

CHELMSFORD CITY COUNCIL

STATEMENT OF ACCOUNTS

2022/23



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2. Introduction to the accounts

This section gives an overview of our achievements, our direction and ambitions.

Introduction by the Leader of the Council and the Chief Executive

Chelmsford City Council has continued to improve services and facilities in the Chelmsford area in 2022/23, despite experiencing similar cost-of-living challenges faced by residents as a result of very high inflation.

Help for residents

Over the last year, the Council delivered help to residents in need, including:

- Council tax rebate energy support payments: the Government provided money to award £150 to all council taxpayers living in properties in bands A to D. More than 53,000 payments were made to Chelmsford residents, totalling £8.1m.
- Discretionary council tax rebate energy support payments: the Government provided £263,850 for councils to extend the £150 payment scheme to eligible people in properties in bands E to H. There were sufficient funds to make an additional £31 payment to all recipients of council tax support.
- Household support fund: an £80 payment distributed on behalf of Essex County Council, payable to pensioner households in receipt of council tax support or housing benefit. £248,000 was distributed in total.
- Energy bill support schemes: applications for these began in February 2023 and are still ongoing. The Council is making payments of £400 to households that couldn't receive the £67-a-month support which was made available to households paying their electricity bills directly to an energy supplier. The Council is also making payments of £200 to households without a mains gas supply that use alternative fuels for home heating.

Delivering a greener, safer, fairer and more-connected Chelmsford

Although the financial outlook was even more difficult than the previous year, the Council delivered on its objectives of making Chelmsford a greener, fairer and better-connected place.

Greener Chelmsford

The Chelmsford Greening Project is well under way, helping to achieve a Climate and Ecological Emergency target to make the Council's activities net-zero carbon by 2030. The project originally planned to plant 180,000 new trees in the district and this target has been increased to 192,000 trees by 2030 to reflect anticipated population growth. This year, 17 of the Council's main parks across the city were again recognised by the Green Flag Award scheme as some of the best parks and green spaces in the UK. Frankland Fields in South Woodham Ferrers was also declared a Local Nature Reserve by Natural England. The Council has improved air quality monitoring in the city, with a new interactive map which provides residents with current air quality measurements across Chelmsford.

Safer Chelmsford

During this period, Chelmsford City Council co-created the city's first Women's Safety Charter, along with a campaign and training for businesses to remind people that women's safety is everyone's problem. Chelmsford also received its 10th Purple Flag Award for its night-time economy, recognising the city as a vibrant and safe place to live. Riverside Leisure Centre, the Council's flagship centre, was awarded a 'Very Good' rating for its customer service, and it received more than a million customer visits over the year. Elsewhere in the city, investment in South Woodham Ferrers Leisure Centre led to its gym being revamped. The community sport and wellbeing team continued to provide free events for families during the summer, including an extended 'Play in the Park' scheme and 'Picnic in the Park' – a week-long event with activities and a free lunch for children eligible for the free school meal scheme.

Fairer Chelmsford

In 2022, Chelmsford City Council commenced a Local Plan review with an Issues and Options consultation, which ran for 10 weeks and included in-person and virtual exhibitions. In the north of the city, work began on the new train station at Beaulieu, the first on the Great Eastern Main Line for more than 100 years. The pedestrianisation of Tindal Square, a public realm partnership project, has provided a new public square at the head of the High Street next to Shire Hall and much of these works took place in 2022/23. The space will open up a new area of the city centre for cultural events, available for community and arts groups to use. The Council's first 'Invest in Chelmsford' event was held in 2022 to show what the city has to offer businesses looking to invest in Chelmsford, and to share ideas about the future.

Chelmsford City Council invested in schemes to reduce homelessness in the city over this financial year. A two-storey extension was created at an existing housing complex to provide more supported accommodation for single homeless people. The Council received more than £300,000 from the Rough Sleeping Initiative to fund its team of Rough Sleeper Navigators. During 2022/23, the Council's housing team supported Afghan refugees living in the city as part of the Afghan citizens' resettlement scheme. The Council also helped families living in the city as part of the Homes for Ukraine scheme, inspecting the properties of potential hosts. This work continues.

Connected Chelmsford

Efforts to create a more-connected Chelmsford took a step forward in 2022/23 with the refurbishment of Chelmsford Theatre's front-of-house spaces. The tired and dated interiors of the Civic and Cramphorn theatres were transformed with a much-needed revamp. The theatre re-opened to audiences in early 2023 with a new café, an expanded upstairs bar and a membership scheme. The first district-wide Cultural Strategy for Chelmsford was launched at the start of 2023, supported by the City Council. The strategy marks the start of a 10-year journey to a culturally vibrant destination that will put Chelmsford on the map.

Chelmsford's Local Cultural Education Partnership (LCEP) also announced its very first set of initiatives during this period, with the launch of a 9-month incubator programme for children and young people. Chelmsford Museum was presented with a 'Best Told Story' award from VisitEngland for its engaging storytelling. The museum also collaborated with interdisciplinary artist Sian Fan on a groundbreaking exhibition

inspired by the history of the UK's first public radio broadcasts. Hylands Estate developed a new free multimedia guide in 2022/23 to share more of its unique horticultural history with visitors. Creamfields South made its debut at Hylands Park, cementing Chelmsford as a venue on the UK festival circuit.

The Council's finances

Like its residents, the Council has faced many challenges created by high inflation, which peaked at nearly 11% in 2022/23. However, council tax can only rise by 3%, meaning that the Council must find other additional income – and reduce spending – to close that gap.

The statutory national living wage increased by 10% in April 2023 and as a result, lower-paid council staff had to see their pay go up by a similar amount. This meant that during 2022/23 the Council was obliged to increase pay significantly. Awards were made ranging from 2.5% for higher paid staff, to 10% for those on lower pay.

Higher gas and electricity prices have hit the Council hard. Budgets increased by a total of £3m over 2022/23 and in 2023/24. The Council received no additional Government funding to cover the higher cost of energy. To put this challenge into context, the increase in council tax in 2022/23 of 3% generated £0.35m. The Council therefore budgeted to use £0.6m of reserves to temporarily cover the cost of higher energy bills in 2022/23. For 2023/24 the Council assumed a further increase in energy costs of £1.5m, also to be met initially from reserves. It now believed that energy costs will ease somewhat over the coming years.

There was some positive news for the Council in a difficult year: the accounts also include the results of a successful legal challenge on the VAT treatment of leisure income. After 10 years of fighting on behalf of the local taxpayer, the City Council is now able to retain more income, which previously it had to pay to HMRC. The retention of this income will help the Council to maintain services in the face of inflation. The Council's accounts also include an estimated refund of VAT of £5.3m from HMRC. This money bolsters our reserves and will help to protect services in future.

The Council will continue in future years to forecast budget shortfalls as a result of changes in behaviour following the Covid-19 pandemic and Government funding not keeping up with inflation. The Council's income will therefore not keep pace with demands from residents for services and the cost increases in providing those services. This is a common problem for nearly all UK local authorities.

The Council has a long history of managing its finances carefully and effectively, and although the outlook is increasingly challenging, the Council will continue to be ambitious – always seeking the best outcomes for residents. The Council will start planning its 2024/25 budget in the summer of 2023 and will look to find solutions for the financial challenges for the year ahead.

The process of producing audited accounts has been hugely delayed by a national crisis in local authority audit firms. As of April 2023, only one sixth of the 2021/22 local councils audits have been completed by the audit firms. The City Council is expecting it to be at least 18 months after it has produced this 2022/23 statement of

accounts before the external auditors start their review. This delay is due to a shortage of audit staff. There are no statutory or regulatory requirements placed on auditors to produce the audit in a timely manner. The Council cannot enforce a faster audit, nor seek new auditors due to the staffing shortage. The reader and public should be aware that these delays increase workloads and costs for the Council. The external audit of the accounts is an essential independent review which gives the public and councillors confidence that the financial management of the Council is effective, and delays are therefore problematic.

Our priorities for 2023/24

A greener, safer, fairer and connected Chelmsford remain the cornerstones of the Council's strategic objectives for 2023/24, as the administration enters a second four-year term.

Unfortunately, high inflation limits the Council's ability to make improvements and deliver its ambitions for Chelmsford residents. That is the reality of the budget gap the Council has worked hard to close for 2023/24 and further gaps in future years that it must be mindful of. But the Council remains ambitious for Chelmsford; last year investment was made in the theatre, and in coming years other improvements are planned, along with an important project to reduce the Council's reliance on fossil fuels to protect both current and future generations of Chelmsfordians.

For now, the Council will do its utmost to provide the high-quality, cost-effective services expected, despite the challenges still faced. Residents, councillors and staff continue to adapt in difficult circumstances and, although more budget gaps will be faced in the years to come, the careful management of finances will allow the Council to meet these tests.



Councillor Stephen Robinson, Council Leader



Nick Eveleigh, Chief Executive

To make these accounts easier to understand, you can find in a more simplified format a summary of our income and expenditure for the year and a summarised Balance sheet in the Narrative report in section 4. We have included our full Comprehensive income and expenditure statement and Balance sheet in section 6 in the format set out by the Code of Practice on Local Authority Accounting in the United Kingdom.

The accounts and narrative report have been written avoiding technical terms wherever possible. If we have to use technical terms, we have explained them in the glossary.

For more on the statement of accounts, please write to:

The Accountancy Services Manager (Section 151 officer)
Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE

We have detailed below which council provides which services.

Chelmsford City Council	Essex County Council
Abandoned cars Air quality Allotments Business rates Building control CCTV Cemetery and crematorium – including municipal funerals Council tax – including benefits Dangerous structures Dog litter Domestic waste Drains – private sewers Dropped kerbs Elections Environmental Services/Health Graffiti Grass cutting Homelessness Housing Land charges Leisure centres/sports centres Licensing (all forms of) Litter Museums Service Parking – car parks and residential permits Parks – including playing fields Planning Public toilets Refuse collection and recycling Road signs – street nameplates Street cleaning and sweeping Theatres City centre management Tree preservation orders Voting	Adoptions Care for the elderly Childcare Civic amenity sites County Records Office Cycle paths Disabled parking (Blue Badges) Drains – highway drains Educational services Footpaths Gritting Highways Incineration Lamp posts Libraries – including mobile Park & Ride Pavements Road signs – for traffic direction Roads Social Services Street lighting Trading standards Traffic management Travellers Waste disposal and management

3. Environmental issues

This section gives an overview of our effect on the environment.

On 16 July 2019 the Council declared a Climate and Ecological Emergency reflecting growing concerns about the impact of climate change on the local environment, natural resources and the conditions in which people live and work. The Climate and Ecological Emergency Declaration set out ambitions to reduce carbon and greenhouse gas emissions and develop plans to create a more sustainable future for the area. The Declaration also embraced a commitment to take appropriate action to make the Council's activities net-zero carbon by 2030.

The Declaration is accompanied by a Climate and Ecological Emergency Action Plan which was approved at Cabinet on 28 January 2020, the current priorities for implementation being:

- i. Implementing further measures to reduce the amount of waste generated and ensure that as much as possible of any waste that is generated is reused, recycled or composted
- ii. Implementing measures to lower energy consumption by Council operations and activities, ensure the most efficient use of water resources, reduce pollution and improve air quality
- iii. Undertaking a greening programme to significantly increase the amount of woodland and the proportion of tree cover in Chelmsford
- iv. Implementing measures to improve the 'green infrastructure' of Chelmsford, protecting and expanding natural habitats and increasing biodiversity
- v. Improving the environmental quality, attractiveness and recreational potential of public spaces, rivers and waterways and associated green corridors in the City Centre and surrounding areas
- vi. Upgrading the Council's vehicle fleet to embrace the latest low emission technology, including ultra-low emission electric powered vehicles as they become operationally and commercially viable
- vii. Supporting the Environment Agency to implement further flood resilience measure in and around Chelmsford to reduce the risk of flooding to residential and commercial properties
- viii. Creating opportunities for people, local organisations and businesses to get involved, to influence and to inspire innovation and cooperation in response to the key challenges identified in the Climate and Ecological Emergency

Progress made on implementing the Action Plan was last reported to the Overview and Scrutiny Committee on 26 September 2022, highlighting that 80% of the actions are on track, with 14% on hold or not due to start as yet. 44% of the actions were identified as being completed.

Some of the key achievements include the significant increase in community engagement through the Love Your Chelmsford programme, the establishment of a 'green initiatives fund' to support the delivery of the CaEE Action Plan and the adoption of a Plan for Improving the Rivers and Waterways in and around Chelmsford.

On 31 March 2023 an additional 66,852 trees had been planted out of an original ten-year target of 180,000 new trees. The target has subsequently been increased to 192,000 to reflect anticipated population growth by 2030.

Having put in place a number of building blocks and policy changes to support the Council's environmental agenda, the focus of the Action Plan is now to put in place measures to decarbonise the Council's direct operations and activities so that the target for a net-zero carbon position by 2030 can be achieved. The report to Overview and Scrutiny Committee on 26 September 2022 broadly set out the proposed approach together with the potential financial implications of implementing the next phase of the Plan. This approach will be formally ratified by the Council during 2023/24.

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4. Narrative report

This section gives an overview of our achievements and direction. It highlights the most important matters reported in the accounts, and comments on any issues that have had a major effect on our finances.

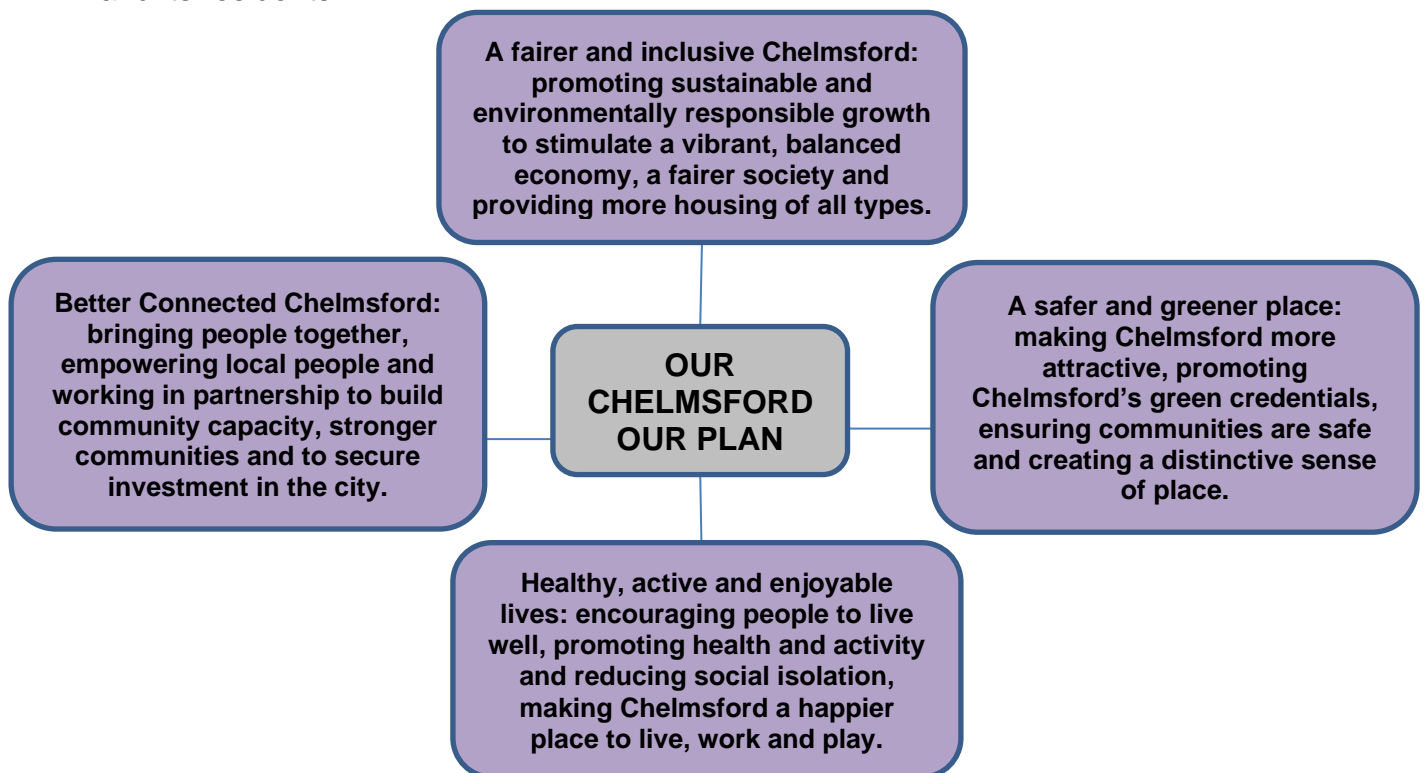
Background

Chelmsford City Council is situated in the heart of Essex, covering an area of 342 square kilometres, and is one of the fastest-growing centres in the East of England. It is the sporting venue for the Essex County Cricket Team, Chelmsford City Football Club and the Chelmsford City Race Course.

Chelmsford has a population of around 181,800 and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with significant housing developments under way within the City Centre as well as north of Chelmsford.

During 2022/23, the economy in Chelmsford remained strong with 89,000 jobs and 9,455 businesses in the heart of the City increase for both compared to 2021/22. There has been a reduction in the unemployment rate in Chelmsford of 1%. The current unemployment rate is 2.6%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing.

The Council’s corporate plan sets out the following four key priorities for Chelmsford and its residents:



We engage with other Local Authorities on various joint working arrangements, and work with a wide range of other organisations and agencies to help us achieve these priorities.

Guide to the Statement of Accounts

Our annual statement of accounts summarises our financial affairs for 2022/23 and shows our financial position on 31 March 2023. It includes the following:

- **Statement of responsibilities for the Statement of accounts –** Who is responsible for individual aspects of the accounts.
- **Main financial statements:**
 - **Comprehensive income and expenditure statement –** This shows the cost of providing services in line with accounting practices, rather than the costs to be met by local taxation. We raise taxation to meet costs as defined by law. This is different to the cost of providing services in line with accounting practices. The taxation position is shown in the Movement in reserves statement.
 - **Movement in reserves statement –** This shows the movement on our reserves in the year. These are analysed into usable reserves, which can be applied to fund expenditure or to reduce local taxation, and unusable reserves. In the statement, the Total comprehensive income and expenditure line shows the true economic cost of providing the services. This is shown in more detail in the Comprehensive income and expenditure statement. These are different from the amounts we must charge to the General fund by law for setting the Council tax. In the statement, the line that gives the net increase or decrease shows the statutory General fund balance movement.
 - **Balance sheet -** This shows the value of our assets and liabilities at the Balance sheet date. Our net assets are matched by our reserves. The reserves are reported in two categories, usable and unusable. Usable reserves are those we can use subject to keeping a prudent level of reserves and any statutory limitations on their use (for example, we can only use the capital receipts reserve to fund capital expenditure or repay debt). Unusable reserves cannot be used to provide services. This type of reserve includes reserves that contain unrealised gains and losses (for example, the revaluation reserve) where the amount only becomes available for use when the asset is sold, and reserves that hold timing differences, for example in the amount owed for leave that has not been taken. These are shown in the Movement in reserves statement line 'Adjustments to move from the Comprehensive income and expenditure account to the costs met by local taxpayers'.

- **Cash-flow statement** - This shows the changes in our cash and cash equivalents during the year. It shows how we received and used those amounts by classifying cash flows as operating, investing or financing activities. The cash flows in operating activities are a key indicator of how much is met by taxation, grants or from service users. Investing activities show how we have used cash outflows to buy resources intended to deliver future services. Cash flows arising from financing activities are useful in predicting claims on future cash flows.
- **Notes to the main financial statements** - These explain our accounting policies and some of the figures in the main financial statements.

The notes include the '**Expenditure and funding analysis**' which demonstrates how the funding available to the authority for the year has been used in providing services in comparison with the resources used or earned in accordance with generally accepted accounting practices. This supporting statement reconciles the net expenditure as presented in the Comprehensive income and expenditure statement to the net expenditure chargeable to the General fund as presented in our outturn reports.

- **Collection fund** - A statement meeting the statutory obligation for us to keep a separate Collection fund. The statement shows all transactions in relation to the collection of money from taxpayers and the distribution of money to other local authorities and the Government of Council tax and Non-domestic rates.
- **Independent auditors' report** - A report that says whether our Statement of accounts presents a true and fair view of our financial position and financial performance for the year.
- **Glossary** - An explanation of the technical terms used in this Statement of accounts.
- **Our structure chart** - How we are organised.

Alongside the Statement of accounts we publish the **Annual governance statement** that explains how we manage our affairs and control our activities. The statement highlights any important areas of governance that may need to be addressed following an annual review.

Summary tables

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2022 to 31 March 2023	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	124,474	(70,144)	54,330
Other Income and Expenditure	42,953	(83,681)	(40,728)
Total spending on services as presented in the Comprehensive Income and Expenditure account			13,602
add Adjustments between the Funding and Accounting bases			(10,541)
Decrease/(Increase) in General fund (including Earmarked Reserves)			3,061

The complete Comprehensive income and expenditure statement is shown in section 6.

The Expenditure and funding analysis in note 1 and the Note to Expenditure and funding analysis in note 6 in section 7 show the reconciliation between the net expenditure as presented in the Comprehensive income and expenditure statement and the net expenditure chargeable to the General fund as presented in our outturn reports.

The Comprehensive income and expenditure account includes capital adjustments and the pension adjustment made under generally accepted accounting principles that do not need to be met from the Council Tax.

Our Comprehensive income and expenditure statement recognises our share of Council Tax and Non Domestic Rates (NDR) transactions on the accrual basis, with the timing difference being adjusted through Council Tax and NDR adjustment account, reported on in the Movement in reserves statement.

During 2022/23, qualifying businesses were given £4m covid additional relief for the financial year 2021/22 bills, to help them alleviate the effects of the Covid 19 pandemic. We have received grant from the government to fund this relief given.

Simplified Balance sheet statement

A simplified Balance Sheet	31 March 2023
	£ 000
What we own	
Assets	267,879
Stocks	303
Investments	21,394
	289,576
What we are owed	
Amounts due before 31 March 2024	37,676
Amounts due after 31 March 2024	1,617
	39,293
What we owe	
Amounts due before 31 March 2024	(29,875)
Amounts due after 31 March 2024	(9,252)
Provisions	(1,789)
	(40,916)
Pension (deficit)/surplus	31,428
Cash and equivalents in hand or (overdrawn)	20,694
Net assets	340,075
Our reserves	31 March 2023
	£ 000
Usable reserves	74,607
Unusable reserves	265,468
Total reserves	340,075

The complete Balance sheet is shown in [section 6](#).

Pensions

We offer our employees membership of the Local Government Pension Scheme. The scheme is funded by contributions from employees and employers and offers defined benefits that are paid when members retire. The scheme has been estimated to have a shortfall at the last triennial valuation, because its obligations to members are more than the assets and returns expected from the fund. We have agreed to make up the shortfall over time.

The value of our pension liabilities at the end of the accounting period is dependent on the financial assumption that the actuary makes. As one of the key assumptions to determine the value of our liabilities, the actuary determines a discount rate to be

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applied for the future value of the liability cash flows. Under the pension standard the discount rate is to be determined by reference to market yields on high quality corporate bonds. There has been a significant movement on the yields between March 2022 and March 2023 and as a result the discount rate has increased from 2.6% at 31 March 2022 to 4.8% at 31st March 2023. This increase in discount rates, significantly reduces the value of future liabilities for the fund. Together with other assumptions changes, the decrease in liabilities resulted in the fund being in surplus at the end of the March 2023.

You can find out more about the pension scheme in note 33 to the main financial statements.

Changes in accounting policies

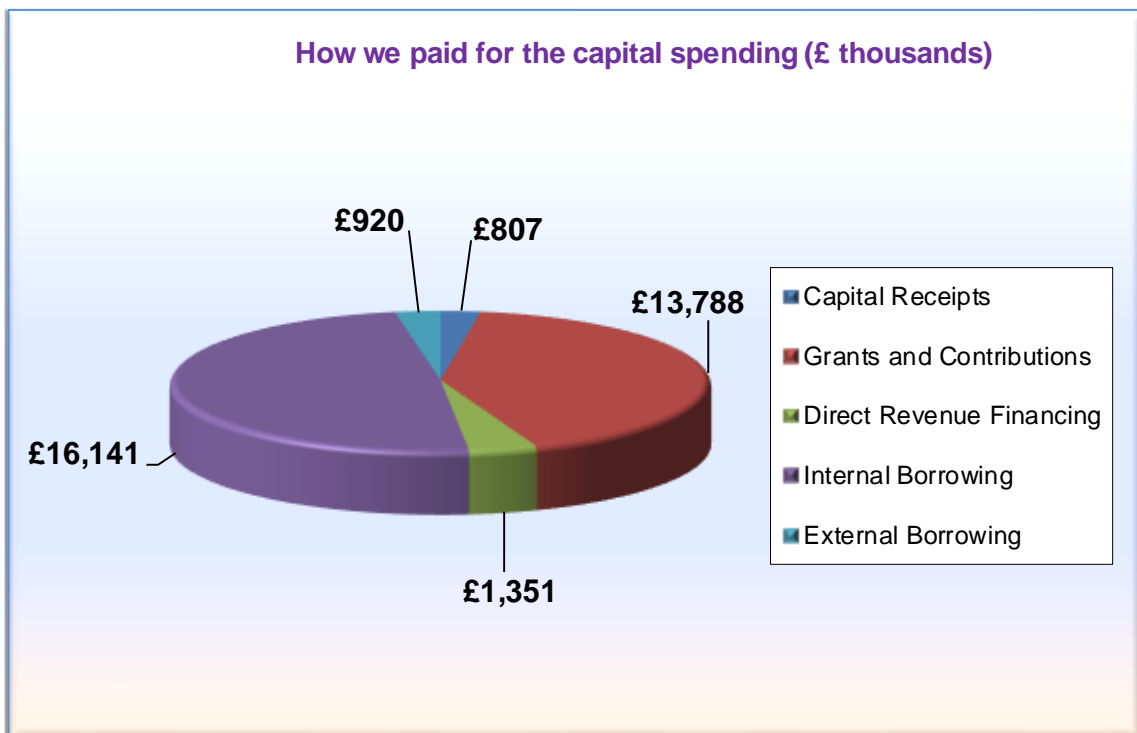
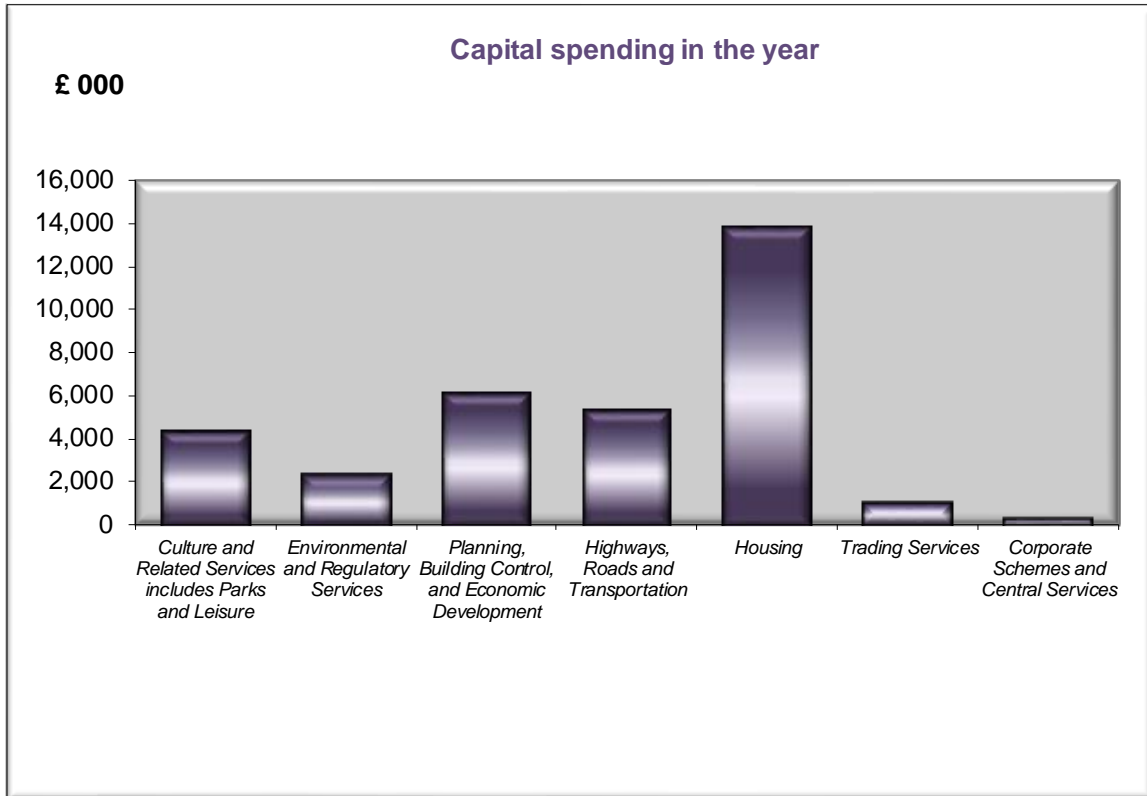
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any material change in accounting practice, we restate last year's figures.

Borrowing

We have a total outstanding balance on borrowing of £35.4m at the end of the year. This includes finance leases with outstanding balances of £1.14m. We do not have any external loans. The Council has undertaken additional internal borrowing of £16.1m during the year; this is the practice of using cash that would be invested in lieu of undertaking external borrowing. The outstanding balance on internal borrowing is £34.23m at the end of the year.

Capital spending

During the year we spent £33.01m on capital schemes. Our asset values in the Balance sheet have not necessarily increased by the amount of our capital spending as the Balance sheet shows the asset's change in value, after any impairments, and not simply the amount spent in creating that asset. The following tables show the capital spending and how the spending was paid for (capital financing).



Significant provisions or contingencies or material write-offs

The Council has a provision of £1.8m, for our share of the cost repayable for any successful appeals made by businesses against their business rates valuations.

Auditors

Our external auditors, who audit these accounts, are BDO LLP. You can find details of their audit fees in note 29 to the main financial statements.

Monitoring our performance during 2022/23

During 2022/23 the Overview and Scrutiny Committee has continued to monitor the Council's performance, in line with the new processes put in place during 2019/20. The approach has continued to be focused on having a wider insight into specific areas, whilst key performance indicators have continued to be monitored internally within each service.

As part of the Committee's performance monitoring role, they received updates from each of the Cabinet members, who outlined the work taking place in their directorate in addition to answering questions from the Committee. These updates are set to continue on an annual basis, with one Cabinet member at each meeting.

In June 2022, the Committee considered an extensive report on the Council's response to Rough Sleeping from the Council's Strategic Housing Team. This was well received by the Committee and had allowed them to ask questions of the team and consider their recent performance. A similar update on temporary accommodation was also received later in the year.

In September 2022, the Committee received an update from the South Essex Parking Partnership, which allowed them to monitor the work of the Partnership.

The Committee also reviewed the Council's financial performance against the agreed budget. Mid-year revenue and capital monitoring identifying the main under/over spends in the revenue budgets and capital schemes were presented at the November 2022 meeting, explaining the reasons for the variations and setting out the planned actions to remedy them. The Committee also received an update reviewing 'Our Chelmsford, Our Plan' at the November 2022 meeting. This proved to be a very useful report which allowed the Committee to analyse in detail the progress being made against specific elements of the plan. At the February 2023 meeting, the Committee received an update on Housing Delivery in Chelmsford with detailed statistics provided on the subject.

The Committee will continue to monitor performance and receive updates from specific services, during 2023/24, along with receiving updates from each Cabinet member on their directorate.

Financial Monitoring and Reporting

As part of the management of our finances, we reported to the Cabinet and the Audit and Risk Committee at various times throughout the year. You can find copies of these reports on our website. The following are the main financial subjects we report on:

- The medium-term financial strategy.
- Setting the Council Tax.
- Revenue estimates.
- Revenue and capital monitoring.
- The outturn and the accounts.
- Treasury management activity.
- Various auditors' reports on the accounts and other matters.

The Council has a revenue and capital monitoring process. During 2022/23 senior managers were given a detailed monthly report, Management Team and Cabinet Members received an informal quarterly report and in November a report was presented for Cabinet, identifying actions to address any overspends where possible.

Audit and Risk Committee will receive the provisional Revenue Outturn report in June 2023 to review the key variances and actions identified.

This enables us to identify any financial shortcomings or potential savings throughout the year.

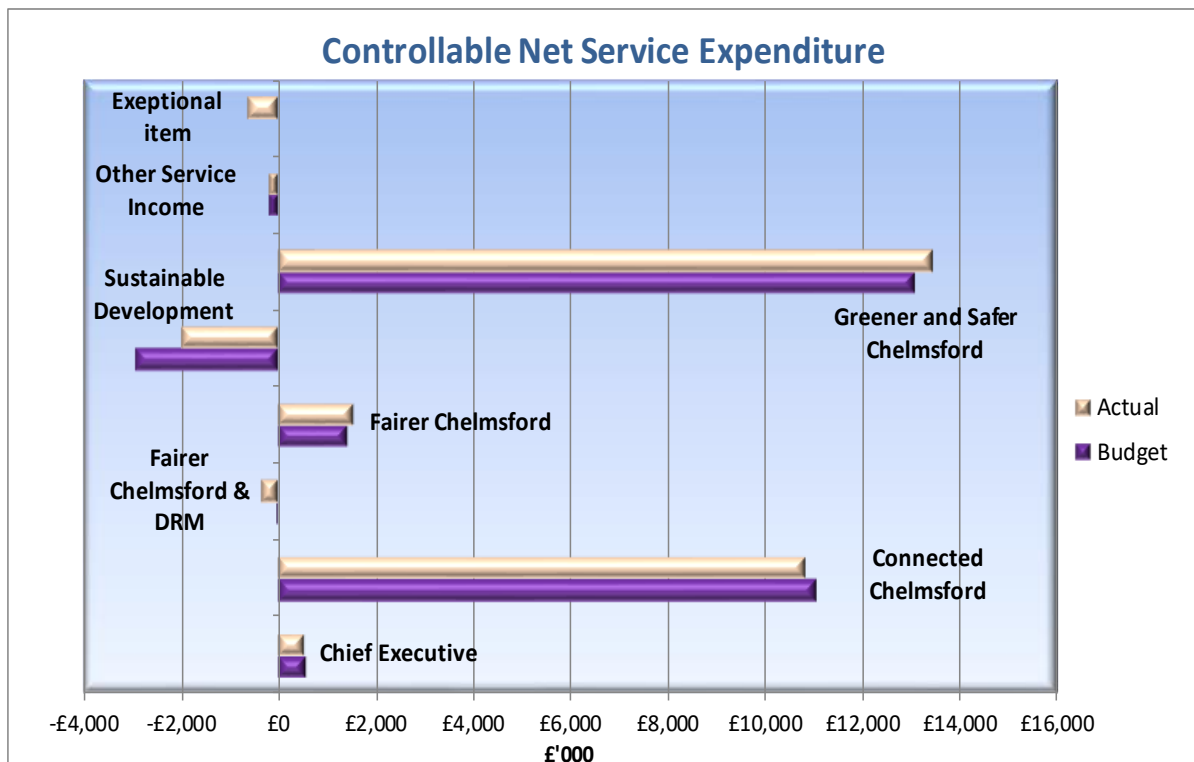
Revenue Outturn position

The analysis of the provisional outturn of the net service revenue expenditure for 2022/23 identified £0.9m overspend compared to the latest budget as amended by approvals made under delegation. This was offset by additional net income of £0.6m from VAT leisure refund, reported as an exceptional item in these accounts, due to council being successful in a tribunal case appeal.

The table below shows key service variations:

Reason for variation	Outturn +over/-under £m
Loss of Car Parking Income	1.1
Temporary Accommodation Subsidy Loss and Repairs costs for Temporary Accommodation	0.4
Inflationary pressures on areas of spend such as fuel, vehicle maintenance, insurance etc	0.3
Electricity and Gas	-0.3
Various Staffing Vacancies	-0.4
Leisure Centre Net Income	-0.2
Total service Variations	£0.9m

The following graph shows the service revenue outturn against our latest budget, original budget amended by approved additional funding added during the year under delegations.



During 2022/23, the Government provided grants to local authorities in order for them to assist residents and businesses during the cost-of-living crisis, as well as some service specific grants for the Council to mitigate the effects of post pandemic financial pressures.

The following table shows grants recognised in the Income and Expenditure statement that we received towards unexpected cost. The conditions attached to the grant dictate whether we can recognise the whole grant or only the grant amount that was used by 31 March 2023. General un-ringfenced grants that cannot be allocated to specific services are shown through the Income and Taxation line in the Comprehensive Income and Expenditure statement, all other services specific grants are shown in the service lines of the statement.

Grant	Service Specific £'000	Un-ringfenced £'000
Various New Burdens grants	246	-
Various other service specific grants to fund Covid19 expenditure or loss of income	133	-
Total	379	0

The Government also provided funding for businesses and most vulnerable residents and the Council was asked to redistribute this funding. For each grant received to distribute to businesses or individuals, the Council needs to determine if it is acting as a principal or an agent. Where an authority has a control over the distribution or amounts of grant it is deemed to be acting as a principal and needs to recognise the grant and expenditure within their Comprehensive Income and Expenditure statement. Where an authority is purely intermediary in distributing the grants it is deemed to be acting as an agent and the transactions are not recognised in the Comprehensive Income and Expenditure statement and we only recognise a debtor or a creditor position for any under funding of the grant or un-allocated grant. The following table shows grants that the authority has received from the Government and whether we are deemed to be an agent or a principal.

Grant	Grant Received (for reconciled closed schemes grant utilised)		Outstanding grant to be returned/ redistributed or underfunded grant amounts to be topped up by the Government
	Principal £'000	Agent £'000	£'000
Energy Rebate Main Scheme	-	8,315	169
Energy Rebate Discretionary Scheme	264	-	-
Energy Bills Support Scheme	-	966	834
Household support fund	-	248	248
Track and Trace / Self-isolation support grant	2	-	-
Total	266	9,529	1,251

All above grants, where the Council is deemed to be principal were ringfenced for a specific purpose of providing support to businesses and council tax payers and are therefore reflected in the Financial services line of the Comprehensive Income and Expenditure statement. If conditions of the grant required us to return any unused grant, we created a creditor on our balance sheet to the Government for the money outstanding. Where the conditions of the grant allowed us to over-spend the grant and the funding will be provided for the overspend, we have created a debtor on our balance sheet (showing as a negative amount in the above table).

The Council is a member of the Essex Business Rates pool which enables us to retain some of the levy that we would otherwise pay over to the Government. During 22/23 the Council applied £4m of covid additional relief to qualifying businesses 2021/22 bills as part of the measures introduced by the Government to aid businesses during the pandemic. This relief is fully compensated by the Government. As reported in the outturn report 2022/23 retained business rates income is £2.5m. bringing the retained income for 2022/23 including S31 grants to £3m above the Government baseline. This was £2m above the budgeted income. The business rates income retained is volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The Council remains a member of the Essex Pool in 2023/24.

Due to higher interest rates, the Council has earned £1.2m of additional interest earnings.

Medium Term Financial Strategy (MTFS) for 2023/24 to 2027/28

Council's Medium-Term Financial Strategy approved in July each year is the framework the Council uses to put in place the financial resources to deliver its strategic objectives.

The strategy also manages the risks to the Council's financial position mostly by focusing on maintaining robust reserves. The other key actions identified and undertaken on an ongoing basis:

- The Accountancy Services Manager (Section 151 Officer) identified that a target level of unearmarked reserves (to meet general contingencies) should remain at minimum of £9m for 2022/23.
- Council assets and capital spend are managed in the most cost-effective manner
- Savings and Efficiencies would be identified as part of the budget process
- Fees and Charges should be reviewed annually
- The Council VAT should be optimised to provide best position for residents.

Economy and High Inflation

Changing residents' behaviours post covid lockdowns, such as increased working from home have continued to make managing the Council's finances challenging as income remains below pre-covid levels.

High inflation, the cost-of-living crisis, is causing the Council's costs to rise at rate not seen since the 1970s. The Council's income cannot increase at the same rate, so financially the Council faces large financial shortfalls.

During 2022/23 the Council produced financial forecasts for years 2023/24 - 2027/28, the last forecast reported to Cabinet in January 2023 showed £8.3m cumulative shortfall. By the end of 2027-28, this would mean the Council, unless it takes actions, would be spending £8.3m a year more than its income. This represents more than 50% of annual Council tax income. The Council will avoid this fate by undertaking its financial strategy and will seek to avoid reducing services to public, whenever it can.

The main area affected by inflation has been staff pay which makes up around 50% of Council costs. A large part (circa 30%) of the Council's workforce is paid near the national living wage. The recent increases in the statutory national living wage have been near 10% a year. These increases are essential for staff due to the cost-of-living crisis but have led to significant increases in the Council's wage bill. The increase for 2022/23 was budgeted at 2.5% but ended up at 6%, an extra £1.5m a year, which had to be met initially from reserves.

Similarly, energy costs have risen significantly. Over the period of 2021/22 to 2023/24 the budget has been increased from just over a £1m a year to £3.9m. It now appears

that energy costs have started to fall but they seem unlikely to return to the lower levels budgeted for in 2021/22. The increased budgets for energy have been partially funded from reserves on the assumption prices would fall or savings would need to be found in later budgets when there will be more certainty.

There are other ongoing pressures arising from the Cost-of-living crisis, an area of concern being Homelessness. The additional demand and costs are still being assessed.

The Council's approach to managing these financial challenges is to use reserves to initially fund the increase in cost, thereby avoiding making service changes. Decisions to fund the increased costs from ongoing sources such as additional income or service reductions will only be made when the long-term implications of the cost pressures are understood. The Council reserves will be managed to provide adequate levels to cover all risks. Should reserve levels fall below targeted levels then the approach to managing costs pressures would have to change.

During the cost-of-living crisis the Council recognised the needs of residents has changed, and demand for some services has also increased. Many of the Council's services are there to aid the less affluent. So, a key objective of the management of the Council's finances will be to protect services for residents which in turn will assist residents with the cost-of-living crisis. Additionally, the Council has prioritised its use of resources to ensure support payments funded by the Government have been paid quickly and as accessibly as possible.

Council's principal risks and opportunities

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:

- encourage responsible, informed risk taking
- reduce exposure to a tolerable level using a justifiable level of resources

The Principal Risk Register is central to the Council's risk management framework. Principal Risks (which may include strategic, operational, project or compliance risks) are those risks which require regular oversight at senior level.

Please find below the Council's Top 5 Principal Risks, along with an assessment of their likelihood of occurrence and measures in place to mitigate them (as required by the Code):

Risk event	Likelihood	Mitigation
Homelessness Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	Very Likely (>70%)	The housing service is under significant pressure and new Housing Officer Working Group has been established in May 2023 to address affordable housing supply issues. This will aim to address workloads, while dealing with unprecedented demand (with post-Covid evictions and sharp rent increases). The risk is increased due to asylum seekers and ongoing Ukrainian situation.
Cyber Security Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	Possible (30-50%)	The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer. The work is progressing as scheduled.
Health and Safety A serious health and safety incident occurs	Possible (30-50%)	The Council annual Health and Safety (H&S) audit programme continues using H&S specialists, Peninsula, with outstanding actions monitored on new compliance Lighthouse system. This compliance system also manages fire risk assessments.
Chelmer Waterside Development The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan	Possible (30-50%)	While short-term financial exposure is increasing as the programme progresses, in line with expectations and inflationary pressures, good progress on the infrastructure delivery continues to be made. Works to relocate the gas infrastructure is underway and first phase of land contamination has been completed. Marketing of the CCC owned sites to identify a joint venture partner to deliver the new housing has also begun. Project risk and performance is monitored monthly.

Risk event	Likelihood	Mitigation
Financial Position weakened by increased demand for services and historically high inflation. As the Council has to under statute produce a balanced budget. The Council could have to make significant cuts to services to make good any large financial shortfalls.	Likely (50-70%)	The use of reserves in short term can prevent significant cuts. In the medium and longer term the Council can prioritise service investments and outcomes that produce financial benefits.

Workforce

The Council's employees play an important role in delivering our objectives. We have an Organisational Development Strategy which aims to ensure that we support their development. We continued to invest in our workforce by employing several apprentices within various departments of the Council.

Our workforce consists of 52% females and 48% males.

Other significant items

We did not have any material or unusual charges to the accounts or any major changes in statutory functions during 2022/23.

We continued to record a refund due to us following a successful legal challenge on the VAT treatment of leisure income as an exceptional item, due to its material value in 2021/22.

5. Statement of responsibilities for the Statement of Accounts

This section explains our responsibilities for our financial affairs and how we make sure we fulfil them.

Our responsibilities

We must:

- Make arrangements for our financial affairs to be managed properly and for one of our officers to be responsible for managing those affairs, that officer is Accountancy services manager.
- Manage our affairs to use our resources economically, efficiently and effectively, and to protect our assets.
- Approve the Statement of accounts.

I certify that these accounts were considered and approved by the Audit and Risk Committee, on behalf of Chelmsford City Council.

.....
Cllr Nora Walsh
Chair of the Audit and Risk Committee

.....
Date

The Accountancy Services Manager's responsibilities

The Accountancy Services Manager, Section 151 officer, is responsible for preparing our Statement of accounts in line with the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of accounts, the Accountancy Services Manager has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- followed the Code.

The Accountancy Services Manager has also:

- kept proper accounting records that were up to date, and
- taken reasonable steps to prevent and detect fraud and other irregularities.

I certify that the accounts set out in the Statement of accounts present a true and fair view of our financial position at 31 March 2023 and the income and spending for the year ended 31 March 2023.

.....
Phil Reeves
Accountancy Services Manager, Section 151 officer

.....
Date

6. The main financial statements

Comprehensive income and expenditure statement

This section is a summary of our spending on services. It also shows where we got the money from.

2021/22	2021/22	2021/22			2022/23	2022/23	2022/23
Gross spending £ 000	Income £ 000	Net spending £ 000	Money spent on services direct to the public	Notes	Gross spending £ 000	Income £ 000	Net spending £ 000
800	(105)	695	Chief Executive		659	(2)	657
50,002	(39,057)	10,945	Connected Chelmsford		47,762	(34,275)	13,487
152	(251)	(99)	Fairer Chelmsford & DRM		162	(485)	(323)
13,934	(5,465)	8,469	Fairer Chelmsford		16,619	(6,255)	10,364
11,198	(9,557)	1,641	Sustainable Development		15,577	(9,143)	6,434
38,265	(21,294)	16,971	Greener and Safer Chelmsford		43,641	(19,118)	24,523
-	(185)	(185)	Other Service Income		-	(190)	(190)
410	(5,126)	(4,716)	Exceptional Item - VAT claim		54	(676)	(622)
114,761	(81,040)	33,721	Spending on current services		124,474	(70,144)	54,330
2,739	(1,391)	1,348	Other operating expenditure	11	3,261	(1,307)	1,954
20,674	(9,124)	11,550	Financing and investment	12	11,103	(9,783)	1,320
28,721	(65,278)	(36,557)	Taxation and general grants	13	28,589	(72,591)	(44,002)
166,895	(156,833)	10,062	(Surplus) or deficit on Provision of Services		167,427	(153,825)	13,602
			Items that will not be reclassified to the Total spending on services				
		1,777	(Surplus) or loss from our assets being revalued				(1,075)
		(51,227)	Remeasurement of the assets of the pension fund	33			(105,618)
			Items that may be reclassified to the Total spending on services				
		-	(Surplus) or loss from financial assets				-
		(39,388)	Total income and expenditure	24			(93,091)

Movement in reserves statement

Movement in Reserves	General fund	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2021	38,681	-	37,271	75,952	131,644	207,596
Total comprehensive income and expenditure	(10,062)	-	-	(10,062)	49,450	39,388
Adjustments from council tax levied and accounting regulations (note 9)	4,160	26	4,157	8,343	(8,343)	-
Net increase or (decrease)	(5,902)	26	4,157	(1,719)	41,107	39,388
Balance at 31 March 2022	32,779	26	41,428	74,233	172,751	246,984

Movement in Reserves	General fund	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2022	32,779	26	41,428	74,233	172,751	246,984
Total comprehensive income and expenditure	(13,602)	-	-	(13,602)	106,693	93,091
Adjustments from council tax levied and accounting regulations (note 9)	10,541	554	2,881	13,976	(13,976)	-
Net increase or (decrease)	(3,061)	554	2,881	374	92,717	93,091
Balance at 31 March 2023	29,718	580	44,309	74,607	265,468	340,075

Balance sheet

This section shows our financial position at the end of the financial year.

31 March 2022	Balance Sheet		31 March 2023
£ 000		Notes	£ 000
	Long-term assets		
196,075	Property, plant and equipment	14	204,244
58,011	Investment property	14	58,908
336	Intangible assets		347
4,376	Heritage assets	15	4,380
17,391	Long-term investments	16	15,265
7,264	Long-term debtors		1,617
	Assets relating to our pensions	33	31,428
283,453			316,189
	Current assets		
254	Stocks		303
22,996	Short-term investments	16	6,129
24,232	Short-term debtors	18	37,676
35,673	Cash in hand and cash equivalents	19	20,694
83,155			64,802
	Current liabilities		
(40,970)	Short-term creditors	20	(29,875)
(831)	Provisions	21	(1,789)
(599)	Cash overdrawn	19	-
(42,400)			(31,664)
	Long-term liabilities		
(2,865)	Long-term creditors	38	(2,568)
(2,376)	Long-term Provisions	21	-
(5,473)	Capital grants received in advance	30	(6,684)
(66,510)	Liability relating to our pensions	33	-
(77,224)			(9,252)
246,984	Net assets		340,075
31 March 2022	Reserves		31 March 2023
£ 000		Notes	£ 000
	Reserves		
74,233	Usable reserves (see Movement in Reserves Statement)		74,607
172,751	Unusable reserves	22	265,468
246,984	Total reserves		340,075

Cashflow statement

This section shows what cash we spend and receive.

2021/22 £ 000	Cash Flow	Notes	2022/23 £ 000
	Operating activities		
	Spending		
(27,893)	Payments to and for employees		(30,086)
(33,526)	Housing benefit paid out		(32,191)
(221)	NDR cost of collection		(219)
(2,739)	Precepts		(2,940)
(28,721)	Tariff & Levy/ Safety Net		(28,589)
(20)	Interest paid		(69)
(32,322)	Other costs		(62,008)
	Income		
8,017	Rents (after rebates)		9,316
16,770	Council tax		17,476
25,900	NDR we received		29,028
31,860	Grants towards Housing Benefit costs		30,049
20,831	Other government grants		10,914
20,942	Income from provision of goods and services		25,243
616	Interest we received		1,801
6,840	Other revenue income		6,503
6,334	Net cash inflow or (outflow) from operating activities	23	(25,772)
	Investing activities		
	Spending		
(10,458)	Buying non-current assets		(28,284)
	Income		
1,079	Selling non-current assets		28
8,648	Capital grants and contributions we received		17,613
(153)	Other contributions		157
29,312	Investment Inflows		28,867
(54,275)	Investment Outflows		(12,000)
(25,847)	Net cash inflow (outflow) from Investing activities		6,381
(19,513)	Net cash inflow or (outflow) before financing		(19,391)
	Management of liquid resources		
	Financing activities		
22,075	Other liquid resources		5,011
22,075	Cash flow from financing activities		5,011
2,562	Increase or (decrease) in cash		(14,380)
32,512	Cash balance at the beginning of the year		35,074
35,074	Cash balance at the end of the year		20,694

7. Notes to the Main Financial Statement

1. Expenditure and funding Analysis

The analysis of income and expenditure shown in the Comprehensive income and expenditure statement includes adjustments made under generally accepted accounting practices. The Expenditure and funding analysis shows how we report to the Management Team and Members and reconciles it to the Comprehensive income and expenditure statement.

2021/22	2021/22	2021/22	Expenditure and Funding Analysis	2022/23	2022/23	2022/23
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
602	93	695	Chief Executive	553	104	657
8,841	2,104	10,945	Connected Chelmsford	10,832	2,655	13,487
(99)	-	(99)	Fairer Chelmsford & DRM	(323)	-	(323)
1,033	7,436	8,469	Fairer Chelmsford	1,552	8,812	10,364
(1,657)	3,298	1,641	Sustainable Development	(1,981)	8,415	6,434
12,071	4,900	16,971	Greener and Safer Chelmsford	13,438	11,085	24,523
(185)	-	(185)	Other Service Income	(190)	-	(190)
(4,716)	-	(4,716)	Exceptional Item - VAT claim	(622)	-	(622)
15,890	17,831	33,721	Spending on current services	23,259	31,071	54,330
2,739	(1,391)	1,348	Other operating expenditure	2,940	(986)	1,954
1,724	9,826	11,550	Financing and investment	147	1,173	1,320
(14,451)	(22,106)	(36,557)	Taxation and general grants	(23,285)	(20,717)	(44,002)
5,902	4,160	10,062	Total spending on services	3,061	10,541	13,602

2021/22	Movement on General fund Balance (including Earmarked reserves)	2022/23
£ 000		£ 000
38,681	Opening Balance	32,779
(5,902)	Surplus/(Deficit)	(3,061)
32,779	Closing Balance at 31 March	29,718

2. General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2022/23 and our position at the year-end, 31 March 2023. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

The following accounting policies are considered to be general accounting policies. Accounting policies relating to a particular note to the accounts are included within that note.

Fair value

Fair value is 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. The valuation always assumes any asset is in its most profitable use. The Council measures some of its non-financial assets such as investment properties, surplus assets and some of its financial instruments such as pooled funds. The Council's assets and liabilities for its employee pension scheme are also measured at fair value.

Going concern

The 'going concern' concept means that we prepare the financial statements on the assumption that our business is financially sound and not about to be liquidated.

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

We have based the valuations and financial data on the assumption that the business will remain in existence for an indefinite period.

An indefinite period means the foreseeable future or long enough for us to meet our objectives and to fulfil our commitments. It is important to note that the 'going concern' concept assumes that the business will remain in existence long enough for all its assets to be fully used.

Overheads

To present the information on the same basis as our management reporting we do not reallocate the cost of support services to other service lines of the Comprehensive income and expenditure statement.

Revenue and capital transactions

Revenue and capital transactions are recorded on an income and expenditure (accruals) basis. This means we record income and grants, including government grants, in our accounts when we are owed it, rather than when we receive it. Likewise, we record spending in our accounts when we owe it, rather than when we actually make a payment. We do not accrue amounts under £1,000 where they would have no material impact.

Income from contracts with service recipients for goods and services is recorded in our income and expenditure statement when the goods or services are delivered to the service recipient, in accordance with the terms of the contract, rather than when we receive the payment.

We record revenue grants in the service they relate to. If a revenue grant does not relate to a specific service, we have shown it in the Comprehensive income and expenditure statement, below the total spending on services.

Where we are acting as an agent for another organisation (for example when collecting Council Tax and NDR) we only include income and expenditure and amounts owing that belong to us in the Comprehensive income and expenditure statement and Balance sheet. The Collection Fund includes all income and expenditure.

Where we have paid a full year's costs in the year, for example four quarterly electricity bills, we do not accrue amounts paid in advance or amounts owing at the year-end in the Balance sheet. The same applies for rents payable and rents received.

Revenue Expenditure Funded from Capital under Statute

Some items of expenditure can be funded by capital resources under Government Statute even though they do not create an asset owned by the Council. These items of expenditure are charged to the relevant service in the Comprehensive Income and Expenditure Statement but funded by a transfer from the Capital Adjustment Account, so there is no impact on Council tax.

Value added tax

VAT is not shown as spending, unless we cannot claim it back.

3. Accounting standards issued but not yet adopted

We need to disclose information relating to the impact of any changes in accounting standards that have been issued but not yet adopted for this financial year but will be used in preparing next year's accounts.

The following new standards require additional disclosures:

- FRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Due to delays to accounts completions and as a consequence, additional resource needed to complete the audit and the preparation of the statements of accounts, the Council has opted to delay implementation of the IFRS 16 Leases standard until 2024/25. We do not expect that any of the other changes will have a material impact on our accounts.

4. Critical judgements in applying accounting policies

We have made a number of judgements in preparing these accounts and have listed the more important ones below.

During 2022/23 we received several grants from the Government to redistribute to individuals within the Council's area.

For each grant we considered the grant conditions to decide if we acted as an agent or principal for the grant, using following judgments:

- Where the Council had a control over the distribution or amounts of grant it is deemed to be acting as a principal and we recognised the grant and expenditure within the Comprehensive Income and Expenditure statement.

- Where the Council was purely intermediary in distributing the grants we acted as an agent and the transactions were not recognised in the Comprehensive Income and Expenditure statement. If we have been awarded more grant than we need or less than we recognise a creditor or a debtor.

5. Uncertainty about the future and other assumptions

The Statement of accounts contains estimated amounts that are based on historical knowledge and our judgements of the current and future conditions. There is therefore some uncertainty about the amounts included in the Statement. The most critical amounts estimated are as follows.

Item	Uncertainties	Effect if assumptions change
Property and Investment Properties	<p>Valuations require significant judgements to be made. The Council employs relevant experts to identify the most appropriate valuation techniques.</p> <p>The valuations provided reflect the best information available at the time of the production of the accounts. Assets are valued at either Market Value, Existing use value or Depreciated Replacement Cost (DRC) for specialised assets.</p> <p>Existing use asset valuations use inputs which can be corroborated as there is reliance on comparable market data.</p> <p>Significant judgement is required in the valuation of specialised assets due to the subjective nature of the valuation process. Valuations are based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. It uses factors such as area, location, age and the condition of the asset.</p>	<p>The impact of changes in valuation are on the Council's Balance sheet and do not have a financial impact on service delivery. All Investment, Surplus, Other Land and Building assets includes assets with a value over £2m, all car parks, owned temporary accommodation properties and specialised operational assets (DRC) over £2m were valued as at the 31st March 2023.</p> <p>An indexation advised by our valuers was applied to the remaining DRC buildings assets below £2m.</p> <p>The carrying value of these assets is as follows: - Other Land and Buildings £90m Other Land and Buildings DRC £82m Surplus £9m Investment £59m</p> <p>A 1% change in the valuation of these categories would be £2.4m.</p> <p>Note 14 provides further details on the value of our assets and valuation methodologies.</p>

Pensions liability	The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.	See note 33 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2023 following successful appeals. Our share of this provision is £1.8m (see Note 21). In 2017 Valuation Office Agency (VOA) completed a revaluation exercise for Business Rates and a new check, challenge system for appeals lodged for the 2017 list. The estimate for the appeals lodged before the revaluation has been calculated using the VOA ratings list of appeals, and historical data on successful appeals to date. The new check, challenge system of lodging and processing the appeals introduced for the 2017 list means that some lodged appeals will not be published by the VOA until they are validated. We calculated our provision based on checks and challenges lodged to date information. It is possible that appeals will be settled at amounts which differ from the estimate made.

<p>Fair Value Measurement</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer). The Council uses level 2 inputs (inputs that can be corroborated by observable market data) for valuing its investment properties. The investment property valuations have utilised either the site area of the property based on newly agreed lease rents, or through utilising data on new rents of comparable buildings in the local market. Where this is not possible judgement is required in establishing fair values (level 3). These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions made could affect the value of the Council's assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 16.</p>	<p>Investment property inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Professional valuers have applied their opinion where observable market data is applied to each individual property. Level 3 inputs are unobservable inputs that are used to measure fair value in circumstances where market data is not available as there is little, if any, market activity at the measurement date. Significant changes in any of the inputs could result in significantly lower or higher fair values. The value of investment properties measured at Fair Value is £59m</p>
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<p>Bad Debt</p>	<p>The provision for bad debts is uncertain due to the unknown future impact of the current economic situation with rising costs and high inflation. Provision provided is based on the best information available at the time of the production of the accounts.</p>	<p>We have created a provision for our estimate of the amount of debt that we might not be able to collect to the 31 March 2023 for general, housing tenants, HB, NDR and Council Tax debtors. Our share of this provision is £3.6m. This provision reflects assumptions on businesses and individuals and their future ability to repay the money owed to us. Changes to these assumptions will result in a change to the provision.</p>
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6. Note to the Expenditure and funding analysis

The following table further explains the funding adjustments made in the Comprehensive income and expenditure statement under generally accepted accounting practices as shown in the Expenditure and funding Analysis in Note 1.

2021/22						
Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases
	(Note 1)	(Note 2)	(Note 3)		(Note 4)	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chief Executive		93		93		93
Connected Chelmsford	378	1,726		2,104		2,104
Fairer Chelmsford & DRM				-		-
Fairer Chelmsford	3,476	364	(17)	3,823	3,613	7,436
Sustainable Development	2,163	1,124		3,287	11	3,298
Greener and Safer Chelmsford	1,849	3,380		5,229	(329)	4,900
Other Service Income				-		-
Exeptional Item - VAT claim				-		-
Spending on current services	7,866	6,687	(17)	14,536	3,295	17,831
Other operating expenditure	(1,391)			(1,391)		(1,391)
Financing and investment	11,942	2,134	(955)	13,121	(3,295)	9,826
Taxation and general grants	(7,672)		(14,434)	(22,106)		(22,106)
Total spending on services	10,745	8,821	(15,406)	4,160	-	4,160

2022/23						
Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases
	(Note 1)	(Note 2)	(Note 3)		(Note 4)	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chief Executive		79		79	25	104
Connected Chelmsford	1,144	1,511		2,655		2,655
Fairer Chelmsford & DRM				-		-
Fairer Chelmsford	6,057	289	(190)	6,156	2,656	8,812
Sustainable Development	7,434	1,018		8,452	(37)	8,415
Greener and Safer Chelmsford	8,438	3,122		11,560	(475)	11,085
Other Service Income				-		-
Exceptional Item - VAT claim				-		-
Spending on current services	23,073	6,019	(190)	28,902	2,169	31,071
Other operating expenditure	(986)			(986)		(986)
Financing and investment	(444)	1,661	2,125	3,342	(2,169)	1,173
Taxation and general grants	(16,670)		(4,047)	(20,717)		(20,717)
Total spending on services	4,973	7,680	(2,112)	10,541	-	10,541

1. Adjustments for Capital Purposes

This column adds depreciation, impairments and revaluation gains and losses in the service lines, and for:

- Other operating expenditure – Capital disposals transferring income on the disposal of the assets and the amounts written off for the assets.
- Financing and investment income and expenditure – The statutory charges for capital financing including minimum revenue provision.
- Taxation and Non-specific grant income and expenditure – Capital grants received during the financial year without any conditions or where conditions were met during the financial year.

2. Net Change for the Pension Adjustments

For service lines this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the Comprehensive income and expenditure statement.

3. Other Statutory Adjustments

This shows any other amounts payable and receivable to be recognised under statute.

For Taxation and general grants this represents the timing difference with regards to the collection fund for income projected to be received and actual income received.

4. Other Non-Statutory Adjustments

This represents:

- a removal of transactions between segments of the income and expenditure account,
- removal of Trading accounts income and expenditure and Investment properties income so that they are shown in the Financing and investment line of the Comprehensive income and expenditure account.

7. Major classes of cash receipts and payments (Comprehensive income and expenditure statement)

The movements in our Comprehensive income and expenditure statement include the following:

- Housing benefit payments £32.1m
- Government grant received in respect of housing benefit paid to the Council £30.0m
- Income from sales, fees and charges and rents £34.6m
- Employee costs excluding statutory payments on behalf of employees for tax and pensions £30.1m

8. Events after the Balance sheet date

If anything happens after the end of the year and before we issue the Statement of accounts, we will either amend the accounts if it affects anything we reported on in the year or add a note to say how it will affect future years.

9. Adjustments to expenditure to arrive at the final charge to council tax

Accounting Policy

We set aside specific amounts as reserves for future purposes, or to cover contingencies, or to deal with the local authority legal requirements for capital and pension accounting. Reserves are created by moving amounts from the General fund in the Movement in reserves statement. When we incur expenditure that is due to be financed from a reserve, we charge it to the appropriate service in the Comprehensive income and expenditure statement. We credit the statement with an equal amount transferred from the reserve so that there is no charge to council tax.

The following are the main reserves we include in the Balance sheet.

Capital adjustment account	Includes amounts we have set aside to pay for fixed assets. It also includes capital receipts we have set aside to repay loans and other capital financing transactions, and revaluation gains before 1 April 2007. This is an unusable reserve.
Capital receipts reserve	Represents the money we have received, but not yet spent, from selling assets. This is a usable reserve.

Earmarked reserves	These are usable reserves set aside for a specific purpose.
Pension reserve	Represents the shortfall or surplus on assets needed to cover our future pension costs. This is an unusable reserve.
Revaluation reserve	Shows changes in the value of our fixed assets caused by revaluing them. It only has revaluation gains recognised after 1 April 2007. Any gains before that date are shown in the Capital adjustment account. This is an unusable reserve.

The General fund balance movements include movements in Earmarked reserves, which are set aside for specific purposes. The detail of these can be found in note 10.

Movements in 2021/22	General fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)						
Depreciation and impairment of non-current assets	(6,813)			(6,813)	6,813	-
Revaluation losses on property, plant and equipment	581			581	(581)	-
Change in the market value of investment properties (+gain/-loss)	(14,262)			(14,262)	14,262	-
Amortisation of intangible assets	(88)			(88)	88	-
Capital grants and contributions applied to capital financing	397			397	(397)	-
Revenue expenditure funded from capital under statute	(1,546)			(1,546)	1,546	-
Gain or loss on the disposal of non-current assets	754	(1,079)		(325)	325	-
Unrealised gain or loss on Investments	955			955	(955)	-
Inclusion of items not included in the CI&ES				-	-	
Statutory provision for the financing of capital investment	333			333	(333)	-
Capital expenditure charged to the General Fund	1,987			1,987	(1,987)	-
Adjustments involving the capital receipts reserve				-	-	
Asset sale proceeds credited to the CI&ES	637	(695)		(58)	58	-
Use of capital receipts to fund new capital spending		1,748		1,748	(1,748)	-
Adjustments involving the capital grants unapplied account				-	-	
Reversal of unapplied capital grants and contributions credited to the CI&ES	5,280		(5,280)	-	-	-
CIL grant	1,995		(1,995)	-	-	-
Grants applied to capital financing			3,118	3,118	(3,118)	-
Adjustments involving the pension reserve				-	-	
Reversal of post-employment benefits charged to the CI&ES	(14,068)			(14,068)	14,068	-
Employer's pension contributions paid in the year	5,247			5,247	(5,247)	-
Adjustments involving the collection fund adjustment account				-	-	
Adjustment for Council Tax collection fund income	57			57	(57)	-
Adjustment for Non-domestic rates collection fund income	14,377			14,377	(14,377)	-
Adjustments involving the accumulating compensated absences adjustment account				-	-	
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	17			17	(17)	-
Total adjustments	(4,160)	(26)	(4,157)	(8,343)	8,343	-

Movements in 2022/23	General fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Reversal of items included in the Comprehensive income and expenditure account (CI&ES)						
Depreciation and impairment of non-current assets	(7,333)			(7,333)	7,333	-
Revaluation losses on property, plant and equipment	(10,997)			(10,997)	10,997	-
Change in the market value of investment properties (+gain/-loss)	(1,501)			(1,501)	1,501	-
Amortisation of intangible assets	(97)			(97)	97	-
Capital grants and contributions applied to capital financing	995			995	(995)	-
Revenue expenditure funded from capital under statute	(4,645)			(4,645)	4,645	-
Gain or loss on the disposal of non-current assets	(321)	(29)		(350)	350	-
Unrealised gain or loss on Investments	(2,125)			(2,125)	2,125	-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment	594			594	(594)	-
Capital expenditure charged to the General Fund	1,351			1,351	(1,351)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	1,306	(1,332)		(26)	26	-
Use of capital receipts to fund new capital spending		807		807	(807)	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	13,366		(13,366)			-
CIL grant	2,308		(2,308)			-
Grants applied to capital financing			12,793	12,793	(12,793)	-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(13,297)			(13,297)	13,297	-
Employer's pension contributions paid in the year	5,617			5,617	(5,617)	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	(228)			(228)	228	-
Adjustment for Non-domestic rates collection fund income	4,278			4,278	(4,278)	-
Adjustments involving the accumulating compensated absences						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	188			188	(188)	-
Total adjustments	(10,541)	(554)	(2,881)	(13,976)	13,976	-

10. An assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Contingency	Business Rates Reserve	Future replacement of assets	Other reserves
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2021	1,116	3,042	17,857	-	2,891
Transfers in	717		3,639	2,156	2,507
Transfers out			(16,861)	-	(1,382)
Balance at 31 March 2022	1,833	3,042	4,635	2,156	4,016
Transfers in	867	-	-	2,186	961
Transfers out	(454)	(3,042)	(3,829)	(1,383)	(698)
Balance at 31 March 2023	2,246	-	806	2,959	4,279

a **Pensions**

This reserve was set up to deal with the future effects of costs arising from early retirements and deficits on the pension fund.

b **Contingency reserve**

Was set up to meet any unexpected costs, but has now been transferred to form part of the General fund.

c **Business Rates Reserve**

To manage timing differences from payments and income from Business Rates Retention scheme as well as smooth any unexpected impact of fluctuations in business rates appeal on income collected.

11. Other operating expenditure

2021/22 Gross spending £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			Other operating expenditure			
2,739	-	2,739	Parish council precepts	2,940	-	2,940
-	(754)	(754)	(Gain) or losses on disposal of non-current assets	321	-	321
-	(637)	(637)	(Gain) or losses on disposal of unattached assets	-	(1,307)	(1,307)
2,739	(1,391)	1,348		3,261	(1,307)	1,954

12. Financing and investments

2021/22 Gross spending £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			Financing and investments			
-	(616)	(616)	Interest and investment income	-	(1,867)	(1,867)
20	-	20	Interest we have to pay	69	-	69
-	(955)	(955)	Other unrealised investment income or loss	2,125	-	2,125
2,134	-	2,134	Pensions interest (note 33)	1,661	-	1,661
3,919	(3,531)	388	(Gains) or losses on trading operations (note 25)	4,272	(3,688)	584
14,262	-	14,262	Revaluation of investment properties	1,501	-	1,501
339	(4,022)	(3,683)	Investment properties (note 25)	1,475	(4,228)	(2,753)
20,674	(9,124)	11,550		11,103	(9,783)	1,320

13. Taxation and non-specific grants

2021/22 Gross spending £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			Taxation & general grants			
-	(27,448)	(27,448)	National non-domestic rates	-	(30,074)	(30,074)
27,509	(8,646)	18,863	Government tariff and s31 grants	27,509	(5,328)	22,181
-	(16,729)	(16,729)	Demand on the collection fund	-	(17,415)	(17,415)
1,212	(12,455)	(11,243)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	1,080	(19,774)	(18,694)
28,721	(65,278)	(36,557)		28,589	(72,591)	(44,002)

14. Movements on our assets

Independent external valuers are used to revalue our properties. The valuations were undertaken by Montagu Evans on the 31st March 2023. The following assets were valued in 2022/23:-

- All Investment Properties
- All Surplus Assets
- Other Land and Buildings – Car Parks, Temporary Accommodation Properties, Specialised Operational Assets over £2m and those assets with a value in excess of £2m

For the specialised assets not valued by Montagu Evans an indexation of 8.6% was applied to reflect the increased replacement cost of the assets. This indexation rate was provided by Montagu Evans.

The assets the Council holds have not materially altered but there are changes to value and/or economic lives of assets. The impact of these changes does not result in any real change in the financial health of the authority or its ability to provide its services.

The new valuation of Council's car parks reflects a continuing trend of falling income since Covid 19 with a further £6.2m fall in values compared to last year from £46.2m in 2021/22 to £40m this year. The valuations are based on an average of the previous 3 year's income.

The Council has been acquiring property for use as temporary accommodation and has invested £12.7m in 2022/23 to purchase and refurbish properties for this purpose. The Council previously held assets to the value of £9.1m in this category. The assets are valued at existing use rather than held at their market value and following valuation the value of this category of asset is £16.1m a reduction of £5.7m or 26%

High Chelmer Shopping Centre has made a slight recovery in value after a significant fall of 37% in value in 2021/22 to £23.5m. The value is now £26m a 10.6% increase from 2021/22 and is due to an increase in the variable ground rent.

The value of commercial office accommodation has fallen due to market sentiment and the valuations have fallen by 14% from £18.4m to £15.8m.

All valuations are in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The valuer did not inspect all our properties, as this was not possible or necessary.

Accounting policies

Charges to Revenue for Assets

We charge service revenue accounts, central support services and trading undertakings for all the fixed assets they use to provide their services. There are depreciation charges that cover the estimated loss in value over time of physical assets that each service has used which are spread on a straight-line basis over the asset's life.

Investment Properties

Investment properties are those we use solely to earn rentals or hold in the expectation that they will increase in value. The property cannot be used to deliver Council services.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

We credit rental income from the properties to the Financing and investment income line in the accounts. We add any revaluation gains to the Financing and investment income and expenditure line in the Comprehensive income and expenditure statement but reverse them out before they affect council tax.

Property, Plant and Equipment (PPE)

PPE are physical assets used in providing Council services. They must provide benefit for more than one financial year.

Spending on capital assets is recorded in our accounts when the work has been done, or when the asset has been delivered to us, rather than when we actually pay for it.

Different types of assets are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- Community assets such as parks are valued at historic cost unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are valued at depreciated historical cost
- Other assets such as land and buildings are valued at a price that would be paid for the asset in its existing use. Where there is no market-based evidence

because the asset is so specialised they are valued at depreciated replacement cost.

- Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell.
- Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. The fair value of surplus assets is 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.

All Investment, Surplus and large assets with a value in excess of £2m are revalued every year. All other assets will be revalued at least once every three years. However, if there is evidence of a big change in an asset's value in any year, we will revalue that asset immediately.

Increases in revaluations result in the property, plant and equipment values rising and a credit being made to the Revaluation reserve to recognise the unrealised gain. The unrealised gain means the asset is now worth more, but we have not sold it and realised that gain. Sometimes, if the asset had previously suffered a loss, the gain on revaluation will be credited to the Comprehensive income and expenditure statement, but the effect will be removed before it affects council tax.

We charge decreases in valuations as follows:

- If there is a balance on the Revaluation reserve from previous gains, we charge decreases against those gains.
- If there is no balance on the Revaluation reserve or if it is insufficient, we charge the shortfall to the Comprehensive income and expenditure statement. This is reversed out before it affects council tax.

Sometimes an asset falls in value because part of it has broken or worn out (impairment), for example if a roof starts to leak and needs to be replaced. The Council reviews its assets annually for these impairments. When an impairment occurs, we charge it as follows:

- When there is a balance in the Revaluation reserve, the impairment will be charged there.
- Where there is no balance on the Revaluation reserve, we make a charge to the service that uses the asset. This is reversed out before it affects council tax.

When we are deciding whether to reduce the value of our assets, we use the following rules:

We reduce the value of most of our assets steadily throughout their useful lives from the time they are ready for use (depreciation). The exceptions to this are community assets, freehold investment properties and other assets held for sale (but only from the date we have decided to sell them). Land is not depreciated.

If the Council still owns equipment and intangible assets where they are fully depreciated, we take a decision to revalue them only if their value is over £10,000. Otherwise, the asset is written out of the Balance sheet on disposal.

The useful lives we have decided on for our assets are estimates and depend on the type of asset. We have set out below the shortest and longest time we expect each type of asset to be valuable:

- Buildings 5-50 years
- Vehicles and equipment 2-25 years

We decide each year whether the useful lives figures are still appropriate.

Any gain in the value of the asset recorded in the Revaluation reserve is reduced every year as the asset depreciates. This reflects the change in value as an asset wears out or becomes less useful. It is generally the cost to buy the asset minus any money we expect to gain from selling the asset, divided by the number of years the asset will be useful. We show the falling value of assets through a charge to the Capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Proceeds from the disposal of capital assets are categorised as capital receipts.

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2021 (after depreciation)	172,401	8,500	188	4,737	1,196	7,135	194,157
Total book value on 1 April 2021	172,750	19,905	199	4,737	1,196	7,135	205,922
Assets we have transferred	920	7	-	30	(957)	-	-
Assets we have bought, improved or were donated	4,928	2,635	28	56	2,547	23	10,217
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(132)	(652)				-	(784)
Assets no longer required		(883)					(883)
Assets we have impaired							-
Assets revalued	(6,403)					120	(6,283)
Total book value on 31 March 2022	172,063	21,012	227	4,823	2,786	7,278	208,189
Depreciation on 1 April 2021	349	11,405	11	-	-	-	11,765
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(4)	(1,521)				-	(1,525)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(4,910)					(29)	(4,939)
Depreciation for the year	4,916	1,860	8			29	6,813
Depreciation on 31 March 2022	351	11,744	19	-	-	-	12,114
Net book value on 31 March 2022 (after depreciation)	171,712	9,268	208	4,823	2,786	7,278	196,075

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2022 (after depreciation)	171,712	9,268	208	4,823	2,786	7,278	196,075
Total book value on 1 April 2022	172,063	21,012	227	4,823	2,786	7,278	208,189
Assets we have transferred	4,986	97	-	311	(5,394)	-	-
Assets we have bought, improved or were donated	11,375	2,624	-	83	11,175	521	25,778
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(352)	(1,224)				-	(1,576)
Assets no longer required							-
Assets we have impaired							-
Assets revalued	(16,122)					1,134	(14,988)
Total book value on 31 March 2023	171,950	22,509	227	5,217	8,567	8,933	217,403
Depreciation on 1 April 2022	351	11,744	19	-	-	-	12,114
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(16)	(1,210)				-	(1,226)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(4,881)					(181)	(5,062)
Depreciation for the year	5,062	2,082	8			181	7,333
Depreciation on 31 March 2023	516	12,616	27	-	-	-	13,159
Net book value on 31 March 2023 (after depreciation)	171,434	9,893	200	5,217	8,567	8,933	204,244

FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Historic cost	1,211	22,509	227	4,881	8,567	-	37,395
Carrying fair value at:							
31 March 2023 (valuation date 31/03/2023)	164,747					8,933	173,680
31 March 2022 (valuation date 31/03/2022)	96						96
31 March 2021 (valuation date 31/03/2021)	1,528			314			1,842
31 March 2020 (valuation date 31/03/2020)	4,368			22			4,390
31 March 2019 (valuation date 30/11/2018 & 31/03/2019)	-						-
Total	171,950	22,509	227	5,217	8,567	8,933	217,403

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	24	72,252	72,276	204	57,807	58,011
Additions						
Properties we bought			-			-
Properties we built			-			-
Properties we improved	180	-	180	805	1,593	2,398
Disposals		(183)	(183)		-	-
Net gain or (loss) from fair value adjustments		(14,262)	(14,262)		(1,501)	(1,501)
Transfers (to) or from						
Stocks			-			-
Property, plant and equipment		-	-		-	-
Other changes			-			-
Balance on 31 March	204	57,807	58,011	1,009	57,899	58,908

The operating costs and income from our investment properties can be found in note 25 of the notes to the main financial statements.

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£ 000	£ 000	£ 000
Commercial Site	21,394		21,394
Development site	4,372	658	5,030
Pending Sale			-
Residential (market rental) properties	252		252
Retail Sites	31,131		31,131
Balance on 31 March 2022	57,149	658	57,807

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2023
	£ 000	£ 000	£ 000
Commercial Site	19,545		19,545
Development site	4,166	363	4,529
Pending Sale			-
Residential (market rental) properties	250		250
Retail Sites	33,575		33,575
Balance on 31 March 2023	57,536	363	57,899

The categorisation of assets involves the valuers making a judgement based on the latest available information. Galleywood Hall has been re-categorised from Input Level 3 to Level 2 as the development has now been completed and is being used for light industrial.

Funding our capital expenditure

We incurred the following amounts of capital expenditure in the year and these are shown together with a statement of the resources used to finance the expenditure below. The balance on the capital financing requirement is £35.4m. At the end of the year we have an external debt of £1.14m (finance lease) and £34.23m internal borrowing against reserves.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2021/22	2022/23
	£ 000	£ 000
Opening capital finance requirement at 1 April	14,410	18,899
Expenditure on		
Property plant and equipment	10,217	25,778
Investment properties	180	2,398
Heritage assets		-
Intangible assets	61	109
Revenue expenditure funded from capital under statute and Renovation Loans	2,355	4,722
Less sources of finance		
Capital receipts	(1,748)	(807)
Government grants and other contributions	(4,256)	(13,788)
Revenue funding	(1,987)	(1,351)
Minimum revenue provision	(333)	(594)
Capital financing requirement at 31 March	18,899	35,366

15. Heritage assets

Accounting Policies

Heritage assets

Heritage assets are items the Council owns that have historic importance. These may be on display in the Council's museums or in safe storage. The Council has, since 2011/12, been required to include valuations of its heritage assets in its accounts.

The Council reviews its Heritage assets every year and adjusts for valuations based on insurance premium changes resulting from the insurance valuation process. Details on the methods used are shown below.

The Council records its heritage assets under the following headings:

1. Archaeology and Numismatics

2. Pottery, drinking glasses and pewter
3. Works of art
4. Natural History taxidermy, botanica and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office

Valuations have been made using a range of methods; external valuers, in house experts, indexation and average valuations for groups of items.

The Council adds to its collection regularly. However, these are not expensive or numerous purchases of heritage assets. We occasionally receive donated

items, and these will be recorded at valuation on their acceptance by the Council.

We revalue any heritage assets that suffer damage. We do not normally dispose of or sell heritage assets.

The collections of the Essex Regiment Museum are owned by separate Trustees, under a 25-year management agreement with the Council signed in March 1999. It stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections.

However, we do not include regimental collections in our Balance sheet valuations.

Heritage Valuers

We have previously used the following external valuers to value our heritage assets.

- David S. Moulson, MBE, BSc (pewter valuations)
- Sotheby's the auction house, Seabys (international coin sellers) and J & S Rogers (silversmiths)
- Robert Dalgety
- Sworders, Fine Art Auctioneers

Heritage assets by category

Heritage Assets	Archaeology and Numismatics	Natural History taxidermy, botanical and geological specimens	Pottery, drinking glasses and pewter	Social, agricultural & industrial history, including costume	Statues	Mayor's Office	Works of Art	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
1st April 2021	247	254	541	1,287	538	160	1,201	4,228
Additions								-
Revaluations	1	-	-	13	-	134	(1)	147
31 March 2022	247	254	541	1,301	538	294	1,200	4,376
Additions								-
Revaluations	4	-	-	-	-	-	-	4
31 March 2023	251	254	541	1,301	538	294	1,200	4,380

Commentary on movements

There was no significant movement in heritage assets in 2022/23.

Overview of our collection

Heritage assets owned by Chelmsford City Council are held by the Museums Service. Most are displayed at the Chelmsford Museum in Oaklands Park, or stored in a warehouse at South Woodham Ferrers.

The industrial and agricultural collections are held at Sandford Mill where they are displayed or stored.

Some works of art and other items are displayed at Hylands House.

Mayoral regalia and mayoral gifts are held at the Civic Centre.

Chelmsford Museum is accredited with the Arts Council England Scheme (Number 579), which recognises minimum required standards for collections, care, visitor services and constitutional arrangements.

The Museum collection is added to from time to time, mainly through donation of objects by members of the public, but also by some purchase of objects. An Acquisition & Disposals Policy sets out the different strengths of the collection, current collecting themes, and criteria for collecting (broadly, items made or used in the City of Chelmsford). No material purchases or disposals have occurred in the last two years.

16. Categories of financial assets and liabilities

Accounting policy

We record our investments and borrowings in the following ways:

- Most of our investments are deposits with banks, building societies, the Government or other UK local authorities. These assets generate payments solely of principal and interest. We must show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due at the balance sheet date is shown in the comprehensive income and expenditure statement. These types of investment are measured at amortised cost in accordance with IFRS9.
- We also invest some money in Pooled Investment Funds. Payments from these funds are not solely principal and interest as they are equity instruments with the Council earning dividends and redeeming shares at the prevailing market rate. The Council accounts for these as Fair Value through Profit and Loss (FVPL) in accordance with IFRS9.
- The income from the “FVPL” investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.
- If the value of an FVPL asset changes from the price that it was originally invested at then the balance sheet shows the investment at its valuation at the balance sheet date. The difference between these values, being an unrealised gain or loss is charged to revenue and reversed out to the Pooled Funds Adjustment Account before it has any impact on Council Tax. The cumulative gain or loss held in the Pooled Funds Adjustment Account is charged to Comprehensive Income and Expenditure Statement when the investment is sold.
- All our borrowing is shown on the balance sheet, including any interest owed by the Council. Interest payable for the accounting period is charged to the Comprehensive income and expenditure statement.

Impairment provisions for financial assets

Investments

The Council also makes impairment provisions against non-trade receivable financial assets in line with IFRS9 (if material). 12 month expected credit losses are applied to all assets held at amortised cost, with reviews made for lifetime losses where credit risk has increased significantly.

On recognition the Council makes a provision (if material) for 12 month expected credit losses on all of its financial assets held at amortised cost, excluding investments in the UK Government and other local authorities. Should the risk of loss

increase significantly for a specific asset or category of assets then the provision will be increased to represent lifetime credit losses. This provision is charged to the Comprehensive income and expenditure statement and reduces the carrying value of the financial assets on the balance sheet.

Loss provisions are not required for assets held at Fair Value through Profit and Loss (FVPL) because current market prices as recorded in the accounts reflects market expectations of credit risk.

In line with CIPFA guidance, investments with the UK Government and UK Local Authorities are exempted from loss provisions.

Trade receivables, lease receivables and contract assets

Impairment provisions for trade receivables, lease receivables and contract assets follow the simplified method as set out in the CIPFA code, where lifetime expected credit losses are provided for. For trade receivables Council makes specific allowances for known assets facing increased credit risk and then makes further provision for its receivables on a collective basis using historical patterns experienced by the authority

The tables below show the categorisation of our financial assets and liabilities:

2021/22 Investments	2021/22 Cash & cash equivalents	2021/22 Receivables & payables	SHORT-TERM	2022/23 Investments	2022/23 Cash & cash equivalents	2022/23 Receivables & payables
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			Financial assets			
	15,336		Fair value through profit or loss		11,955	
22,996	20,337	6,145	Amortised cost	6,129	8,358	6,603
22,996	35,673	6,145	Total financial assets	6,129	20,313	6,603
22,996	35,673	6,145	Total assets	6,129	20,313	6,603
			Financial liabilities			
	(599)	(4,059)	Amortised cost		381	(10,839)
-	(599)	(4,059)	Total financial liabilities	-	381	(10,839)
-	(599)	(4,059)	Total liabilities	-	381	(10,839)

2021/22 Investments	2021/22 Receivables & payables	LONG-TERM		2022/23 Investments	2022/23 Receivables & payables
£ 000	£ 000			£ 000	£ 000
		Financial assets			
17,391			Fair value through profit or loss	15,265	
	2,138		Amortised cost		990
17,391	2,138	Total financial assets		15,265	990
17,391	2,138	Total assets		15,265	990
		Financial liabilities			
	(2,455)		Amortised cost		(1,121)
-	(2,455)	Total financial liabilities		-	(1,121)
-	(2,455)	Total liabilities		-	(1,121)

Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2023 for new investments that would end at the same time. The difference in value is because of different market interest rates than would be available at the year-end date.

The following table sets out this difference between the reporting value and the fair value of the Council's assets:

Fair Value	Reporting £ 000	Fair value £ 000
Fair Value At 31 March 2022		
Financial assets		
equivalents	76,031	76,053
Cash	29	29
Long-term receivables	2,138	2,138
Financial liabilities		
Cash	(599)	(599)
Fair Value At 31 March 2023		
Financial assets		
equivalents	41,679	41,680
Cash	28	28
Long-term receivables	990	990
Financial liabilities		
Cash	381	381

The following table provides a breakdown of the valuation technique for our financial assets measured at fair value through profit and loss.

Money Market Funds have been excluded because there are regular changes in invested sums and due to MMF regulations the actual fair value price would always be £1 unless a fund was impaired.

Financial Assets measured at fair value:

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique to measure fair value	31st March 2022 £ 000	31st March 2023 £ 000
Local Authority Property Fund	Level 1	Unit Prices	7,566	6,318
Aegon Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,584	3,147
Ninety One Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,152	2,985
CCLA Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,089	2,815
Total			17,391	15,265

The risks we face when we invest in financial instruments, and how to reduce those risks

The Council has money that it is not planning to spend straightaway, so it is invested to earn interest. When we invest millions of pounds, we must consider what could go wrong and how to avoid or minimise these dangers or risks. There are three main types of risk: credit risk, liquidity risk and market risk. This section explains what these risks are and how we manage them to try to avoid them or reduce the effect when things go wrong.

Our risk-management process looks at the unpredictability of financial markets and tries to minimise any adverse effects on the resources available to pay for services.

Credit risk: Treasury Investments

This is the danger that once we have invested money with another organisation they fail to pay interest or repay the original investment.

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures

We will only invest in certain types of investment and place limits in the total we will invest with any one counter party or group. We estimate how safe an investment is depending on how likely it is that the organisation will be able to repay the money. How we measure this depends on the type of organisation, but this includes credit ratings, CDS swap information and advice from the Council's treasury advisors.

We present reports to Council meetings at the beginning of every year and half way through it to agree who we can lend money to. The type of investment we choose can help to reduce the risk of failure. The table below gives the types and the

maximum amounts that can be invested, as set out in the Council's Treasury Management Strategy (limits approved at February 2022 Full Council meeting).

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	2021/22	2022/23	2021/22	2022/23
	Short term £ 000	Short term £ 000	Long term £ 000	Long term £ 000
AAA				
AA+				
AA	6,006			
AA-	12,003	6,129		
A+	12,289	259		
A	3,000			
A-				
BBB+				
Unrated local authorities	10,005	3,003		
Unrated Building Societies				
Unrated Housing Associations				
AAA-mmf	15,336	17,023		
Credit Risk not applicable (pooled funds)			17,391	15,265
Total	58,639	26,414	17,391	15,265

The following table details the counterparties approved in the Council's Treasury Management Strategy for 2022/23:

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
Money Market Funds (per fund)	AAA	£6m each fund	Instant access
Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	5 years
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m for each authority	5 years
UK Banks	A-	£3m each group	365 days
Building Societies	A-	£3m each group	365 days
Non-UK Banks	AA-	£3m each group	365 days
Non-UK Banks	A-	£3m each group	100 days
Registered Social Landlord Loans (these deposits would be guaranteed on RSL assets or similar)	A-	£3m each	365 days
Covered Bonds (per bond)	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	365 days
Supranational Bonds (per institution)	AAA	£6m	3 years
Multi asset or bond funds	Unrated	£5m per fund	n/a
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m	

The Council calculates expected credit losses with reference to historic default data, credit ratings and any collateral protecting an investment. 12 month expected credit losses are not material for the Council's investment portfolio. Losses will be allowed for against an investment that suffers a significant increase in credit risk, but none have been experienced in the year ending 31/03/2023.

Credit risk: trade receivables

Debtors are our customers for services which are not included in Council Tax and Non-domestic rates payments. In the past, some customers have failed to pay us money they owe us, so credit risk applies to them. The level of past default is based on our provision for bad debts from our customers reflecting the number of customers

we think are unlikely to pay their debt. The nature of these debts varies, and this determines how we control and collect them. The debts are monitored so that at set trigger points, such as the age of the debt, or size of debt, we take specific action. Sometimes we have to accept that it would cost more to recover money than to lose it. However, because we are a public service we sometimes have to provide services even if the risk of the customer being unable to pay is higher than private companies would accept.

The age of our debt is shown in the following table (this does not include debts for council tax and NDR).

2021/22 £ 000	Age of debt	2022/23 £ 000
9,068	Less than three months	5,203
133	Three to six months	348
498	Six months to a year	182
3,994	More than a year	870
13,693		6,603

We monitor repayment of all debts rigorously.

Liquidity risk

This is the risk that we do not have enough cash in our bank accounts to pay our bills or staff. We control this risk by prioritising access to liquid cash in our investment strategy. In the event of unexpected shortages due to unforeseen expenses or failure of borrowers to repay us promptly, we have access to borrowing from other local authorities and the money markets. We have no long-term borrowings.

The table below shows the expected maturity profile for our financial assets:

2021/22 £ 000	Financial assets returned to the Council	2022/23 £ 000
35,644	Less than three months, including cash equivalents	20,285
14,991	Three to six months	-
8,005	Six months to a year	6,129
17,391	More than a year	15,265
76,031		41,679

Market risk: interest rates

This is the possibility that the value and amount of income we receive from our investments will fall because of changes in interest rates or market prices. The

Council plans its investment to invest more at fixed rates when interest rates are falling and more at variable rates when interest rates are rising.

As a significant proportion of our investments are in money market fund deposits, their value does not change in our accounts. We must note in our accounts the effect, if there had been one, of a 1% change in interest rates on our variable investments in 2022/23. The effect of a 1% increase in interest rates would have resulted in an extra income of £173K on variable rate investments for a full year. If interest rates had fallen by 1%, the loss of interest would have been the same amount.

Market risk: price risk

A proportion of our investments are in pooled funds and so their value is determined by market prices at the reporting date. The Council's investments in money market funds are not materially exposed to price risk due to the controls on volatility in these funds.

However, the Council's CCLA property fund investment and investment in its 3 Multi-Asset Funds are all subject to price changes arising from changes in the economy, although any losses would be unrealised unless the Council elected to sell the asset.

The original CCLA Property Fund investment of £5m means that an unrealised gain of £1.32m is currently held, which helps protect capital values against future losses. An unrealised loss of £1.05m is held against the Council's 3 Multi-Asset funds, resulting in a net unrealised gain across all pooled funds of £0.27m. The unrealised gain or losses are charge to the Comprehensive income and expenditure statement, which would be reversed out unless the asset was sold.

17. Major commitments under capital contracts

We were legally committed to the following material scheme on the 31st March 2023;

Chelmer Waterside Infrastructure Scheme - GPRS Relocation £8.9m.

18. Debtors

2021/22		2022/23
£ 000	Debtors	£ 000
1,369	Government departments	2,515
1,338	Other local authorities	1,506
6,122	Sundry debts owed by other organisations and individuals	7,720
-	VAT refund on Leisure income (exceptional item)	5,802
3,578	Payments in advance for sundry debts	5,270
2,491	HB overpayments	2,333
12,584	Other debtors *	16,137
(3,250)	Debts we may not be able to collect	(3,607)
24,232		37,676

2021/22		2022/23
£ 000	*Other debtors	£ 000
7,825	CT Preceptors	10,841
2,279	NNDR ratepayers	2,420
2,476	Council Tax ratepayers	2,874
4	Money owed by Council's employees	2
12,584		16,137

19. Cash and cash equivalents

Accounting Policy

Cash is represented by cash in hand and balances with banks where we can access the money within a day. Cash equivalents are investments that when made, last no longer than 100 days and where the amount we will receive is not subject to any material change in value.

2021/22		2022/23
£ 000	Cash & cash equivalents	£ 000
29	Cash held by officers	28
(599)	Bank current accounts	381
35,644	Cash equivalents (short-term deposits)	20,285
35,074		20,694

20. Creditors

2021/22	Creditors	2022/23
£ 000		£ 000
27,139	Government departments incl grants received in advance	7,707
5,860	Other local authorities	6,211
3,397	Sundry creditors with other organisations and individuals	7,375
2,480	Receipts in advance from sundry creditors	2,914
2,094	Other creditors *	5,668
40,970		29,875

* Other creditors include money owed to the Council tax and NNDR ratepayers including prepayments, money owed to the Collection Fund Preceptors and our employees for their untaken leave.

To help billing authorities with their cash position, the Government paid on account S31 grants to the billing authorities for the whole collection fund, not just the billing authority's share during 2021/22. We therefore had a large creditor, £13.4m, we owed to the Government. The Government's creditors also included £4.4m non-distributed grant funding for Covid19 support to qualifying businesses and £8.6m Council tax rebate grant to be paid out to households during 2022/23 to help with some of the impact of rising energy costs.

21. Provisions

Accounting policy

We put a certain amount of money aside to meet specific service payments we expect to make in the future, if we are not sure how much the payments will be or when we will have to pay them. The money in the provision is charged to the service when the provision is set up.

Provisions	NDR appeals	Total
	£ 000	£ 000
Balance at 31 March 2021	5,280	5,280
Transfers in	-	-
Transfers out	(2,073)	(2,073)
Balance at 31 March 2022	3,207	3,207
Transfers in	-	-
Transfers out	(1,418)	(1,418)
Balance at 31 March 2023	1,789	1,789
Explanation	The amount that may be repayable if appeals against NDR valuations are successful	

22. Unusable reserves

The following table shows the transfers to and from these reserves. You can find an explanation of the headings at the bottom of the table.

Unusable Reserves	Revaluation reserve £ 000	Capital adjustment account £ 000	Pension reserve (note 33) £ 000	Collection fund adjustment account £ 000	Other unusable reserves £ 000	Total unusable reserves £ 000
Balance at 1 April 2021	81,926	175,666	(108,916)	(17,942)	910	131,644
Change on the reserve during the year	(4,110)	(12,595)	42,406	14,434	972	41,107
Balance at 31 March 2022	77,816	163,071	(66,510)	(3,508)	1,882	172,751
Change on the reserve during the year	(1,504)	(5,830)	97,938	4,050	(1,937)	92,717
Balance at 31 March 2022	76,312	157,241	31,428	542	(55)	265,468
Explanation	The gains on revaluing our assets since 1 April 2007. See table below for details of movements	Capital spending to be financed from future resources. See table below for details of movements	Our liability to pay future pensions	Adjusting for paid and accrued council tax and NDR		

Revaluation reserve

2021/22	Revaluation Reserve	2022/23
£ 000		£ 000
81,926	Opening balance	77,816
(1,777)	Revaluation of assets	1,075
	Impairment losses	
(70)	Write-out of revaluations of assets we have sold	(274)
	Difference between fair value and historic cost	
(2,263)	depreciation	(2,305)
77,816	Closing Balance	76,312

We moved any revaluation gains before 1 April 2007, the date the reserve was created, to the Capital adjustment account.

Capital adjustment account

2021/22	Capital Adjustment Account	2022/23
£ 000		£ 000
175,666	Opening balance	163,071
(6,901)	Allowance for depreciation and amortisation	(7,430)
	Less depreciation and amortisation charged to the revaluation reserve	
2,263		2,305
	Revenue expenditure funded from capital under statute	
(1,546)		(4,645)
70	Transfer from revaluation reserve on disposals	274
581	Impairments and amortisation charged to revenue	(10,997)
333	Minimum Revenue Provision	594
(58)	Repaid Capital loan receipts	(26)
7,250	Application of receipts and contributions	15,946
(325)	Assets disposed of	(350)
	Movements in the value of investment properties in the CI&ES	
(14,262)		(1,501)
163,071	Closing balance	157,241

23. Cashflow

2021/22	I&E to cash flow	2022/23
£ 000		£ 000
	Revenue shortfall or (surplus)	
1,394	Movement on the General fund	(2,331)
(14)	Provision for bad debts	(357)
1,546	Revenue funded by capital under statute	4,645
(333)	Minimum revenue provision	(594)
(1,987)	Other costs	(1,349)
(638)	Proceeds from asset disposals	(1,308)
9,224	GF - contribution (to)/from reserves	5,392
9,192		4,098
(14,434)	Our part of the collection fund	(4,050)
(5,242)		48
	Non-cash transactions	
2,056	Transfers to reserves	1,230
22,075	Net throughput on the collection fund	5,011
24,131		6,241
	Change in	
(35)	Stock	49
(23,531)	Debtors	8,153
(1,657)	Creditors	11,281
(25,223)		19,483
(6,334)	Net cash inflow or (outflow) from revenue activities	25,772

24. Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income.

2021/22	Expenditure and Income Analysed by Nature	2022/23
£ 000		£ 000
	Expenditure	
41,619	Employee benefits expenses	43,810
63,807	Other services expenses	62,231
410	Exceptional item - fees for VAT refund	54
7,866	Depreciation, amortisation, impairment	23,073
20	Interest payments	69
2,739	Precepts and levies	2,940
2,134	Pension interest and return on investment	1,661
(51,227)	Remeasurement of the assets of the pension fund	(105,618)
13,693	Gain or loss on the disposal and revaluation of Assets	1,565
81,061	Total Expenditure	29,785
	Income	
(33,892)	Fees, charges and other services income	(43,680)
(5,126)	Exceptional item - VAT on fees and charges	(676)
(616)	Interest and investment income	(1,867)
(16,729)	Income from Council Tax	(17,415)
(56,413)	Government grants and other contributions incl Business Rate income, Housing Benefits grants and Covid19 grants	(42,569)
(7,673)	Capital Grants and contributions	(16,669)
(120,449)	Total Income	(122,876)
(39,388)	Total expenditure and income	(93,091)

The following table shows income we received from contracts with service recipients.

2021/22	Revenues from contracts with service recipients	2022/23
£ 000		£ 000
(33,674)	Revenues from contracts with service recipients	(34,202)
11	Impairments of receivable or contract assets	678
(33,663)	Total included in Comprehensive Income and Expenditure Statement	(33,524)

25. Trading operations

We must prepare a statement that shows which of our operations work in a commercial environment and aim to cover their costs by charging other parts of the Council, other organisations or people. Any shortfall or surplus we make through trading is taken to the Comprehensive income and expenditure statement.

2021/22 Gross spending	2021/22 Income	2021/22 Net spending	Trading accounts not shown in Spending on current services	2022/23 Gross spending	2022/23 Income	2022/23 Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			Other operating expenditure			
3,345	(2,954)	391	Grounds maintenance	3,652	(3,098)	554
574	(577)	(3)	Vehicle maintenance	620	(590)	30
3,919	(3,531)	388		4,272	(3,688)	584
			Financing and investment			
339	(4,022)	(3,683)	Investment properties	1,475	(4,228)	(2,753)
339	(4,022)	(3,683)		1,475	(4,228)	(2,753)
4,258	(7,553)	(3,295)	Total trading activity	5,747	(7,916)	(2,169)

Our Grounds Maintenance trading operation provides maintenance for public open spaces and recreational grounds owned by the Council, as well as providing grounds maintenance services for external parties.

The Vehicle Maintenance trading operation maintains the Council owned waste and recycling fleet, and additionally provides MOT services and inspections for licenced taxi vehicles for external customers.

The Council owns several investments properties in its area, principally the High Chelmer and Meadows shopping centres, to generate rental income.

26. South Essex Parking Partnership (SEPP)

From 1 April 2011 we began administering SEPP on behalf of Essex County Council. SEPP covers the six councils in the south of Essex. Any surplus or deficit from the operation is ring-fenced in what it can be used for and is held separately from our own funds. Each council is entitled to one member on the managing joint committee, and all decisions are taken by majority vote. All on-street enforcement costs and income are incurred and received by Chelmsford City Council, and we maintain a separate account for each of the member authorities. Before 2011/12 each individual council incurred these costs and the income directly. The income and expenditure are shown below.

Revenue expenditure	2021/22 SEPP £ 000	2022/23 SEPP £ 000	2021/22 Chelmsford £ 000	2022/23 Chelmsford £ 000
Expenditure	2,586	2,455	566	601
Income	(2,331)	(2,376)	(863)	(901)
Net position	255	79	(297)	(300)

27. Councillors' allowances

The table below gives details of the allowances we paid to Councillors and the Mayor during the year.

2021/22 £ 000	Councillors allowances	2022/23 £ 000
349	Basic allowance	360
155	Special responsibility allowance	161
13	Mayor and Deputy Mayor allowance	16
517	Total we paid in the year	537

You can find more information on the amounts paid on our website.

28. Employees pay

Accounting policy

Where we decide to terminate an officer's employment before their normal retirement age, or where the officer decides to accept voluntary redundancy, they may be entitled to a termination benefit. We charge these to the Comprehensive income and expenditure statement in the year that we become committed to the termination.

Under the Accounts and Audit Regulations 2015 we must show the number of our staff costing more than £50,000 a year. Cost includes salary, travel and living costs, but not the employer's pension contributions. Where appropriate, we have also included subsidies for leased cars and redundancy payments.

The following table does not include chief officers' details, which are shown in the next table.

Employee pay band	Number of employees	Number of employees	Number who left in the year	Number who left in the year
£	2021/22	2022/23	2021/22	2022/23
50,000–54,999	15	25	2	-
55,000–59,999	11	16	-	-
60,000–64,999	5	7	1	1
65,000–69,999	3	3	1	1
70,000–74,999	5	3	1	-
75,000–79,999	3	2	-	-
80,000–84,999	5	8	-	-
85,000–89,999	5	3	-	-
90,000–94,999	1	3	-	-
95,000 – 99,999	-	1	-	-
100,000 - 104,999	-	-	-	-
105,000 – 109,999	-	-	-	-
110,000 - 114,999	-	-	-	-
115,000 – 119,999	-	-	-	-
120,000 - 124,999	-	-	-	-

We are not allowed to give any further information that links officers' names to the employee pay band (except for that shown in the chief officers' table below).

We have included a breakdown of the cost of our chief officers below, together with their names, where their annualised, full-time total cost is above £150,000. The costs in this table include the employer's pension contributions.

Chief officers	Salary, fees and allowances	Benefits in kind ***	Compensation for loss of employment	Employer pension contributions ****	TOTAL
2021/22	£	£	£	£	£
Chief Executive (N Eveleigh)	193,802	1,853		35,674	231,329
Directors of:					
Connected Chelmsford (L Goodwin)	131,997	1,853		24,192	158,042
Financial Services (A Fahey) left 11/06/2021	24,769	146	211,960	4,528	241,403
Public Places (K Nicholson)	132,310	1,482		24,192	157,984
Sustainable Communities (D Green)	100,498	3,557		18,143	122,198

Chief officers	Salary, fees and allowances	Benefits in kind ***	Employer pension contributions ****	TOTAL
2022/23	£	£	£	£
Chief Executive (N Eveleigh)	198,590	1,743	36,566	236,899
Directors of:				
Connected Chelmsford (L Goodwin)	135,147	1,394	24,796	161,337
Public Places (K Nicholson)	135,456	1,394	24,796	161,646
Sustainable Communities (D Green)	102,860	3,347	18,597	124,804

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £165,290.

*** These amounts represent benefits that the employees receive on top of their salaries, for example contribution towards a healthcare plan and are therefore not paid to the employee.

**** These amounts are not paid to the employee. They are paid directly to the pension fund to provide a pension on retirement based on contribution rates set by the actuaries.

We terminated the employment of some of our employees as shown in the table below.

2021/22 £ 000	Termination benefits	2022/23 £ 000
556	Termination benefits	
97	Redundancy costs	174
	Additional pension costs	140
653	Total spending	314
20	No of employees whose employment was terminated	8

Exit packages	2021/22	2022/23	2021/22	2022/23
	Leavers Number	Leavers Number	Cost £ 000	Cost £ 000
£0 - £20,000	11	4	124	45
£20,001 - £50,000	7	1	249	20
£50,001 - £250,000	2	3	280	249
Total	20	8	653	314

We made five employees compulsorily redundant in 2022/23, and nine in the previous year.

29. External audit costs

The table below gives details of the amounts due to our auditors. The basic audit fee is subject to change due to direct result of backstop dates set by the Government to complete the audits.

In 2022/23 we received £20,595 grant from the Department for Levelling Up Housing and Communities towards audit costs.

2021/22	External audit costs	2022/23
£ 000		£ 000
47	Fees we paid to the auditor	47
(24)	Basic audit	(21)
	Government grant for 21/22 audit fees	
25	Costs/Income relating to previous year's audit fees and Housing benefit audit	(0)
48	Total we paid in the year	26

30. Grants

Accounting policy

If we receive a grant or contribution that does not have any conditions, or we have met the conditions, we credit the amount to the Comprehensive income and expenditure statement on the relevant service line. If we have not met the conditions, we show the amount as a creditor on the Balance sheet until the conditions are met.

If the grant is a capital grant that does not affect the balance on the General fund, we reverse the grant out of the Comprehensive income and expenditure statement in the Movement of reserves statement to the Capital grants unapplied account.

We receive grants that do not relate to specific services. These are shown in note 13. In addition to this, we received the following grants and contributions that are shown in specific services in the Comprehensive income and expenditure statement.

2021/22	Grants and contributions	2022/23
£ 000		£ 000
31,860	Housing benefits grants	30,049
1,843	Sales, Fees & Charges grant	-
105	Furlough / Job retention scheme grant	-
2,920	COVID 19 grants and contributions for redistribution to support business and individuals	59
7,530	Other grants and contributions	7,174
44,258		37,282

We also received a number of grants and contributions that have conditions attached to them that may force us to have to return them. Once we have met these conditions, we will recognise them as income. The amounts involved are shown in the tables below. £1.9m of the in-year movement relates to new capital grants received in advance, £1m relates to the spend and the remainder of the movement relates to reclassification.

2021/22	Capital grants received in advance	2022/23
£ 000		£ 000
2,909	Opening balance	5,473
2,564	In-year movements	1,211
5,473		6,684

31. Related party transactions

We have to disclose material transactions with organisations or individuals that have the potential to control or influence us, or that we have the potential to control or influence. This disclosure allows readers of these accounts to assess whether we have been able to act independently, or to assess whether we have the ability to limit somebody else's ability to act independently of the Council. These are called related party transactions.

Central Government sets the legal framework that we operate in, provides grants and sets out how we deal with other agencies and organisations (eg Council Tax collection and Housing Benefits). The details of our dealings with Central Government are shown in notes 13, 18, 20, 30 and 36 and in the Cash Flow in section 6 and the Collection Fund in section 8.

Details of our transactions with the Essex pension fund administered by Essex County Council are shown in note 33.

We must also give details of any transactions we had during the year with our Councillors and chief officers, or their close families. With the exception of the following each Councillor and chief officer has stated that they did not have any such transactions during the year.

During 2022/23 we paid Event Sound and Light Limited £11,651, a Member's son is a partner in this company.

Some of our Members are also Parish Councillors and Councillors for Essex County Council. We receive S106 grants and income through the Community Infrastructure Levy (CIL) from Developers. Parishes receive a proportion of CIL income that is determined by the Government Community Infrastructure Levy Regulations 2010 (as amended by the Community Infrastructure Levy (Amendment) Regulations 2011, 2012 and 2013). The following Parish Council's received CIL funding in 2022/23.

Broomfield Parish Council £31,358
Galleywood Parish Council £7,995
Great Baddow Parish Council £15,480
Great and Little Leighs Parish Council £4,596
Great Waltham Parish Council £3,212
Rettendon Parish Council £11,419
South Woodham Ferrers Town Council £2,630
Springfield Parish Council £2,837

Additional amounts can be paid over to Parishes when Parish spending has been agreed to be funded from CIL receipts and S106 grants. There were no payments made in 2022/23.

We made the following grants and payments during 2022/23 to the following organisations and some of our members sit on their boards or are trustees, but do not have a controlling interest.

Backhouse solicitors £600
Broomfield Parish Council £70
Chelmsford Age Concern £5,000
Chelmsford Citizens Advice Bureau (CAB) £113,000
Chelmsford Community Radio £550
Chelmsford Council for Voluntary Services (CVS) £57,678
Chelmsford Cultural Development Trust £16,000
East of England Local Government Association £32,452
Essex Society for Archaeology and History £106
Essex County Council £2,131,692
Helping Hands Essex £6,000
South Woodham Ferrers Town Council £5,700
Springfield Parish Council £117
Westlands Primary School £688
YMCA £25,000

In addition, the following organisations made payments to us.

Chelmsford CAB £40,663

Chelmsford CVS £16,082

32. Leases

Accounting policies

Leases we get from other organisations

Leases are classified as finance leases where the risks and rewards attached to the asset are mostly transferred to us. All other leases are operational leases. Where a lease is for both land and buildings, we separate the two elements into different leases.

For finance leases we include the depreciated fair value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the lessor (legal owner). We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, that is the cost of interest and a minimum revenue provision (repayment of principal).

The rentals paid under operating leases are charged directly to the appropriate service line in the Comprehensive income and expenditure statement.

Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments is then split using a calculation into interest paid to the Council and payment for the sale of the asset. A long-term debtor is created in our Balance sheet and when we receive a payment for the lease it reduces the value of the debtor and recognises a capital receipt. Interest income is then credited to the Comprehensive income and expenditure statement.

Where we grant an operational lease for land or equipment, we keep ownership of the asset. The income from the lease is credited to the Comprehensive income and expenditure statement.

Leases we Give to Other Organisations.

The Council's other rental agreements are operational leases. Information about them is shown in the table below. Majority of the income shown comes from

Commercial Properties. The figures are based on the minimum future lease payments.

2021/22	Operational Leases Minimum Income Due	2022/23
£ 000		£ 000
1,973	Lease payments due in less than a year	2,086
4,551	Lease payments due from 1 to 5 years	3,839
20,934	Lease payments due in more than 5 years	20,175
27,458		26,100

33. Pensions

Accounting Policy

Our employees have the right to join the Local Government Pension Scheme. The scheme provides defined benefits to its members (retirement lump sums and pensions) when they retire. Charges and balances included in the Comprehensive income and expenditure statement and the Balance sheet are based on actuarial assessments of the current costs of the pension scheme. For a full explanation of the rules, see the Pensions note in the notes to the main financial statements. However, statutory rules stop us charging these amounts to council tax. Instead, we have to charge the actual amounts we pay to the pension fund, which is a different figure to the actuarial valuations.

Our employees are entitled to belong to the Essex Pension Fund. The pension fund is governed and operated by Essex County Council within the national regulations governing all Local Government Pension Schemes (LGPS). The investment managers of the fund are appointed by Essex County Council.

Both employees and employers make contributions that are invested in a pension fund. These contributions are set at a level intended to balance the scheme's assets with its liabilities. However, there will be times when the fund has more or less assets compared to the amount predicted as being needed to meet the current and future commitments of members. The difference between the predicted level of investments and those needed will depend on investment returns and the level of unexpected payments made to members. When the fund does not have enough assets, the employer is responsible for making up the shortfall. If the fund has more assets than it needs, the employer may be able to make lower contributions. The main risks to the funding of the scheme are the assumptions on how long pensioners will live, statutory changes to the scheme, large changes in the number of employees in the scheme, changes to inflation and the returns achieved on the scheme's investments.

Members of the scheme are entitled to defined benefits when they retire under the terms of the scheme. This part of the scheme is funded through the contributions to

the scheme. If members of the scheme retire early, the additional cost of that commitment is calculated and paid by the employer at the same time as the member retires.

The scheme takes into account the Public Pensions Service Act 2013. The Act provides for scheme regulations to be made within a common framework, and to link pensions to career average salaries, rather than final salaries.

The scheme's cost is not simply the payments made into the pension fund in a year but must also reflect the actuary's view of gains or losses resulting from changes in the fund's liabilities and investments. This amount is shown in the total spending on services in the Comprehensive income and expenditure statement. However, the costs we charge to council tax payers are based on the actual cash we pay the pension fund in the year, so the costs identified by the actuary are reversed out of the Comprehensive income and expenditure statement and replaced by the actual contributions we make to the scheme. The actual charge we made to the General fund, and so to council tax payers, is shown in the table below.

2021/22 £ 000	Charges to the Comprehensive income and expenditure account	2022/23 £ 000
	Spending on services	
	Service cost	
11,327	Current service cost	11,066
491	Previous service cost	419
116	Administration expenses	151
	Other spending	
2,134	Net interest on the defined liability	1,661
14,068	Charge to the spending on current services in the comprehensive income and expenditure statement	13,297
	Other charges	
(33,498)	Remeasurement of the pension liability	(111,495)
(17,729)	Return on scheme assets (excluding interest)	5,877
(51,227)	Other charges to the comprehensive income and expenditure statement	(105,618)
(37,159)	Total charges to the comprehensive income and expenditure statement	(92,321)
5,247	Employer's contributions charged to the General fund	5,617

The actuary have included an allowance in our liabilities for the estimated impact of the remedy action needed following a tribunal judgment on McCloud and Sargeant cases that ruled against the Government. The cases relate to discrimination against the aged based transitional provision put into place when new pension arrangements were introduced in 2015. As a result, the remedy will compensate members directly affected by the change to the career average benefits from 1 April 2014 as the

tribunal found them discriminatory on grounds of age. Draft regulations are expected to come into force during 2023.

In addition to the gains and losses included in the Comprehensive income and expenditure statement, we have included a remeasurement surplus identified by the actuaries of £92.3m in 22/23 (a surplus of £37.2m in 2021/22).

31 March 2022	Movements on pension fund assets and liabilities	31 March 2023
£ 000		£ 000
	Scheme liabilities	
(346,614)	Value at 1 April	(329,172)
(11,327)	Current service cost	(11,066)
(1,566)	Member contributions	(1,690)
(6,876)	Interest costs	(8,463)
	Remeasurement	
29,638	Financial returns	111,495
(491)	Past service (gains) or costs	(419)
8,064	Benefits paid	9,447
(329,172)	Value at 31 March	(229,868)
	Scheme assets	
237,698	Value at 1 April	262,662
4,742	Interest	6,802
	Remeasurement	
17,729	Return on assets (excluding interest)	(5,877)
3,860	Other actuarial gains/(losses)	-
(116)	Administration expenses	(151)
5,247	Employer contributions	5,617
1,566	Employee contributions	1,690
(8,064)	Benefits paid	(9,447)
262,662	Value at 31 March	261,296
(66,510)	Net pension (liability)/surplus	31,428

All valuations are in accordance with the requirements of the IAS19 standard. The actuaries set the expected rate of return on scheme assets by looking at the rate of return on assets that are the same type as those held by the fund. The expected returns on fixed-interest investments are based on returns at the Balance sheet date. Expected returns on stocks and shares are based on long-term returns expected in the markets.

The Pensions reserve absorbs the timing differences in the funding of pensions in accordance with accounting conventions and the statutory provisions. We account for the cost of pensions in the Comprehensive income and expenditure statement as the benefits are earned by the employees. However, the statutory provisions require us to charge amounts to council tax as they are actually paid to the pension fund. The balance on the pension reserve shows a large shortfall between the benefits accrued by the employees and the resource set aside to meet these liabilities. The statutory

provisions will ensure that funding will have been set aside by the time benefits are paid.

Pension fund balances	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(288,871)	(292,570)	(275,255)	(346,614)	(329,172)	(229,868)
sets	183,693	195,277	183,458	237,698	262,662	261,296
(Deficit)/Surplus on the pension fund	(105,178)	(97,293)	(91,797)	(108,916)	(66,510)	31,428

The liabilities show our underlying long-term commitments to pay pensions. Due to changes in assumption driven by current economic climate, mainly increase in inflation and interest rates, the Council has in 2022/23, calculated on the IAS19 basis, net surplus of £31.4 m within overall balance of £340m. The assumptions can vary significantly each year. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit as identified in the triennial valuation will be met by contributions over 16 years. We expect to pay £6.2m to the fund next year.

The actuaries have made an estimate of the pensions that will have to be paid in future years based on their assumptions, for example, about life expectancy and salary levels. The pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation in 2022.

The main assumptions used in the valuation of the fund are shown in the table below.

2021/22	Assumptions used in the valuations of the fund	2022/23
%		%
	<u>Years we expect to pay current pensioners</u>	
21.0	Men	21.1
23.5	Women	23.5
	<u>Years we expect to pay pensioners retiring in 20 years</u>	
22.3	Men	22.3
24.9	Women	25.0
3.2	Rate of inflation – CPI	2.9
4.2	Rate of increase in salaries	3.9
3.2	Rate of increase in pensions	2.9
2.6	Discount rate	4.8

In valuing the pension liability, the actuary will, for example, make assumptions about investment returns, and the rates of increase in pensions, salaries and inflation. If these vary they will affect the value of the pension fund shown in the accounts. The table below shows the effect on the value of the pension fund if the above assumptions change.

Sensitivity analysis of adjustment to life expectancy assumptions	Increase in assumption + 1 Year	Decrease in assumption - 1 Year
	£'000	£'000
Present value of total obligation	9,292	(8,884)

Sensitivity analysis of adjustment to:	Increase in assumption +0.5%	Increase in assumption +0.1%	Decrease in assumption -0.1%	Decrease in assumption -0.5%
	£'000	£'000	£'000	£'000
Rate of increase in salaries	1,448	285	(284)	(1,397)
Rate of increase in pensions, or inflation	17,828	3,381	(3,295)	(15,663)
Rate for discounting scheme liabilities	(16,694)	(3,511)	3,603	19,001

The weighted average duration of the pension obligation for scheme members is 16 years in 2022/23 (20 years 2021/22).

The liabilities of the pension fund arise largely in the long term as pensions become payable. Broadly speaking, the investments of the fund are made to secure long term gains and reduce volatility in the fund returns. Investments are managed with a view to meeting future pension liabilities. The statement of the fund's Investment Principles and the Annual Report can be obtained from:

Essex County Council, County Hall, Chelmsford, Essex, CM1 1JZ

The scheme's assets can be put into the following types:

31 March 2022	Scheme assets	31 March 2023
£ 000		£ 000
7,435	Cash and cash equivalents	8,425
	Stocks and shares (by type)	
13,669	UK investments	-
129,064	Overseas investments	137,447
142,733		137,447
	Bonds (by sector)	
11,406	UK Corporate	-
6,356	UK Government	3,821
17,762		3,821
	Property (by type)	
6,261	Listed	4,959
16,174	Unlisted	16,441
22,435		21,400
13,143	Private equity	13,065
	Other investment funds	
22,679	Infrastructure	26,959
7,560	Timber	9,161
2,867	Illiquid and Private Debt	5,235
26,048	Other Managed Funds	35,783
59,154		77,138
262,662	Total	261,296

31 March 2022	Stocks and Shares	31 March 2023
£ 000		£ 000
	Stocks and shares (by company size)	
142,733	Listed	137,447
-	Unlisted	-
142,733		137,447

34. Contingent liabilities

Accounting Policy

A contingent liability arises where an event gives rise to a possible obligation that will only be confirmed by a possible future event outside our control. A contingent liability can also arise where we would need to raise a provision but we cannot determine the amount of that provision. Contingent liabilities are not recorded in the Balance sheet but are instead recognised in a note to the accounts.

The Council entered into an agreement to indemnify Essex County Council up to a sum of £5m should the City Council fail to make all reasonable endeavours to enable the delivery of key housing sites and affordable housing provision in a number of sites located in Chelmsford. We think it is very unlikely that this payment will need to be made in the future.

35. Contingent assets

Accounting Policy

A contingent asset arises where an event gives rise to a possible asset that will only be confirmed by a possible future event outside our control. Contingent assets are not recorded in the Balance sheet but are instead recognised in a note to the accounts.

We have an appeal outstanding with HMRC over payments of VAT on our theatre's income.

36. Government and non-government grants

The Council recognises grants as income in the Revenue account when any conditions to the grant have been met. If the grant has no conditions, it is recognised in the Revenue account straight away.

We record capital grants that have passed through the Revenue account on the Balance sheet as Capital grants unapplied, until they are spent. We record grants where the conditions have not been met as Capital grants received in advance, until we meet the conditions or spend the money. The table below shows the main items received to date and not spent.

2021/22		2022/23
£ 000	Grants and contributions	£ 000
	Grant received in advance	
5,473	Money received as part of planning agreements	6,684
	Capital grants unapplied	
7,615	Money received as part of planning agreements	7,737
741	Growth Fund	-
4,695	Government grants	9,436
2,599	Empty Homes grant	2,705
25,405	Community Infrastructure Levy	24,318
373	Other	113
41,428		44,309
46,901	Total	50,993

37. Long term Debtors

2021/22		2022/23
£ 000	Long-term Debtors	£ 000
1,199	Community Infrastructure Levy	627
879	Housing Standards Loans	931
5,126	Exceptional item - VAT refund	-
60	Other	59
7,264		1,617

38. Long term Creditors

2021/22		2022/23
£ 000	Long-term Creditors	£ 000
1,408	Section 106 contributions	877
343	Leases	765
371	Property transaction creditor	356
333	Recreational Avoidance Mitigation Strategy	570
410	Exceptional item - VAT legal fees	-
2,865		2,568

8. Collection fund

This section summarises how the money we collected through the collection fund is distributed between the precepting authorities.

Accounting Policy

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non- domestic rates (NDR).

We recognise in our Comprehensive Income and Expenditure Statement our share of the NDR and Council Tax transaction on accrual basis, with the timing difference being adjusted through Council Tax and NDR adjustment account, reported on in the Movement in Reserves Statement.

2021/22 Council Tax £ 000	2021/22 Non- Domestic Rates £ 000	2021/22 Total £ 000	Collection Fund	2022/23 Council Tax £ 000	2022/23 Non- Domestic Rates £ 000	2022/23 Total £ 000
(128,396)		(128,396)	Income			
			Council tax (Note 1)	(135,589)		(135,589)
	(65,167)	(65,167)	Transfers from the General fund		(73,615)	(73,615)
	418	418	Non-domestic rates (Note 2)		1,044	1,044
(128,396)	(64,749)	(193,145)	Transitional protection	(135,589)	(72,571)	(208,160)
			Spending			
			Precepts and demands			
	38,858	38,858	Central Government		36,076	36,076
91,959	6,995	98,954	Essex County Council	98,277	6,494	104,771
16,725	31,087	47,812	Chelmsford City Council	17,591	28,861	46,452
14,301		14,301	Essex Police Authority	15,327		15,327
5,067	777	5,844	Essex Fire Authority	5,284	721	6,005
	221	221	Subsidy paid towards the costs of collecting Non-domestic rates		219	219
204	233	437	Increase or (decrease) in our provision for amounts that we may not be able to collect	328	114	442
114	858	972	Amounts written off	144	599	743
	(5,182)	(5,182)	Provision for appeals		(3,546)	(3,546)
			Distribution of previous year's surplus or (shortfall)			
	(22,521)	(22,521)	Central Government		(3,827)	(3,827)
(294)	(4,054)	(4,348)	Essex County Council	286	(688)	(402)
(53)	(18,016)	(18,069)	Chelmsford City Council	52	(3,062)	(3,010)
(44)		(44)	Essex Police Authority	46		46
(16)	(450)	(466)	Essex Fire Authority	16	(78)	(62)
127,963	28,806	156,769		137,351	61,883	199,234
			Movements on the Collection Fund			
(433)	(35,943)	(36,376)	(Surplus) or shortfall for the year	1,762	(10,688)	(8,926)
656	44,641	45,297	(Surplus) or shortfall at start of the year (Note 3)	223	8,698	8,921
223	8,698	8,921	(Surplus) or shortfall at end of the year (Note 3)	1,985	(1,990)	(5)

Notes to the collection fund

1. Council tax

Council tax income comes from charges we make depending on the value of homes. Each home is put into one of eight valuation bands using their value on 1 April 1991. We work out each charge by estimating the amount of income each of the preceptors on the collection fund needs for the coming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band

adjusted by a proportion of the band D charge. In 2022/23, the council tax base was 70,142 (in 2021/22 it was 68,580). The basic amount of council tax for a property in band D was £1,946 (£1,867 in 2021/22). This is multiplied by the appropriate proportion for the particular band to give the actual amount due for that band.

Council tax bills were based on the following proportions for bands A to H.

Council tax band	Total number of properties	Number of chargeable properties	Proportion of Band D charge	Number of Band D equivalent properties
A	4,624	3,626	6 / 9	2,417
B	10,676	8,944	7 / 9	6,956
C	23,532	21,268	8 / 9	18,905
D	17,818	12,825	9 / 9	12,825
E	10,974	10,398	11 / 9	12,709
F	6,256	6,043	13 / 9	8,729
G	4,280	4,115	15 / 9	6,858
H	400	371	18 / 9	743
Total	78,560	67,590		70,142

2. Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – Small Business Rate Multiplier 49.9p in 2022/23 (49.9p in 2021/22) and the Standard Business Rate Multiplier 51.2p in 2022/23 (51.2p in 2021/22). Depending on the effects of any changes, local businesses pay rates that are worked out by multiplying their rateable value by the relevant Business Rate Multiplier. We are responsible for collecting the rates due in our area and pay these into the Collection fund. We share the money collected between the Government, Essex County Council and the Essex Fire Authority.

On 31 March 2023, our NDR income after relief totalled £73,615,296 based on the total non-domestic rateable value for our area of £192,386,482.

3. Contributions to the collection fund – surpluses and shortfalls

The balance on the Collection Fund is made up of the following and is allocated to the preceptors on the fund as shown in the table below.

2021/22	2021/22	2021/22	Contributions to the collection fund - surpluses and shortfalls	2022/23	2022/23	2022/23
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
	4,349	4,349	Central Government		(995)	(995)
28	3,479	3,507	Chelmsford City Council	256	(796)	(540)
163	783	946	Essex County Council	1,428	(179)	1,249
23		23	Essex Police Authority	223		223
9	87	96	Essex Fire Authority	78	(20)	58
223	8,698	8,921		1,985	(1,990)	(5)

Depending on whether there is a surplus or shortfall on the collection fund for the county, police, and fire authorities, the balance we owe them (or they owe us) will be shown as a creditor or debtor in the Balance sheet. Our part of the balance is shown as an earmarked reserve.

4. Non-domestic rate appeals

There are several outstanding appeals. We have estimated the effect of these outstanding appeals and adjusted the provision for the likely amount that we will have to repay to non-domestic ratepayers. The cost of the provision has been charged to the Collection fund and is shared between the preceptors as shown in the table below.

Non-domestic rate appeals	Share	Provision
	%	£ 000
Central Government	50	(1,773)
Chelmsford City Council	40	(1,418)
Essex County Council	9	(319)
Essex Fire Authority	1	(36)
	100	(3,546)

5. Non-domestic rate pooling

On 1 April 2022, Chelmsford continued in a Non-domestic rating pool with 14 other authorities for the 2022/23 financial year. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool. We benefited by reducing the levy that we need to pay to the Government on our business income, for 2022/23 the reduction was £0.9m.

6. Business Improvement District

From 1 April 2018, a Business Improvement District (BID) arrangement has been operating within the Chelmsford area where local business pay additional levy on top of their non-domestic rates to generate additional income to be invested on improvements to the area. The Council acts as an agent, collecting the BID charges on behalf of the BID body. This income is not shown in our Comprehensive income and expenditure account as it is not our money. We only show expenditure and income relating to cost of administrating the scheme and income from the BID agency towards these costs.

9. Independent auditors' report

Alongside the Statement of accounts, we will publish the Independent auditor's report following the conclusion of the independent audit.

10. Glossary

This section explains the technical terms that have been used throughout this document.

Actuary

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

Amortisation

A reduction in the value of an intangible asset over time, for example due to wear and tear or the asset becoming obsolete.

Audit and Risk Committee

A committee of nine members of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our code of corporate governance, and risk management.

Balance sheet

A statement of all our assets, liabilities and balances at the end of the financial year.

Cabinet

The Cabinet is made up of five members of the Council (including the Leader) and five deputies that are not members of the Cabinet but support Cabinet members with specific areas of responsibility. The five members of the Cabinet are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for a specific service.

Capital receipt

Income from selling assets that have a long-term value.

Capital spending

Spending on assets that have a lasting value, for example, land and buildings.

Cash-flow statement

This is a statement that shows the changes in our cash and bank balances during the year. It also shows the changes in our other assets, liabilities and other accounts shown on our Balance sheet.

Collection fund

A fund we use to show what happens to the council tax and NDR income.

Community assets

Assets we do not plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings.

Comprehensive income and expenditure statement

The account that reports the income and spending on our services.

Corporate governance

The way we decide our future direction, processes and controls.

Councillor

An elected Member of the Council.

Creditors

Money we owe for work, goods or services that have not been paid for by the end of the financial year.

Current assets

These are the short-term assets we have at the date of our Balance sheet, which we can use in the following year.

Current liabilities

These are the short-term liabilities we owe at the date of our Balance sheet, which we will pay in the following year.

Debtors

Money that is owed to us, but is not paid by the end of the financial year.

Depreciation

The reduction in the value of a tangible asset over time, due to wear and tear.

Earmarked reserves

Money we set aside for a specific purpose.

Fair value

The value of the asset on the open market.

Gross spending

The total cost of providing a service.

IAS19

A statement of recommended accounting practice telling us how we have to account for pensions.

Impairment

The loss in value of an asset caused by something happening to make it less useful.

Infrastructure

Assets we cannot sell and do not have an alternative use. Valued at historical depreciated cost.

Intangible assets

Assets we plan to own for more than one year, but which are not physical assets like a building or a lorry; for example, computer software licences.

Leases

A way of paying for vehicles, plant and equipment by spreading payments over the asset's life. We do not become the legal owners of the asset. Leases can either be operational leases, where the risks of ownership rest with the owner of the asset and the asset does not appear on our Balance sheet, or finance leases, where the asset is included on our Balance sheet.

LGPS (Local Government Pension Scheme)

The fund that pays and manages our staff pensions.

Liabilities

Our debts and responsibilities.

Liquid resources

Money we have invested but which we can draw on quickly.

Management Team

A meeting of the Chief Executive and the Directors.

Member

In papers about the Council, this usually means an elected Member of the Council, ie a Councillor.

MRP (Minimum revenue provision)

The amount we have to set aside out of our revenue, to repay loans.

NDR – Non-domestic rates

A charge that all businesses must pay for their premises. It is worked out by multiplying a property's rateable value by a nationally set multiplier. Non-domestic rates are paid into a pool, which the Government controls. This money is then shared between local authorities depending on the population in their area.

Net book value

This is the original value of the asset, less the depreciation up to the current date.

Net spending

This is the cost of providing a service after we have taken into account income from government grants and our own fees and charges.

Parish Council

An organisation that delivers some services within the Parish boundary, rather than across the City as a whole.

Performance indicators

A way of measuring our performance by comparing it to how we performed in the past, or to how other organisations have performed.

Precept

A demand made by Essex County Council, the Police and Crime Commissioner for

Essex, Essex Fire Authority, and Town and Parish Councils for money they want us to collect for them.

Provision

Money set aside to meet specific service liabilities at the date of the accounts, and to meet spending.

Registered social landlord

An organisation delivering subsidised housing to the public that is registered with the Housing Corporation.

Reserve

Savings we have built up from surpluses.

Restatement

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figure to meet the current rules.

Surplus

At the end of the year, if an account such as the Comprehensive income and expenditure account shows that we have received more income than we have spent, that account is known as being 'in surplus'.

Tax base

The number of houses we can charge our council tax on.

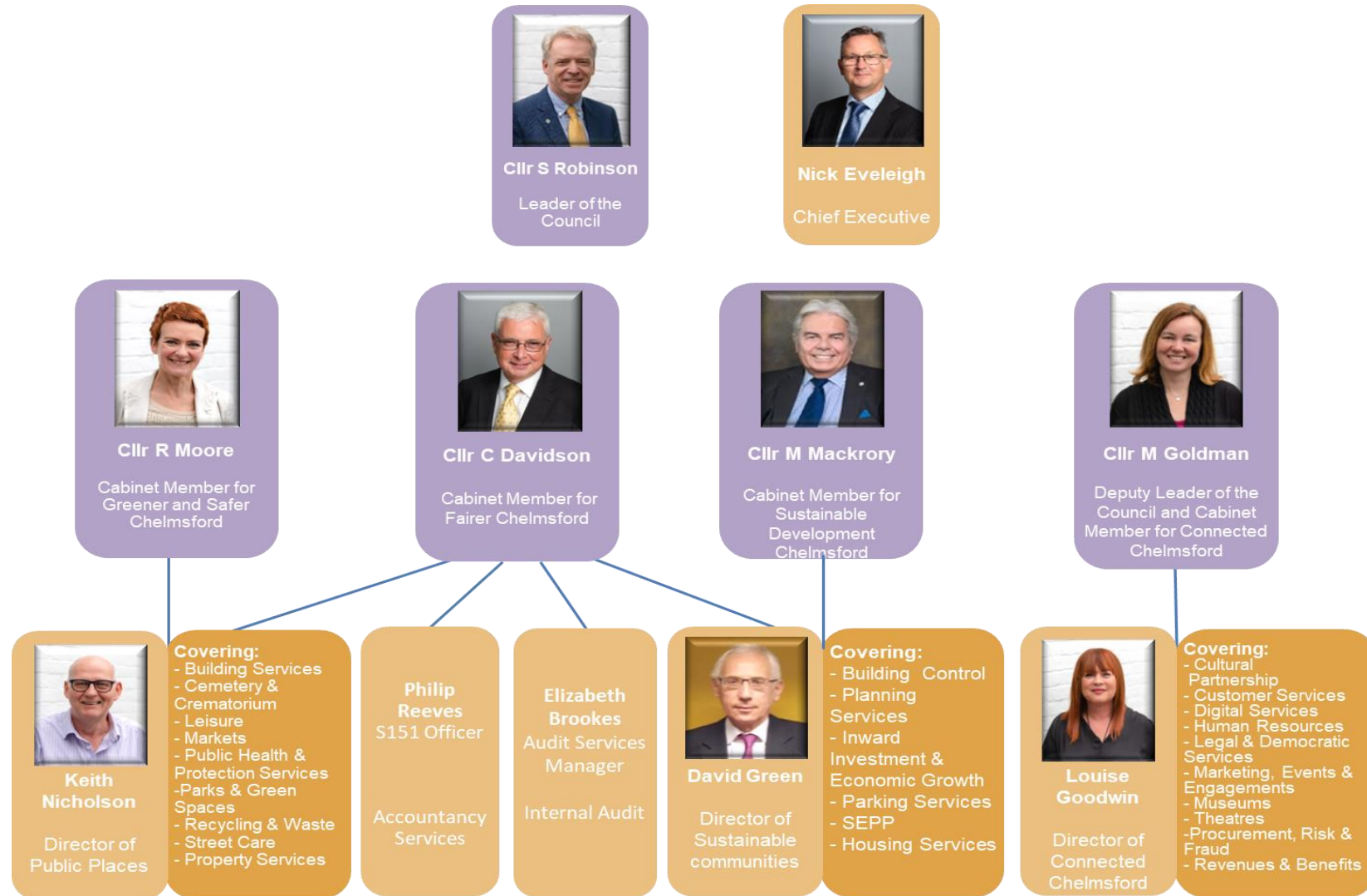
Trading undertakings

Part of our activities where the service could also be provided by others outside the Council.

Unrealised Gain

The amount an asset or investment has increased in value since we purchased it. However, the gain is only realised when we sell the asset or investment.

11. Our Structure chart as at 31 March 2023



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELMSFORD CITY COUNCIL

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Chelmsford City Council ("the Authority") for the year ended 31 March 2023 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cashflow Statement, the Collection Fund and notes to the financial statements including material accounting information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date. Consequently, we have not performed any work in respect of any audit area. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information

The Accountancy Services Manager is responsible for the other information. The other information includes all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Code of Audit Practice 2024 requires auditors to report on whether other information published together with the financial statements is consistent with the financial statements. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion on whether the other information published together with the financial statements is consistent with the financial statements.

Matters on which we are required to report by exception

Use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this regard.

Other matters on which we report by exception

We are required to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters, except that because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Responsibilities of the Accountancy Services Manager and the Authority

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Accountancy Services Manager is responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view and for such internal control as the Accountancy Services Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountancy Services Manager is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Auditor's other responsibilities


As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Chelmsford City Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

9127333EED9F416...

Ciaran McLaughlin, Key Audit Partner

For and on behalf of BDO LLP, Local Auditor

Ipswich, UK

12 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Chelmsford City Council

Auditor's Annual Report: Years ended

31 March 2022

31 March 2023

Report to the Audit and Risk Committee

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Welcome

Executive Summary

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Chelmsford City Council (the 'Authority') for the years ended 31 March 2022 and 31 March 2023.

Financial statements

We anticipate issuing the following opinions on the Authority's financial statements on the following dates:

- Year ended 31 March 2022, disclaimer of opinion on 13 December 2024.
- Year ended 31 March 2023, disclaimer of opinion on 13 December 2024.

Where we have issued a disclaimer of opinion this reflects the fact we were unable to complete the audits prior to the backstop coming into effect (13 December 2024).

The factors contributing to the delay in issuing the outstanding audit opinions on the financial statements of Chelmsford City Council include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

Value for money

We have not identified any significant weaknesses in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

Note: this Auditor's Annual Report is presented in draft for the purposes of discussion at 11 December 2024 meeting of the Audit and Risk Committee. A finalised version will be circulated for publication following the signing of the opinions for both years.



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The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (2024). This report has been prepared solely for the use of the Authority and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

Purpose and responsibilities

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the years ended 31 March 2022, and 31 March 2023.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Authority is also responsible for preparing and publishing its Statement of Accounts, which includes its financial statements, narrative report and annual governance statement.

Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice 2024 (the 'Code'). The full requirements of our audit are listed in Appendix 1.

Additional reporting powers

The Code also identifies additional reporting powers, which are also included in Appendix 1.

We can confirm that that no additional reporting powers have been used.



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Audit conclusion - year ended 31 March 2022

Disclaimed audits

We anticipate issuing a disclaimer of audit opinion on the financial statements on 13 December 2024.

These were disclaimed because the Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for all open audit years up to the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law to clear the backlog of historical financial statements. The conditions created by backstop arrangements have resulted in us not being able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by the backstop date.

Significant deficiencies in controls

We did not identify any significant control deficiencies during the audit of the financial statements.

Audit differences

The audit identified no material misstatements.

Significant difficulties in undertaking the audit

Where auditors have reported under ISA(UK) 260 on delays to the audit opinion or significant difficulties encountered when undertaking their work, these should be reflected in the Auditor's Annual Report unless the auditor judges that public disclosure would not be appropriate. We have not experienced any such difficulties.



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Audit conclusion - year ended 31 March 2023

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Whole of Government Accounts

For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £2 billion in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Ministry of Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

The National Audit Office have confirmed that WGA returns are not required for any years up to 31 March 2023 at present.

Value for Money

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Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement.

Specified criteria

The NAO has issued guidance for auditors to report against two specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Authority can continue to deliver its services
- Governance - informed decisions and properly managing risks

The Code also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2020/21 to 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

Risk assessment

Our risk assessment identified one risk of significant weakness, as follows:

- MTFS - The financial challenges the Authority faces pose a significant risk to its overall financial sustainability in the short to medium term. This affects both years.

Note on status of Code of Audit Practice (2024)

The Code of Audit Practice (2024) was laid in Parliament in September 2024 and came into effect on 14 November 2024. Our work is reported in line with the requirements of this revised code.



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Audit conclusion

We have not identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Work performed around potential significant weaknesses did not identify any actual significant weaknesses.

For all of the years covered by this report, we had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Authority's value for money arrangements.

Other matters on which we report by exception

We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This applies to the years 2021/22 and 2022/23; because of the significance of the matter described in the Basis for disclaimer of opinion for each year, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom

Except for the matter above, for both years covered by this report, we had no other matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on

completion of our work on the Authority's value for money arrangements.





Financial Sustainability

Planning and managing resources

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Auditor's commentary on arrangements

Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans are identified and built into plans;*
- *Plans to bridge funding gaps and to identify achievable savings*
- *How financial plans support the sustainable delivery of services in accordance with strategic priorities*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*

Essential to the Council's financial management process is the development, review, updating and reporting of the Medium Term Financial Strategy (MTFS). The MTFS is intended to provide the framework for delivering a stable and sustainable financial basis for the achievement of the Council's strategic objectives and supports the preparation of the following year's budget. As the Council moves into each new budget-setting cycle the MTFS is reviewed and updated to take into account internal and external factors, such as changing corporate priorities, economic conditions, government policy and funding.

Due to the Covid-19 pandemic, nationwide local

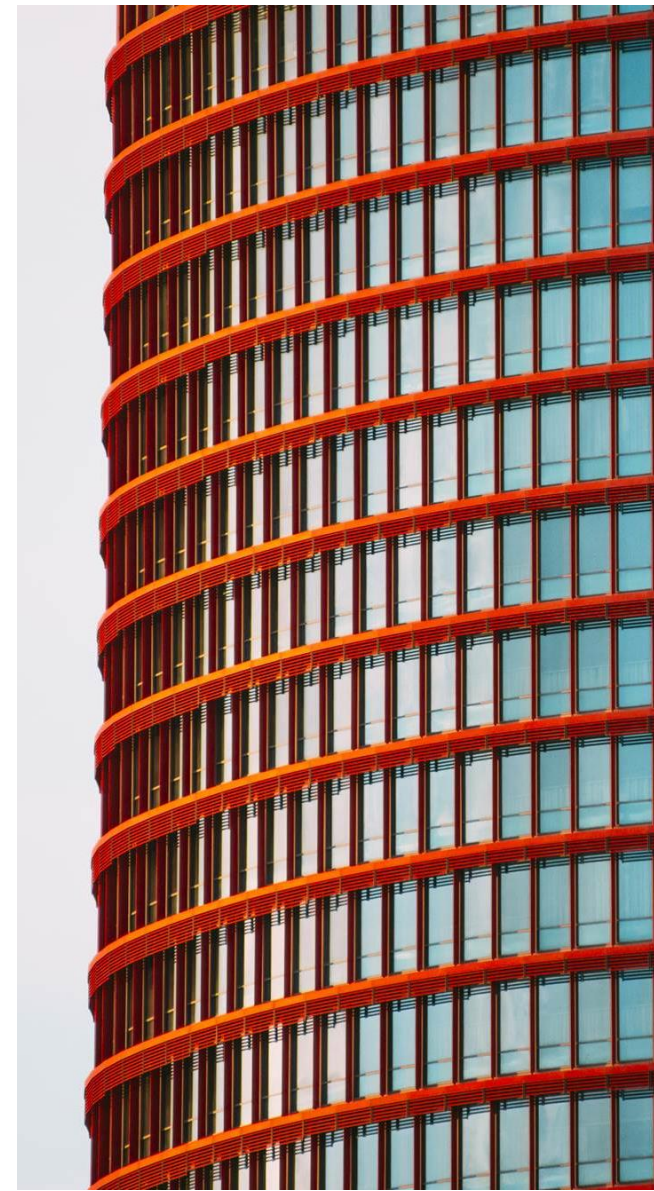
authorities experienced loss of income and increased costs resulting in unprecedented financial pressures. As the threat of the pandemic started to recede, a new challenge emerged in the form of the cost-of-living crisis caused by high inflation and rising energy prices in particular.

The Council identified an expected reduction in car park usage and income with fewer people commuting post covid, and lower rental income from shopping centres. Additionally there were also inflationary pressures being felt following the conflict in Ukraine.

As per review of the Audit and Risk Committee meeting minutes dated 15 June 2022, changes to the Medium term financial strategy were discussed. The main changes were increasing reserves to £9m and allowing them to be used to cover temporary reductions in income.

The Committee noted in broad terms due to gains from Business rates and Government funding there was an additional £3m of unearmarked reserves which would be considered in the Medium Term Financial Strategy being considered by the Cabinet in July.

During 2021/22, the Government continued to support local authorities responding to the unprecedented financial pressures from the catastrophic loss of income and additional costs incurred whilst providing support to public and business and enforcing necessary safety measures during the pandemic. The Council received several grants from the Government to mitigate the effect of these losses.





Financial Sustainability

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The Budget Report 2021/22 presented to the Full Council at the 24 February 2021 meeting included a section on Cost Pressures, Covid 19 assumptions and Efficiencies. The report identified an estimated budget shortfall for 2022/23 of £2.2m and a further £0.6m by 2025/26.

As per the review of the Cabinet meeting dated 12 July 2022, it was discussed that it was usual at this stage in the budget-setting cycle to have a gap between the current forecast of spending over this period and the income expected to fund it. In July 2018, the gap for 2019-20 was expected to be £1.35m and in July 2021 the gap for 2022-23 had been forecast as £1.7m. In each case, by the time, six months later, that the budget proposals for the next year had been published, those gaps had been closed. A somewhat larger gap was forecast for 2023-24 - £4.2m on the central case - but expected to present a balanced budget in January 2023.

As per the review of the full council meeting minutes for 7 December 2022, it was noted that in October 2022, there had been a forecast budget gap of £7.9m in 2023-24 and in November, a forecast additional £1.1m use of reserves for 2022-23 as costs exceed income. The full council meeting minutes of 22 February 2023 indicated that the budget gap was not as significant as feared, despite still being £6.9m. It was noted that reserves were being used to balance the budget and the damage of inflation had not afforded any opportunities to introduce improvements to services.

The review of the full council meeting held on 21 February 2024 highlighted the recent financial impacts of the pandemic and inflation that had significantly impacted the Council. They highlighted the budget gap of £7.5m for 2024/25, detailed the changes required and stated that as referred to by Council Leaders across the Country, the next budget cycle would be the last one where the budget could be balanced without significant changes to services. They detailed a number of proposed actions, which included the use of reserves, business rate retention income, a review of the Capital programme, increases to fees and charges and further efficiencies, which had helped to set a balanced budget for 2024/25.

Financial sustainability - Conclusion

We have not identified any significant weaknesses in this area. This is not to say that the Council does not face significant financial challenges in the coming periods. Ensuring robust budget management and addressing the necessary changes to services will be a key focus for the Council in the medium term, as it is for many local authorities.





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Auditor's commentary on arrangements

Areas reviewed

- ***Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.***
- ***Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information, support statutory financial reporting requirements and ensure corrective action is taken where needed, including in relation to significant partnerships.***
- ***The Authority makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency***

The Council's governance framework is outlined in the Annual Governance Statement (AGS). One of the seven Good Governance Principles is "Managing risks and performance through robust internal control and strong financial management" (Principle F). As expected, the Audit and Risk Committee's (ARC) key purpose and functions, as described in the TOR include:-

- provide an independent assurance to the members of the adequacy of the risk management framework and the internal control environment;
- provide an independent review of Chelmsford City Council's governance, risk management

and control frameworks;

- review the assessment of fraud risks and potential harm to the Council from fraud and corruption; and
- monitor the counter-fraud strategy, actions and resources.

The Council's Risk Management Strategy recognises that risk management is an integral part of Council activities. Progress against the strategy was reviewed by ARC in December 2021. Central to the risk framework is the identification and management of the Council's Principal Risks, each assigned to a Directorate lead. Quarterly reporting to Management Team and six- monthly reporting to ARC ensures arrangements are working effectively. This also was updated to reflect the impact of Covid- 19 on the Principal Risks.

The Council's Risk Management Strategy for 2021-22 was agreed by Management Team on 2 June 2021. The ARC received progress updates on the implementation of the framework and the ARC received progress updates on the priorities.

Per the 2021/22 Internal Audit Report the responsibility for fraud investigation and the position of Senior Financial Investigations Officer, as well as the responsibility for risk management and the position of Risk Manager, is under the remit of the Procurement and Risk Services Manager at the Council. The Audit Services Manager and Procurement and Risk Services Manager worked closely with one another to share risk information and align approaches to provide combined assurance to the Council.





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Central to the risk management framework is the identification and management of the Council's Principal Risks. These risks are recorded in the Principle Risk Register (PRR). Our review of the PRR summary presented to the ARC noted that given any revenue budget overspend in 2021/22 is expected to be marginal, and the Council's reserves remain strong, potential consequences for the Council are reduced from 'Severe' to 'Major' and the overall risk rating is changed from 'Very High Risk' to 'High Risk'. The ongoing financial impacts of Covid-19 are being monitored and mitigated through the Council's Medium-Term Financial Strategy, with individual financial risks being identified and managed on an ongoing basis through Revenue Budget, Capital Programme, Treasury, and Investments reporting cycles.

Per our review of the Counter Fraud and Investigations Report dated December 2021 we noted arrangements included fraud risks already identified in the Council's Principal Risk Register. Relevant information from the Register is reported in detail to Management Team every quarter and in summary to Audit and Risk Committee twice a year.

With the onset of the Covid-19 pandemic, however, the fraud landscape has changed significantly. In response to this, in Spring 2021 the Council commissioned Internal Audit to carry out an independent assessment of the Council's position in relation to the revised counter fraud strategy for local government, Fighting Fraud and Corruption Locally.

An effective internal audit (IA) function is key to the arrangements from which the ARC obtains assurances over the proper operation of internal controls. Similarly, for the Council, the system of internal control is a significant part of the governance framework as stated in the AGS.

In their annual report, IA confirmed that "Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS". IA provided an Overall opinion of "Moderate Assurance" for 2022/23, meaning "overall the Council's systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk".

18 projects were delivered, out of these 18, 3 were management letters, and 4 were follow-ups and 2 were internal audit advice reports. 4 of the assurance reviews were issued a Moderate Assurance opinion, 4 were issued a substantial opinion and 1 was a limited opinion.

Per the IA Annual Report 2022/23 paper, this highlights how responsive management have been in implementing recommendations. Internal Audit attend and provide progress reports to the ARC.





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As stated in the ARC terms of reference, the ARC has financial reporting functions which include the review of the annual statement of accounts considering whether the appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the Council's attention.

Governance - Conclusion

We have not identified any significant weaknesses in this area. Effective Risk identification, mitigation and management will continue to be a key focus for the Council over the medium term. The ongoing delivery of effective internal audit services will also play a key part in effective governance for the Council.



APPENDIX 1 - Additional Reporting Powers

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Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - 2024 (the 'Code').

Under the Code, we are required to review and report on the following:

- To be satisfied that the accounts comply with the requirements of the enactments that apply to them
- To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view
- To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- To express an opinion on the accounts
- To certify completion of the audit
- To consider whether to issue a report in the public interest
- To consider whether to make a written recommendation to the audited body, copied to the Secretary of State

The Code also defines a number of additional powers and duties

- To give electors the opportunity to inspect and raise questions about the accounts and consider and decide upon objections received in relation to the accounts

- To apply to the court for a declaration that an item of account is contrary to law
- To consider whether to issue an advisory notice or to make an application for judicial review
- To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament
- To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General



For more information:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31st MARCH 2023

1. Scope of responsibility

- 1.1. Chelmsford City Council ('the Council') has a duty under the Local Government Act 1999 to make arrangements that ensure continuous improvement in the way it works in terms of economy, efficiency and effectiveness. This includes a responsibility to ensure that Council business is conducted in accordance with the law and that public money is safeguarded and properly accounted for.
- 1.2. To fulfil this responsibility, the Council must put in place proper arrangements for the governance of its affairs and carrying out its functions, which includes arrangements for managing risk.
- 1.3. The Council has approved and adopted a Code of Corporate Governance which is consistent with the seven principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government 2016*.
- 1.4. This statement explains how the Council has complied with the Code. It also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment", which:
 - describes key elements of the Council's governance arrangements, covering key corporate systems and the range of activities for which the Council is responsible;
 - describes processes applied in reviewing their effectiveness, and
 - lists actions proposed to deal with significant governance issues identified.

2. The purpose of the governance framework

- 2.1. The governance framework comprises:
 - the systems, policies, processes, culture and values by which the Council is directed and controlled; and
 - the Council's activities through which it accounts to, engages with and leads the community.
- 2.2. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to: identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage those risks efficiently, effectively and economically. The governance framework outlined in this document has been in place at Chelmsford Council for the year ended 31 March 2023.

3. The Governance Framework

- 3.1. The Council's Governance Framework is reviewed annually to ensure its continuing effectiveness regarding the seven CIPFA/SOLACE principles of delivering good governance.
- 3.2. Key highlights from the Governance Framework in place at Chelmsford City Council are shown against each of the seven principles below. Further evidence of compliance with the principles can be found in the Code of Corporate Governance.

Good Governance Principle	Chelmsford Council Key Elements 2022/23
<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<ul style="list-style-type: none"> ✓ Member and Officer Code of Conduct form part of the Council's Constitution. The Constitution Working Group in May 2022 recommended that the Council adopt the latest version of the Local Government Association's Model Code of Conduct for Councillors which was approved and adopted as Part 5.1 of the Constitution by Full Council in July 2022. The Monitoring Officer has undertaken six training sessions in relation to the model code of conduct. ✓ The Employee Code of Conduct has been reviewed in light of the changes to the Member Code of Conduct to establish whether changes are necessary to bring the Employee Code of Conduct into alignment. The area of gifts and hospitality was specifically considered. The employee code was already similar to the LGA Model code and no changes were considered necessary (as reported to Governance Committee in January 2023) ✓ The Council's Financial Rules form part of the Constitution and were reviewed in detail, supported by Corporate Governance Group, Constitution Working Group, Cabinet and were approved by Full Council in July 2022. Corresponding Practice Notes are due to be updated in 2023. ✓ Policies and procedures on Member and Officer declarations of interests and of gifts and hospitality are available, with interests remaining a standing item on all Committee, Cabinet and full Council meeting agendas. Governance Committee received an update from the Monitoring Officer in June 2022 relating to declaration of interests and gifts and hospitality. ✓ The Council's approach to counter-fraud was revised and refreshed in 2022, including the production of a new Counter Fraud Strategy, as approved by Audit and Risk Committee in December 2022. Actions required to deliver and implement the Strategy were set out in a corresponding action

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>plan, with an update provided to March 2023 Audit and Risk Committee regarding actions completed relating to Fraud Risk Register, development of new Fraud Response Plan and plans for developing and rolling out Council wide counter fraud training during 2023. The Council also participates in mandatory NFI exercises, of which the latest bi-annual main exercise was November 2022.</p> <p>✓ The whistleblowing policy is available to staff, key stakeholders and the general public via the Council's website. A review of the Whistleblowing Policy was undertaken by the Monitoring Officer and reported to Governance Committee in January 2023 which confirmed the current policy is compliant with legislation. An Annual Whistleblowing Report was provided to Governance Committee in October 2022.</p> <p>✓ Service-related complaints and complaints about a Councillor can also be reported online. Governance Committee continues to monitor complaints and investigations under the Standards regime and received the annual review of Complaints to the Local Government and Social Care Ombudsman in October 2022.</p> <p>✓ The Council's Modern Slavery and Human Trafficking Statement sets out the actions to understand all potential modern slavery risks related to our services and puts in place steps to eliminate acts of modern slavery and human trafficking in the Council's services, businesses and supply chains. As reported to Audit and Risk Committee in September 2022, the Council's new Modern Slavery Co-ordinator now enables the Chelmsford Against Slavery Partnership (CASP) to be progressed and provides resources and expertise to take forward this important area of work, including a review of Property Services and Housing Services. The Council will continue to raise awareness of Modern Slavery practices within the Council's operations and supply chain. Going forward, progress relating to CASP Modern Slavery will be reported to the One Chelmsford Board and Overview and Scrutiny Committee.</p> <p>✓ The Council has a responsibility to ensure that all commissioning and procurement supports the Council's Our Chelmsford Our Plan principles within the legislative framework for public procurement and the Council's own internal rules and procedures, as well as promoting sustainable and ethical sourcing, procurement, commissioning and contract management wherever possible. This is set out</p>

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>in the Council's Social Value Procurement Policy and Strategy 2020-25. An annual Procurement and Social Value update was provided to Audit & Risk Committee in December 2022.</p> <ul style="list-style-type: none"> ✓ The Articles of the Constitution, define the Monitoring Officer's role to ensure that all decisions comply with statutory requirements and are lawful. ✓ Ethical Governance training was undertaken in relation to the adoption of the Model Code of Conduct during late 2022. Decision-Making awareness for Councillors Training was undertaken during 2021. Further training in relation to both elements will be provided after May 2023 elections.
<p>Principle B Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> ✓ The Council has an FOI publication scheme on its website and also publishes certain information in line with the Local Government Transparency Code 2015. The Council also updates its FOI requests relating to Business Rates quarterly. ✓ The Council's Annual Statement of Accounts is published online. ✓ Comprehensive Council Tax information is available online ✓ Council, Cabinet and Committee meetings are open to the public and guidance on attending and speaking at public meetings is available online. ✓ A calendar of meetings ensures that timely reports are submitted to, published by and distributed by Legal and Democratic Services to ensure Members' information needs, and relevant statutory deadlines, are met. ✓ Notices of Key Decisions, Executive Decisions and Urgent Decisions are also issued in advance/made available online (as appropriate). ✓ Further detail on stakeholder engagement is available in the Council's Consultation and Engagement Strategy. ✓ The Monitoring Officer continues to provide guidance for Parish tier Councils on the standards regime. Parish tier councillors were invited to some of the model code of conduct update sessions which took place late 2022.

Good Governance Principle	Chelmsford Council Key Elements 2022/23
<p>Principle C</p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> ✓ The Council's Local Plan was adopted in May 2020. This sets out sustainable development objectives, policies and a Spatial Strategy to accommodate new development growth in the period to 2036. In accordance with national policy, a review of the plan is required at least every five years. To this end, an Issues and Options consultation ran for 10 weeks to October 2022 to review the amount and potential locations for new development of homes, jobs and infrastructure, and areas for protection, such as open space and sites for wildlife which will cover the period to 2041. A consultation feedback document was published in February 2023 following considered by Chelmsford Policy Board and a revision to the timetable to review the Local Plan was also agreed. A new Officer team was formed in July 2022 to deal with all planning matters related to Chelmsford Garden Community. ✓ In order for the Council to keep its CIL Governance arrangements up to date and in line with the adopted Local Plan, a revised arrangement was adopted by Cabinet in June 2021. A further review will be carried out within the next 2 years, or earlier should Government legislation make that necessary. ✓ The Council's Community Funding Scheme is available to voluntary or community organisations who work for the benefit of Chelmsford residents. There are three different grant schemes: Discretionary Fund Grant; Neighbourhood Community Infrastructure Levy (CIL) Grant in unparished wards; and Greener Chelmsford Grant (which supports “green” community initiatives to help local groups deliver elements of the Climate and Ecological Emergency Action Plan). Additional Council grants include Active Chelmsford (for projects or work aimed at engaging inactive residents of the Chelmsford district) and other CIL grants to external organisations that deliver the strategic infrastructure required to deliver the objectives of the Local Plan. ✓ Following Full Council approval at its meeting in March 2022, the Council proceeded to make a formal legal order in August 2022 to create two new Parish tier Councils – Chelmer Village Council and Chelmsford Garden Community Council with effect from 1st April 2023. The Council appointed representatives from the City Council and existing local parish councils to both shadow councils to assist with the initial set up of the new councils. Those shadow councillors became the first parish tier councillors from 1st April 2023 and will remain in place until the election process is completed in

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>early May 2023. A further formal legal order was made in February 2023 to deal with transfer of assets from existing parishes to the new councils. Full details are here.</p> <ul style="list-style-type: none"> ✓ Our Chelmsford, Our Plan is available online setting out the Council's medium-term strategic priorities to improve the lives of residents, focussing on sustainable economic, social and environmental goals, aligned to the Local Plan where appropriate. ✓ The Council's strategic planning framework ensures that operational activities link to Our Chelmsford, Our Plan priorities. The Our Plan Action Plan breaks down strategic actions to measurable economic, social and environmental outcomes for monitoring through T1. T1 Action Plans are also in place for the Climate and Ecological Emergency and the Council's Health and Wellbeing Strategy. ✓ The Council in response to a Notice of Motion - Standing Against Racism and Discrimination, resolved to adopt the All-Party Parliamentary Group (APPG) on British Muslims definition of Islamophobia; continue focus groups and meetings to find out more about how we support our diverse communities and expectations of the Council as a whole; improve knowledge and understanding by using our museums, theatres, festivals and outside events to showcase the diversity of our city; monitor the figures relating to hate crimes and action taken via the Community Safety Partnership; support the work of the Working Group on Connectivity and Local Democracy to tackle discrimination, encourage participation and open up community discussion and; report back regularly to all councillors. The Council has also adopted the IHRA definition of antisemitism. The Council's activities in this field are monitored by the Anti-Racism Working Group. ✓ In line with the Public Sector Equality Duty, the Council publishes equality information (including workforce and gender pay gap data) and has set equality objectives to continually improve services to ensure equal access for all customers, work effectively with under-represented communities, promote equality and diversity through working practices and recruit and retain staff with the right skills and behaviours to work for the benefit of all sectors of our local community.

Good Governance Principle	Chelmsford Council Key Elements 2022/23
<p>Principle D</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> ✓ Directors meet regularly with both their Cabinet Members and the Chief Executive to discuss progress in their respective areas of responsibility. ✓ The Medium-Term Financial Strategy (MTFS) 2022-27 details a sustainable funding strategy for the Council, taking account of Our Chelmsford, Our Plan objectives and informing annual budget setting. A detailed and comprehensive MTFS was presented to Cabinet and Council in July 2022, which reported the increase of financial uncertainty due to the long-term impact of Covid-19; potential economic recession and current inflation; and no clear funding arrangement from Government. The MTFS and the Council’s Budget are a means of meeting the expected challenge. ✓ Financial monitoring arrangements ensure that budget information is readily available to a variety of stakeholders to inform decision-making – including senior managers, Management Team and Cabinet Members, alongside formal reporting to Audit and Risk Committee at outturn, mid-year review to Cabinet and Overview and Scrutiny Committee and regular reporting to Cabinet members. ✓ The Council undertook a self-assessment against the seven standards in CIPFA’s Financial Management Code using the assessment criteria established by CIPFA. The outcome (i.e. that the Council is materially compliant with the CIPFA FM Code) was reported to Audit and Risk Committee in September 2022, with further actions arising from the assessment outlined. These actions are being monitored by the Council’s S151 Officer. ✓ The Council’s Performance is monitored as follows: <ul style="list-style-type: none"> • A programme of deep-dive performance reviews is presented to Overview & Scrutiny Committee throughout the year, each review focussing on a specific area of Council activity. In 2022/23, these included: Rough Sleeping, Temporary Accommodation, SEPP, Cultural Services, Housing Delivery, Safer Chelmsford. • Overall progress in implementing Our Chelmsford, Our Plan Action Plan is reported in annually to Overview & Scrutiny Committee in November. Key priorities from the Plan have also been identified by portfolio holders for quarterly reporting to the Policy Leadership Team (PLT).

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<ul style="list-style-type: none"> • The Climate and Ecological Emergency Action Plan progress is reported annually to Overview & Scrutiny Committee. • Health and Wellbeing Action Plan progress is reported quarterly to Livewell Chelmsford. • Operational PIs continue to be monitored locally. <p>✓ Chelmsford Policy Board (joint Members and Officer) Working Groups oversee implementation of the dedicated strategies and actions plans, recommending interventions to Cabinet as necessary. The Board receives updates from the Working Groups when there is significant progress to report.</p> <p>✓ Chelmsford Garden Village Delivery Board is in place to oversee specific elements of the development of proposals for Chelmsford Garden Community.</p>
<p>Principle E</p> <p>Developing the Council’s capacity, including the capability of its leadership and the individuals within it</p>	<p>✓ The Council’s Constitution is available on the Council’s website and subject to ongoing review, as overseen by the Constitution Working Group.</p> <p>✓ The Council works to ensure the physical and mental health and wellbeing of its staff through Workplace Health Champions events, Mental Health First Aiders, the Employee Assistance Programme, Wellness action plans and weekly Our News articles.</p> <p>✓ The Council participates in a number of partnerships, including Safer Chelmsford, South Essex Parking, and works closely with Essex County Council on a number of initiatives: Mid Essex Children's Partnership Board, Essex Safeguarding Adults Board, Mid Essex Alliance and Chelmsford Youth Strategy Group.</p> <p>✓ Recruitment of an Independent Person was undertaken because of ill health of one of the serving Independent Persons. This was advertised in accordance with the Localism Act 2011 and interviews of 6 applicants undertaken by Governance Committee in March 2023. Two candidates are being recommended for appointment at Annual Council in May 2023. The Governance Committee meeting in June 2023 will include a training session for the entire committee for the new term of office post elections. This will assist the new independent persons in their induction along with any new committee members that are appointed after the elections. One existing parish councillor</p>

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>representative is being recommended for continued appointment at Annual Council. The remaining two parish representative vacancies will be dealt with after the elections.</p> <p>✓ The Monitoring Officer undertook six training sessions during 2022/23 in relation to the Member Model Code of Conduct. These initially included only City Councillors, but later sessions were extended to parish tier authorities. The slides and a recording of one of the sessions have been circulated to all city councillors and all councillors have been made aware of the changes. Further training will be provided after the 2023 Local Elections and the induction programme will include appropriate arrangements.</p>
<p>Principle F Managing risks and performance through robust internal control and strong financial management</p>	<p>✓ The Council's Risk Management Strategy recognises that risk management is an integral part of Council activities. Central to the risk framework is the identification and management of the Council's Principal Risks, aligned to Our Chelmsford, Our Plan objectives, each assigned to a Directorate lead. Quarterly reporting to Management Team and six-monthly reporting to Audit & Risk Committee ensures arrangements are working effectively. The Council's Fraud Risk Register summary was also presented to Audit & Risk Committee in March 2023.</p> <p>✓ The Internal Audit Annual Report to Audit & Risk Committee confirms that an effective internal audit service is resourced and maintained and provides an annual opinion on the adequacy Council's governance, risk management and internal control arrangements.</p> <p>✓ The risk-based Internal Audit Plan is aligned to Our Council, Our Plan objectives, the Council's Principal Risks and Fraud Risk Register.</p> <p>✓ Following the independent Cyber Security "posture review" in 2020/21 which assessed the Council's maturity with regards to information and cybersecurity, the VCISO service was initiated in March 2022, to assist the Council aligning to the IASME Governance Gold Standard for information security. Updates from the VCISO were provided to Corporate Governance Group throughout 2022/23, including monitoring actions arising from the Council's self-assessment against Cyber Essentials best practice, conducted in November/December 2022. Work continues to produce the forward strategy for cyber resilience which will be made up of three main components: an executive briefing covering the key elements of the strategy, setting out a structured approach to realisation</p>

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>and shared across the organisation; a more detailed document with more in-depth analysis held by Digital Services and available for access by interested parties; and a technological road map for the ongoing development of the Council's digital infrastructure against the strategy. The Council also procured a 3 year contract for incident response, should the authority be compromised we will have access to expert advice quickly who are aware of our setup and will run regular exercises with us.</p> <p>✓ The Chief Financial Officer makes regular reports to Members on the financial position, budget setting and monitoring, medium-term forecasts, the annual statement of accounts and any other financial matters as necessary. Financial risks included within the Principal Risk Register are refreshed in the light of changing financial circumstances.</p> <p>✓ The Council undertook a self-assessment against the seven standards in CIPFA's Financial Management Code using the assessment criteria established by CIPFA. The outcome (i.e. that the Council is materially compliant with the CIPFA FM Code) was reported to Audit and Risk Committee in September 2022, with further actions arising from the assessment outlined. These actions are being monitored by the Council's S151 Officer.</p> <p>✓ The Council's approach to counter-fraud was revised and refreshed in 2022, including the production of a new Counter Fraud Strategy, as approved by Audit and Risk Committee in December 2022. Actions required to deliver and implement the Strategy were set out in a corresponding action plan, with an update provided to March 2023 Audit and Risk Committee regarding actions completed relating to Fraud Risk Register, development of new Fraud Response Plan and plans for developing and rolling out Council wide counter fraud training during 2023. The Council also participates in mandatory NFI exercises, of which the latest bi-annual main exercise was November 2022.</p> <p>✓ Chelmsford City Council is committed to high standards of health and safety management within a sensible risk management framework. This means having in place effective management arrangements within directorates to ensure the wellbeing of our staff, service users, members of the public and others affected by our organisation and services. The Council uses external health and safety advisors to assist in managing the Council's high-risk services. The Council has a Health, Safety & Welfare Forum that has senior level representation from across the organisation. The aim of the Health, Safety and Welfare Forum is to promote co-operation in instigating, developing and</p>

Good Governance Principle	Chelmsford Council Key Elements 2022/23
	<p>carrying out measures to ensure and improve the health, safety and welfare at work of all employees. Management Team are kept informed of issues as when they arise, and key policies are reported on and discussed as required, and an Annual Health and Safety Report was provided to Audit & Risk Committee in September 2022.</p> <p>✓ Business rates expanded reliefs and emergency grants were provided by the Government to support businesses and organisations during the pandemic. In March 2022, BEIS confirmed that the Council's activities in relation to the first tranche of grants between April 2020 and September 2020 had provided adequate assurance. In December 2022, BEIS advised they would be starting to conduct their post-payment assurance activities in relation to the remaining COVID Business Support Grants.</p> <p>✓ The Audit & Risk Committee is constituted in line with, and operates with regard to, the CIPFA Position Statement on Audit Committees and associated Practical Guidance for Local Authorities (2018). An update to this guidance was produced in 2022 and a self-assessment will be undertaken in 2023 to ensure Committee compliance with new requirements.</p> <p>✓ The annual update to Members on RIPA arrangements was presented to Governance Committee October 2022, covering review of the Council's RIPA and RIPA Social Media Policies and training of key personnel.</p> <p>✓ An Information Governance Update was presented to Governance Committee in October 2022 to provide an annual update on the Council's approach to the assurance and management of information. Achievements and further developments included: 90% statutory requests (Freedom of Information, Environmental Information Regulation and Data Protection Act Subject Access requests) were answered within timescale, data breach summary, training and awareness, cyber security review, policies, consents, privacy notices, risk management, phishing, contracts, DPIA's.</p>

Good Governance Principle	Chelmsford Council Key Elements 2022/23
<p>Principle G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability</p>	<ul style="list-style-type: none"> ✓ As detailed above, a vast array of information is accessible to the general public via the Council's website in an understandable style appropriate to the intended audience. ✓ The Council's Corporate Governance Group continued to meet regularly during 2022/23 and included reviewing and updating the Annual Governance Statement, reviewing progress against the AGS action plan, collaborating and sharing governance updates and best governance practice from across the Council. ✓ The Annual Governance Statement is presented to the Leader and Chief Executive, approved by Joint Audit & Risk and Governance Committee and published alongside the Statement of Accounts. ✓ Governance Committee, Audit & Risk Committee, and Overview & Scrutiny Committee report annually on their work to full Council. ✓ The Annual Internal Audit Report demonstrates that internal audit recommendations inform positive improvement across the Council.

Review of effectiveness

3.3. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the senior Management Team who have responsibility for the development and maintenance of the governance environment
- the work of Cabinet and the Committees, including the Audit & Risk Committee, Governance Committee and Overview & Scrutiny Committee
- the work of the Corporate Governance Group who provide feedback to Management Team.
- the Internal Audit Annual Report
- comments made by the external auditors and other inspection agencies

3.4. As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- A **robust Internal Audit function** where the planned work is based on identified key risk areas. The Council's Internal Audit Service arrangements conform to Public Sector Internal Audit Standards
- An **embedded reporting system for internal audit issues** that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Audit & Risk Committee.
- A **risk management process** which ensures the Principal Risks across the Council are captured and reported to Management Team and Members.
- A **comprehensive budget monitoring process** including access for senior managers to live financial information and latest budget forecasts, with quarterly reporting to Management Team and biannual reporting to Cabinet.

3.5. The outcome of the review is presented in 3.10 below, which detail areas for improvement during 2023/24.

3.6. Effectiveness of Other Organisations

- The Council acts as lead partner in the South Essex Parking Partnership (SEPP which carries out the on-street parking enforcement in Chelmsford, Basildon, Brentwood, Castle Point, Maldon and Rochford, on behalf of Essex County Council (ECC), the highways authority, through delegated responsibilities under a Joint Agreement first introduced in 2011 with a new agreement for a further term signed by all partner authorities in 2022. Signs and lines maintenance and new TRO's (Traffic Regulation Orders) are also provided by the Partnership. The Partnership has operated successfully, in accordance with the Traffic Management Act 2004 (TMA 2004), including timely production of an Annual Report and agreed Business Plan, and generation of a surplus during each year of operation.
- The One Chelmsford Board acts as Chelmsford's Responsible Authorities Group under the Crime and Disorder Act 1998, which is a statutory function. There are a number of other statutory partners: Chelmsford City Council, Essex Police, ECC, Essex County Fire and Rescue Services, Probation Services and Health (CCG). The current chair is Chelmsford Council's Chief Executive and our member representative is the Leader of Chelmsford Council. The group has a terms of reference and presents a finance report annually.
- The Council does not currently engage in commercial activities through trading subsidiaries or investment vehicles.

3.7. Internal Audit Opinion

The annual opinion categories range from No Assurance, Limited Assurance, Moderate Assurance to Substantial Assurance. The annual opinion given for 2021/22 was Moderate Assurance.

The work undertaken during 2022/23 has enabled the Audit Services Manager to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year-ended 31st March 2023, the opinion is that the adequacy and effectiveness of the Council's arrangements is *Moderate Assurance* – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-ups in 2023/24. Further detail on audit outputs is provided in the Internal Audit Annual Report.

3.8. External Audit and Inspectorates

In the last 20 years the Council has published its accounts in-line with statutory deadlines and had no qualifications made by its external auditor. However, the effectiveness of the external audit process has been weakened by a nationwide crisis in external audit provision. Across England only 1 in six audits have been completed on time. For the City Council like many Councils that means audits have taken over a year from the balance sheet date to be completed. External audit provides an essential independent challenge of a Council's finances, however that challenge can only be truly effective when done in a timely manner. The issue is being addressed nationally but it is unclear when the situation will improve.

3.9. Review of Actions from 2021/22 Annual Governance Statement

Ref	2021/22 AGS	Action taken in 2022/23 to address the issue
GOV22_1	Financial Rules - Updated financial rules will be reviewed and approved by Council and associated operational Practice Notes updated and implemented accordingly.	Complete. A review of the Council's Financial Rules was undertaken in 2022/23 and were approved at Full Council July 2022. Supplementary Practice Notes are now in draft and due to be reviewed Spring 2023.
GOV22_2	Cyber Security - Continue to progress our cyber security recommendations that come from the vCISO service. Align to best practice and frameworks as relevant. Deliver updated	Ongoing. The VCISO service was initiated in March 2022 to assist the Council achieving accreditation to the IASME Governance Gold Standard for information security. Updates from the VCISO were provided to Corporate Governance Group throughout 2022/23, including monitoring actions arising from the Council's self-

Ref	2021/22 AGS	Action taken in 2022/23 to address the issue
	Cyber Security strategy and review all policies. Procure a retainer for Cyber Security incident response team.	assessment against Cyber Essentials best practice, conducted in November/December 2022. Work continues to produce the forward strategy for cyber resilience which will be made up of three main components: an executive briefing covering the key elements of the strategy, setting out a structured approach to realisation and shared across the organisation; a more detailed document with more in-depth analysis held by Digital Services and available for access by interested parties; and a technological road map for the ongoing development of the Council's digital infrastructure against the strategy.
GOV22_3	Financial Management Code Action Plan - A self-assessment against CIPFA's Financial Management Code will be completed and action plan produced to meet any shortfalls.	Complete. The Council undertook a self-assessment against the seven standards in CIPFA's Financial Management Code using the assessment criteria established by CIPFA. The outcome (i.e. that the Council is materially compliant with the CIPFA FM Code) was reported to Audit and Risk Committee in September 2022 , with further actions arising from the assessment outlined. These actions are being monitored by the Council's S151 Officer.
GOV22_4	Member Code of Conduct	Complete. The Constitution Working Group in May 2022 recommended that the Council adopt the latest version of the Local Government Association's Model Code of Conduct for Councillors which was approved and adopted as Part 5.1 of the Constitution by Full Council in July 2022. The Monitoring Officer has undertaken 6 training sessions in relation to the model code of conduct.
GOV22_5	Community Governance Review	Complete (to April 2023). Following Full Council approval at its meeting in March 2022, the Council proceeded to establish a formal legal order in February 2023 to create two new Parish tier Councils – Chelmer Village Council and Chelmsford Garden Community Council with effect from 1st April 2023. The Council has appointed representatives from the City Council and existing local parish councils to both shadow councils and will remain in place until after the first election cycle is complete. Full details are here .

3.10. Areas for improvement or monitoring during 2023/24:

Ref	Area	Action to be taken in 2023/24	Responsible Officer
GOV23_1	Counter Fraud	Monitor progress of delivery of actions in the Counter Fraud Strategy Action Plan to ensure that the Council's Counter Fraud Strategy is delivered	Audit Services Manager
GOV23_2	Cyber Security	Continue to progress our cyber security recommendations that come from the vCISO service. Align to best practice and frameworks as relevant. Deliver updated Cyber Security strategy and review all policies.	Digital Services Manager
GOV23_3	Records Management	To review current records management processes and develop action plans for the implementation of any changes that need to be made, including consideration of prioritisation, resources and timescales for implementation within services.	Relevant Information Asset Owners
GOV23_4	Constitution/Policy Alignment	To complete the review of any parts of the constitution that have not been reviewed within the last 4 years. This will include any practice or procedure notes.	Legal & Democratic Services Manager

4. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and have been progressed.

Signed.....

Leader of the Council

Date:

Signed.....

Chief Executive

Chelmsford City Council
Statement of Accounts 2022/23

Notice of Late Publication

The Council is unable to publish the draft statement of accounts by the deadline of 31 May 2023 and commence the period for exercise of public rights as required by the Accounts and Audit regulations 2015, as amended.

The later publication is due to external factors beyond the Council's control. The unprecedented delays in audit completions resulted in prolonged audit periods that put significant pressure on available resources throughout the year and during the preparation of the draft statement of accounts. The need to undertake additional work on post balance sheet events and opening balances of the 2022/23 statement of accounts as consequence of the 2021/22 audit not yet starting.

The Council will endeavour to publish the draft statement of accounts and the notice of the commencement of the period of public right as soon as practicable.

Dated 31 May 2023

Phil Reeves
Accountancy Services manager, Section 151 officer

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE

Chelmsford City Council

Audit of Accounts 2022/23

Notice of Late Publication

Our external auditors, BDO LLP, are unable to start the audit of the Council's 2022/23 accounts due to pressures on their resources and capacity constraints.

The Council's final statement of accounts therefore could not be published by the required deadline of 30 September 2023 as required by the Regulation 10 paragraph (1) of the Accounts and Audit regulations 2015, as amended.

This notice is issued under Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

The final audited accounts will be published as soon as external audit of the accounts and approval process has been completed.

A draft statement of accounts for 2022/23 was published by the Council in June 2023 and is available on the Council's website.

Dated 2 October 2023

Phil Reeves
Accountancy Services manager, Section 151 officer

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE



Audit of Accounts for the Year Ended 31 March 2023

The Council's accounts are subject to external audit. This audit is being carried out by David Eagles, Partner, BDO LLP, 55 Baker Street, London W1U 7EU, David.Eagles@bdo.co.uk and will be conducted under the provisions of the Local Audit and Accountability Act 2014, Sections 26 and 27 and the Accounts and Audit (England) Regulations 2015, SI No. 234, as amended. Members of the public and local government electors have certain rights in the audit process.

For the year ending 31st March 2023, any person interested has the opportunity to inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them. These documents will be available on application to the Accountancy Services Manager, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE or by making a request using the following link <https://www.chelmsford.gov.uk/your-council/contacting-us/contact-us-online/contact-finance-team/> between 10 am and 4pm commencing Monday 19 June 2023 and ending on Friday 28 July 2023. We will endeavour to supply all information electronically.

During this period, local government electors for the area of the Council or their representatives may:-

- a) ask the auditor questions about the accounts. Please contact the auditor at the address given above to make any arrangements to ask any questions.
- b) object to the Council's accounts asking that the auditor issue a report in the public interest and/or apply to the court for a declaration that an item in the accounts is contrary to law. Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given above and copied to me at the address given below.

Lorraine Browne
Legal and Democratic Services Manager

Civic Centre,
Duke Street,
Chelmsford,
Essex,
CM1 1JE

16 June 2023