assurance opinion.

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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 quarterly 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 Ethicspoint 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 **225** referrals have been received and investigated by the Counter Fraud Team during 2021/22.

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](#).

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Three of the policy and scrutiny committees are chaired by the governing administration. The Corporate Policy and Scrutiny Committee is chaired by the Leader of the largest opposition group. Each of the Committees has two vice-chairmen, one opposition member and one administration member.

Induction, training and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles. In anticipation of the election that took place in May 2021 a robust induction was planned and delivered. Following discussion and feedback from Members the programme was 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. This was in order to enable the committees to get up to speed more quickly and therefore commence their work programmes earlier and this approach has proved successful, albeit with some impact seen from the more cross-cutting nature of Cabinet portfolios that the scrutiny function has had to adjust to. Sessions were open to all Councillors, whether or not they were new or serving on a committee, to also act as a refresher for those with current or previous experience. All Members serving on scrutiny committees or as substitutes have recently (March 2022) been invited again to consider their development needs in order that officers can support these requirements.

The Chairmen of the four committees (and the Chairman of the Audit, Governance and Standards Committee) meet as the Scrutiny Board on a roughly monthly basis, to oversee the coordination of scrutiny activity, consider its development strategically and share best practice. This is an increase in frequency over recent years. A Task and Finish group considering the effectiveness of the scrutiny function and any related improvements that can be made was commissioned by the Scrutiny Board and is expected to commence in late March 2022.

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 2021/22 scrutiny in ECC was supported by Officers within Democratic Services and the Head of Democracy and Transparency was the Statutory Scrutiny Officer.

Members and Officers have continued to utilise online working practises introduced during the pandemic where possible, holding informal briefing and working group sessions via Teams and Zoom whenever possible. Whilst formal committee meetings do still have to be held in person, informal remote working is of benefit to Members generally and has helped increase participation and engagement.

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More detail on the work of Scrutiny can be found in the Scrutiny Annual Report, the [2021/22 report](#) can be found online and was reported at Full Council in May 2022.

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 2021/22. 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 2022.

Assurance arrangements for 2021/22 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 2021/22 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. Further detail can be found in the [committee's annual report](#) to Full Council in July 2021.

All recommendations arising from internal audit activity are tracked with monthly automated emails sent to owners of recommendations to request status updates via

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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 resulting in a 'No Assurance' or 'Limited Assurance' opinion are also subject to a follow-up audit review. During 2021/22 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 2021/22)

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 from the external auditor 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.

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

Partnership working has been embedded within ECC's new organisation strategy "Everyone's Essex: our plan for levelling up the county 2021 to 2025", and in our "Essex Levelling Up White Paper" published in January 2022. These key strategic documents set out the need to work with partners to join up services where it makes sense to do so, and share data, learning and expertise to continue to deliver excellent services, reduce costs to taxpayers, get the best outcomes for residents, communities and businesses, help tackle long standing "wicked issues" and level up the county.

Across the wider system, Essex County Council 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. Governance of our shared vision is the responsibility of the Essex Partners group, who meet at least three times per year to steer the work of partners together to deliver shared priorities for Essex communities.

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Essex Partners also 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. Both 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.

Essex Partners have prioritised three ambitions from “the Future of Essex” which they are focusing on in the short term based on those areas which will have the greatest impact during recovery from the pandemic. These ambitions are sharing prosperity with everyone; providing an equal foundation for every child; and strengthening communities through participation. Delivery of these ambitions are supported by two mission networks (Anchors Institutions and Strengthening Communities) which are chaired by members of the Essex Partners group. The networks are in the process of developing their action plans which will provide greater join up between the shared vision and the activity we take forward as organisations individually and collectively.

Essex Partners supports a culture of system learning through a number of activities. The Leading Greater Essex programme brings together senior leaders from across all public services in Essex, Southend & Thurrock, to participate in an in-depth leadership development programme aimed at developing Essex's organisations leaders into system leaders, giving them the skills to operate confidently and effectively across organisational boundaries. Alongside this, Essex Partners also continues to host themed learning events throughout the year on key issues and ambitions and will be looking at options to reinstate the Essex Assembly previously held twice per year pre-pandemic.

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.

With effect from 1 July 2022 Essex County Council is a member of three integrated care systems (ICSs). These are the geographical footprints on which the NHS plans and commissions services. The three ICS systems for Essex are:

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- Hertfordshire and West Essex (covering the districts of Epping Forest, Harlow and Uttlesford)
- Mid and South Essex (covering the district/borough/city councils of Basildon, Braintree, Brentwood, Castle Point, Chelmsford, Maldon, Rochford, and the unitary authorities of Southend and Thurrock)
- Suffolk and North East Essex (covering the city/districts of Colchester and Tendring)

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 governance and leadership of the integrated care system.

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 at a place level, with a local managing director in place to convene partners. These are:

For Hertfordshire and West Essex:

- One Health and Care Partnership (West Essex)

For Mid and South Essex:

- Mid Essex Live Well Partnership;
- South East Essex Alliance (covering Castle Point, Rochford and Southend);
- Basildon and Brentwood Alliance; and
- Thurrock Alliance.

For Suffolk and North East Essex:

- North East Essex Health and Wellbeing Alliance

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The Health and Care Act 2022 will make the above arrangements statutory from 1 July 2022. This would:

- Create new statutory NHS integrated care boards, covering the geographies of the three Essex NHS systems. These would replace the existing clinical commissioning groups.
- Create new statutory joint committees between local government and the new NHS integrated care boards to be known as ‘integrated care partnerships’.

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 (HWPB) on behalf of ECC and the five Clinical Commissioning Groups (CCG). The BCF is also approved by Cabinet and the individual CCG Boards. Subject to the passing of the Health and Care Bill, these arrangements will transfer from current clinical commissioning groups to the new integrated care boards and the Council will need to refresh its existing section 75 agreements with the NHS to reflect these changes.

An Internal Audit of the arrangements in 2021 received a Good Assurance opinion.

In 2021 ECC joined the Association of South Essex Local Authorities which seeks to implement joint decision making over some initiatives for economic regeneration in South Essex (Brentwood, Basildon, Castle Point, Rochford and Southend and Thurrock). We are monitoring the situation as these arrangements mature and the understanding of those taking part improves.

In 2022 ECC took a decision to participate in the decision making of Freeport East. This work is being led by East Suffolk District Council. We are exploring the final arrangements and there may be a joint committee.

In June 2021 the company North Essex Garden Communities Limited, which was jointly owned with Braintree, Colchester and Tendring Councils was formally wound up following the closure of the project. The County Council has established a Joint planning committee with Tendring and Colchester to oversee the planning of the Tendring/Colchester Borders joint committee which is to proceed.

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Head of Assurance Opinion

The Head of Assurance's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) is one of Satisfactory Assurance which means that 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](#) which provides a summary of the activity used to support this opinion was published in June 2022.

External Audit

The Council's External Auditor, BDO LLP (BDO) have reported a delay to completion of the audit of the Council's Accounts for 2020/21. This is beyond the Council's control. This means that it is not yet possible to formally publish the statement of accounts for 2020 to 2021. The reasons for this delay have been reported to the Audit, Governance and Standards Committee and published on the website.

BDO consider that the accounts produced by ECC and the information which the Council has provided to them provided is of good quality. It is therefore very disappointing that there has been this delay and that ECC is not yet able to present final accounts to the Audit, Governance and Standards Committee or to the Council itself. This is a national problem and it is understood that very few authorities were able to publish their final accounts for 2020/21 on time.

The external auditors for the 2021/22 financial year remains BDO LLP.

COVID-19 Response

The Coronavirus continued to have a significant impact on ECC operations throughout 2021/22. 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

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- The Council has not suspended its programme of meetings.
- 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.

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. To maximise efficiency and to enhance the user experience new technology has been installed in the Council Chamber and the main Committee Room to support the running of virtual and hybrid meetings.

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's did not legislate to extend the powers notwithstanding that it has the power to make regulations.

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.

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.

Hybrid Working

The Ways of Working programme has been implemented throughout 2021/22 and work is ongoing, the programme is about implementing ECC's new ways of working model 'Hybrid Working' and ensuring that the organisation and its employees have the tools, spaces and knowledge to work in this way. It is focussed on;

- developing new workstyles for the organisation that will work for every job role
- supporting managers and employees as they adopt hybrid working for themselves and within their teams
- re-configuring our workspaces to enable employees to better adopt their hybrid working styles, including hybrid meeting rooms

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- making our buildings and the way we work more efficient, reducing waste and moving to digital solutions where possible
- providing and testing technology that will improve and support us to work in a hybrid way

Essex Housing

The Council entered into multiple transactions with Essex Housing Developments LLP, which it owns. A number of these transactions were at less than market value for reasons set out in the reports. The LLP sets out to develop the land in a way that meets the need for accommodation and builds to a high standard

Information Governance

There was one complaint received this year relating to data sharing and no decision notices were received in 2021/22 from the Information Commissioner's Office (ICO) regarding complaints made to them about ECC compliance. In November 2021 a Tribunal Hearing relating to Highways Enforcement was held which was dismissed. This is a significant (86%) improvement on last year where we received seven ICO complaints.

The Council has not recorded any major security incidents this year. There has been 25% reduction in the total security incidents recorded in 2021/22 with an 11% reduction in incidents which include personal data. After a [recent Freedom of Information request](#), which was sent to 103 County Councils in the UK, it has been reported that Essex County Council has been the most improved local authority with an 86% reduction in personal data breaches between 2017/18 to 2020/21.

Monthly performance in responding to statutory requests under FOI/EIR has exceeded the ECC corporate target during 2021/22 with an annual average compliance of 95%. Monthly performance in responding to statutory requests under GDPR (SAR) also exceeded the corporate target during 2021/22 with an annual average compliance of 95%. This is a 5% improvement in FOI/EIR performance, and a significant 18% improvement in SAR performance from 2020/21. 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.

Information Governance eLearning was rolled out across the organisation as part of the Corporate Governance training modules. Staff were given until the end of December to complete the Corporate Governance modules. 65% of staff have now completed the IG module. Plans are in place with Learning and Development to improve these figures for 2022/23.

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All our information policies have been updated and reviewed throughout the year. We are currently adding further emphasis within our policy booklet with regard to Cyber Security due to growing concerns over ongoing conflict between the Ukraine and Russia. We are looking to update our communication plan to provide more advice and knowledge to our staff to be able to identify suspicious activities when working with technology. We have now rolled out, mock phishing emails to test our staff's responses to a suspicious activity, if staff do act inappropriately, they will be informed that this an exercise and be given further information on how to avoid these in the future.

The Data Security and Protection Toolkit 2020/21 was successfully submitted in June 2021, all mandatory standards were met. The submission was moved to June due to the Covid-19 pandemic. The 2021/22 toolkit is now due to be submitted in June 2022, the Council is on track for another successful submission.

CIPFA Financial Management (FM) Code – review and action plan

ECC completed a self-assessment against the FM Code in 2021/22. The outcome is fully met for all the 68 questions.

Although ECC meets all of the requirements of the FM code, a six-point action plan is proposed, to support continuous improvement in delivering against the Financial Management Code. The action plan is across the following themes: Sustainability, Transparency and Accountability.

The FM Code assessment will be used as part of the evidence base for the annual internal audit review of budgetary control and the medium-term resource strategy, which is reported to the Audit, Governance and Standards Committee.

Monitoring of the action plan will be undertaken by the Head of Strategic Finance & Insight on a twice-yearly basis and reported to the Financial Management Team and the Cabinet Member for Finance, Resources and Corporate Affairs. The assessment of the authority against the FM Code, and development of the action plan will be completed on an annual basis as part of the budget setting process.

Local Government and Social Care Ombudsman (LGSCO)

Between 1 April 2021 to 31 March 2022 Essex County Council received 142 contacts from the Local Government and Social Care Ombudsman (LGSCO).

From the 142 contacts received, 51 escalated to formal investigation relating to Adult Social Care, Children and Families, Passenger Transport, School Transport, Special Education Needs, Highway Maintenance, Minor Schemes and Traffic Management.

Annual Governance Statement

From outcomes received to date 13 cases were upheld with 8 relating to Adult Social Care, 1 for Children and Families, 2 Passenger Transport, and 2 School Transport.

The Compliance and Complaints team continue to work compliantly with the Ombudsman's office, attend regular Ombudsman focus groups and where failings identified suggest suitable viable resolutions for consideration of the Ombudsman to warrant early conclusion of a formal investigation.

Health and Safety

During the financial year 2021/22 there were no improvement notices served against the Council.

On 6 September 2021 the HSE closed the case regarding an alleged breach of the Control of Asbestos Regulations. This resulted in Fees For Intervention (FFI) totalling **£12,430.90** under the Health and Safety and Nuclear (Fees) Regulations 2021

In January 2019 a member of staff was knocked unconscious by a pupil at a community special school. ECC provided written submissions to the HSE in February 21 and on 20 December 21 asked for a review of the Fees For Intervention. For this case the FFI totals **£26,609.70**. The HSE is currently reviewing the charges and the case generally.

On 1 April 2021 Mitie responded to the HSE alleged breach of the Construction (Design and Management) Regulations 2015, at the Old Colchester Hospital site on Lexden Road. ECC paid FFI of **£1,574.20**.

ECC Owned Companies

ECC has interests in and is involved in companies for many different reasons. For example, to trade services for profit or to set up a joint decision-making forum with partners. The Council has adopted company guidance which sets out requirements about creating new companies or joining a new company. The creation of an ECC company is a significant step. No ECC company may be created or dissolved without a formal 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.

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Name and date of incorporation	Main objective	Type of Organisation / ECC involvement	Company Directors / Secretaries / others Connected with ECC	Arrangements for publication of Board Minutes
Active Essex 21 April 2016	To make sport and physical activity accessible to all Essex residents.	Charitable incorporated organisation. ECC is a subscriber, entitled to appoint one director.	Cllr Ray Gooding Jason Fergus	https://www.activeessex.org/about-us/board-documentation/
ECL Trading Limited 10 February 2014	To carry on business as a general commercial company.	Private limited company. Wholly owned subsidiary of Essex Cares Ltd.	Essex Legal Services Limited (Secretary)	
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)	
Essex Cares Limited 14 October 2008	To deliver high quality community support services to vulnerable, disabled, disadvantaged and elderly people in the community to help them live independent lives.	Private limited company. ECC sole shareholder.	Essex Legal Services Limited (Secretary) Cllr Ian Grundy	

Annual Governance Statement

Name and date of incorporation	Main objective	Type of Organisation / ECC involvement	Company Directors / Secretaries / others Connected with ECC	Arrangements for publication of Board Minutes
Essex Community Support Limited 16 October 2008	Other social work activities without accommodation.	Private limited company. Wholly owned subsidiary of Essex Cares Ltd.	Essex Legal Services Limited (Secretary)	
Essex Employment and Inclusion Limited 16 October 2008	Offers a fully supported employment service to assist working age adults to secure paid employment.	Private limited company. Wholly owned subsidiary of Essex Cares Ltd.	Essex Legal Services Limited (Secretary)	
Essex Equipment Services Limited 16 October 2008	Offers equipment, aids to daily living, adaptations and telecare that aim to support mobility and safety to people in their own homes.	Private limited company. Wholly owned subsidiary of Essex Cares Ltd.	Essex Legal Services Limited (Secretary),	
Essex Housing Development LLP 26 August 2020	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.	LLP - constitution is set out in the LLP Agreement between ECC, Seax Trading Limited and Essex Housing Development LLP.	Essex County Council (LLP Designated Member) Seax Trading Limited (LLP Designated Member)	
Essex Legal Services Limited 3 December 2009	To provide legal services.	Private limited company by shares. ECC is the only shareholder.	Katie Whall Joanna Gent Susan Moussa	

Annual Governance Statement

Name and date of incorporation	Main objective	Type of Organisation / ECC involvement	Company Directors / Secretaries / others Connected with ECC	Arrangements for publication of Board Minutes
Essex Trade and Investment Ltd 9 June 2009	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.	Company is limited by guarantee and has no share capital. ECC is the only subscriber to the company.	Mark John Doran Peter James Manning	
Exwaste Limited 30 July 1991	To be a vehicle for waste disposal.	Private limited company by shares. ECC is a shareholder.	Essex County Council (Secretary) Samantha Jayne Kennedy	
Medtech Accelerator Limited 24 June 2016	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.	Private limited company. ECC is a shareholder.	Christine Golding	
Seax Trading Limited 10 January 2017	Environmental consulting	Private limited company. ECC is the only Shareholder.	Tina Marie French	
South East LEP limited 2 March 2020	To ensure the survival and stability of our economy in the short term and to drive sustainable economic renewal and growth in the medium to long-term.	Private company limited by guarantee without share capital.	Kevin Bentley Graham Butland (appointed by Braintree DC)	EssexCmis5 > Committees > SELEP Accountability Board

Annual Governance Statement

Name and date of incorporation	Main objective	Type of Organisation / ECC involvement	Company Directors / Secretaries / others Connected with ECC	Arrangements for publication of Board Minutes
Veolia Pitsea Marshes Maintenance Trust 13 March 2000	To provide for the maintenance and upkeep of former landfill site as a public open space, once landfilling has ceased and the contractor has carried out his statutory duties.	Company is limited by guarantee. Registered charity. ECC has one trustee out of six.	Essex County Council	

Previous Governance Matters Arising

All actions identified in the 2020/21 Annual Governance Statement have been adequately addressed, with implementation being reviewed by the Monitoring Officer. 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 2021/22. However, the actions detailed below are in place to maintain good governance arrangements throughout 2022/23.

Subject	Action(s)	Responsible Officer	Target completion date
Standards	<p>Monitor progress on implementation of the recommendations for the Committee in Standards in Public Life. The Government response to the recommendations to Government was published in early 2022.</p> <p>The Audit, Governance and Standards Committee made a recommendation to Council to adopt the Local Government Association's model code of conduct.</p> <p>Ensure all members are trained on the new code of conduct either by ECC or by</p>	Monitoring Officer	Ongoing

Annual Governance Statement

Subject	Action(s)	Responsible Officer	Target completion date
	a district which has adopted the new code		
Assurance	Implement actions identified as part of the 2021/22 Service Assurance Statement process.	CLT	March 2022
Governance	Increase completion of Declarations of Interest by employees.	CLT	March 2023
Governance	Increase completion of Corporate Governance e learning by employees.	CLT	March 2023
Governance	Review all ECC companies in line with the Local Partnerships Local Authority Company review guidance as appropriate.	Monitoring Officer	March 2023

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 2021/22

To be added upon conclusion of the external audit

Audit, Governance and Standards Committee – Work Programme 2022/23

The Work Programme is a document that is subject to revision as circumstances change

Meeting	Topic	Author
19 September 2022	Internal Audit and Counter Fraud progress reports	Paula Clowes, Head of Assurance
	FINAL 2020/2021 Audit Completion Report for Essex County Council To receive a report from the external auditor	To be presented by Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant, Essex County Council
	2021/2022 External Audit Plans for Essex County Council and the Essex Pension Fund	Nicole Wood, Executive Director Corporate Services and Christine Golding, Chief Accountant.
	Update to the Counter Fraud and Corruption Strategy	Paula Clowes, Head of Assurance
	Update to the Regulation of Investigatory Powers Act (RIPA) Policy	Paula Clowes, Head of Assurance
	Update to the Anti - Bribery and Corruption Policy	Paula Clowes, Head of Assurance
	Update to the Anti-Money Laundering Policy	Paula Clowes, Head of Assurance
Meeting	Topic	Author
28 November 2022	Essex County Council 2021/22 Audit Completion Report	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	Essex Pension Fund 2021/22 Audit Completion Report	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant

	Approval of 2021/22 Statement of Accounts	Nicole Wood, Executive Director, Corporate Services and Christine Golding, Chief Accountant
	External Auditor's Annual Letter	BDO LLP – external auditors
Meeting	Topic	Author
16 January 2023	Internal Audit and Counter Fraud progress reports	Paula Clowes, Head of Assurance
	Progress report on cyber security, following completion of further audit being undertaken in 2022/23	Melanie Hogger, Director, Technology Services
	Proposals for effectiveness review	Paul Turner, Director, Legal and Assurance
Meeting	Topic	Author
27 March 2023	Audit Plan	Paula Clowes, Head of Assurance
	Audit Charter	Paula Clowes, Head of Assurance