

Audit and Risk Committee Agenda



18 September 2024 at 7pm

Marconi Room, Civic Centre, Chelmsford

Membership

Councillor N. Walsh (Chair)

and Councillors

N. Bugbee, H. Clark, N. Dudley, K. Franks, J. Raven, M. Sismey, A. Sosin, and R. Whitehead

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. To find out more about attending please email jan.decena@chelmsford.gov.uk or telephone on Chelmsford (01245) 606260.

Audit and Risk Committee

18 September 2024

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 21 March 2024.

3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

5. Announcements

6. External Audit Update from Ernest Young (EY)

Chelmsford City Council's external auditors, Ernest Young, will present the Provisional Audit Planning Report and provide an update of external audit delivery.

7. Draft Statement of Accounts 2023-24

8. Provisional Revenue Outturn Report for 2023-24

9. Capital Programme Update and Provisions Outturn 2023-24

10. Annual Health & Safety Report 2023-24

11. Internal Audit Annual Report 2023-24

12. Counter Fraud Annual Report 2023-24

13. Audit & Risk Committee Annual Report 2023-24

14. Audit & Risk Work Programme

15. Urgent Business

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

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 21 March 2024 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, N. Dudley, K. Franks, A. Sosin, and R. Whitehead

Also in attendance –

Independent Person –
Mr C Groves

1. Attendance and Apologies for Absence

Apologies for absence was received from Councillors N. Bugbee, D. Clark, I. Grundy J. Raven, and Independent Person, Ms Hoeckx.

2. Minutes

The minutes of the meeting on 12 December 2023 were confirmed as a correct record.

3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting if they had not been previously notified. None were made.

4. Public Questions

There were no questions or statements from members of the public.

5. Announcements

No announcements made.

6. External Audit of Accounts

The Committee heard details on a report containing the Government's proposals to clear the nationwide backlog of external audits. It was advised that the delays in the Council's external audits, caused by a nationwide failure by external auditors to meet their obligations. Members were advised that as per December 2023, there were 771 overdue external audits, representing in most cases 2 years of accounts remaining unaudited. The Council's audits of 2021/22 and 2022/23 accounts by BDO have not yet started. It was emphasised that this was not a reflection of the Council's financial management. From 2023/24, the Council have acquired a new auditor, Ernest Young (EY).

Members were advised that backstops would be put in place by legalisation, requiring auditors to offer an opinion by set date on accounts each year, even if the auditor had not completed the audit. There are different types of audit opinions that could arise as external auditors would be required by statute to report no matter the progress. This included disclaimed; partially disclaimed; complete; and, qualified. It was also advised that BDO would sign off the rest of their audits by September 2024 and EY was anticipated to sign off the 2023/24 accounts by the end of May 2024. Members were also advised that EY would update the Committee on the June 2024 or at the latest at the September meeting.

The Council welcomed the proposed changes and consultation from the government as there was a realistic view of the time it would take to clear the national backlog (2028). However, there were some concerns including the matter of the pension funds and the wording of the disclaimer. There were also changes to the Value for Money assessments that officers welcomed, including that it would become a higher priority for the Auditor, and it would be more focused on the health of the Council's finances.

In response to comments and questions from members, it was advised that;

- Regarding communications about unfinished external audits, it was advised that these would be down to the messaging in the disclaimers and that it should be clear why the accounts were unfinished. However, it was emphasised that the Council would not be at fault.
- It was advised that unfortunately public sector audit had become unattractive in terms of recruitment and the costs had risen to 150%. Further recruitment in the public sector auditing was needed and it was advised that auditors would invest more on training and recruitment.
- It was advised that it was not pragmatic to assume that all audits would be completed fully for another two-three years.
- There would be no financial penalties for auditors not finishing their audits. It was however advised that the Council would not have to pay BDO other than an independently set fee for a disclaimer.
- It was admitted that the audits had become more expensive for the Council however the increased cost was a national problem.

RESOLVED that the External Audit Update be noted.

(7.06pm to 7.17pm)

7. Risk Management Report

The Committee received a risk management report which summarised the current position for the Council's Principal Risks and outlined risk management activity for 2024/25. Members were given an overview of the work in the last year including identifying and managing risks to achieve certain objectives. The Council was currently in a period of change and review including the Council's risk profile, risk appetite, and the insurance programme to ensure sufficient level of protection was in place for key risks.

The Committee was advised that the focus for the next two quarters were the principal risk review with the management team, with an emphasis on the importance of keeping it detailed, as well as to fully implement Lighthouse across the organisation. They were also informed regarding the progress against the agreed priorities on the Risk Management Strategy which included full insurance programme review; record keeping and evaluation on fine art, motor, contact works and general property; fire and security review; and motor insurers operational review and how to manage risks of the motor fleet. It was also advised that there were more risks on the register which reflect the volatility that councils were facing currently and the importance for these to be detailed. The Committee then were shown a demonstration of Lighthouse.

In response to comments and questions from members, it was advised that;

- Management Team was aware of the risks surrounding recruitment particularly regarding staff near retirement. It was advised that there was a shortage of staff in mid-senior management. The team was in liaison with all senior managers to capture expectations and then plan in terms of managing exits.
- It was advised that approximately 90% of the risks listed on the risk register were non-insurable risks. Officers also advised that they took the view on managing risks as if they were not insured as this would ensure that they were managed effectively.
- It was advised that data would be pulled straight from Lighthouse and there would be mitigation updates on the next report. Lighthouse would also allow management team to see live risks in their areas and comments from service managers. Lighthouse was also noted to be accessible everywhere.
- Regarding reviews of the risk register, officers would report to the Committee every six months and quarterly to management team.

RESOLVED that the risk management report be noted.

(7.17pm to 7.54pm)

8. Internal Audit Plan & Charter 2024

The Committee received report detailing the Internal Audit Plan and the Internal Audit Charter 2024. Members were informed that the Internal Audit Plan for 2024 would be

based on prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford, Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussing with the Council staff, senior management, plus consideration of local and national issues and risks. Members were also advised of the approach to produce a 6-month work plan for flexibility to respond to higher risks that might emerge during the year. Members were also advised that there would be follow up reviews to assess implementation of recommendations from the previous year and there was contingency for any ad hoc requests. Members were also informed of the Charter which is a key requirement to demonstrate compliance with Internal Audit Standards and shows the governance structure in which Internal Audit operates.

In response to a query from a Committee member, it was advised that there was nothing specific in the audit plan regarding a review of communications and how information was disclosed to the public however this would be considered for the plan in the second half of the year.

RESOLVED that the Internal Audit Plan and Charter be noted.

(7.54pm to 8.00pm)

9. Accounting Policies

The Committee received a report detailing the accounting policies which would be used in the preparation of the 2023/24 accounts. It was advised that these policies represent specific principles applied in the production of the annual Statement of Accounts. The Council was required to disclose these policies in the notes to the accounts and that they were aligned with the CIPFA Code of Practice on Local Authority which was based on private sector accounting.

Members were directed to the appendix of the report which were the accounting policies that the Council use. It advised that there were no significant changes made to the 2023/24 CIPFA Code aside from minor updates to the accounting policies and clarifications. A major update that was pointed at in the accounting policies included critical judgements in applying the accounting policies especially on high value assets as in property. It was also noted that changes to policies might be required due to the government initiatives to clear the national audit backlog however as the closing date of the consultation from the government was approaching soon, this was still uncertain.

RESOLVED that;

- The Committee considered and approved the accounting policies to be used in the preparation of the accounts and delegate to Accountancy Services Manager approval of any amendments.
- The Committee noted the proposed new national publication deadlines for the Statements of Accounts and their Audit.

(8.00pm to 8.04pm)

10. ARC Work Programme

The Committee were updated on the rolling work programme of future reports and work for the next series of meetings.

RESOLVED that the ARC Work Programme to be noted and agreed.

(8.04pm to 8.05pm)

11. Urgent Business

There was no urgent business for the meeting.

Exclusion of the Public

Resolved that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 11 on the grounds that it involved the likely disclosure of exempt information falling within paragraph 7 of Part 1 of Schedule 12A to the Act.

12. Update on Audit Investigation

The Committee received an update regarding the recent confidential Audit Investigation.

RESOLVED that the report be noted.

(7.02pm to 7.06pm)

The meeting closed at 8.05 pm.

Chair

Chelmsford City Council
Provisional Audit planning
report

Year ended 31 March 2024

24 May 2024



Audit and Risk Committee
Chelmsford City Council
Civic Centre, Duke Street,
Chelmsford, CM1 1JE

24 May 2024

Dear Audit and Risk Committee Members

Provisional Audit planning report

Attached is our provisional audit planning report for the forthcoming meeting of the Audit and Risk Committee. The purpose of this report is provide the Audit and Risk Committee of Chelmsford City Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

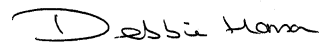
The Audit and Risk Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit and risk committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit and Risk Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

(continued)

This report is intended solely for the information and use of the Audit and Risk Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 12 June 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large initial "D".

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

01

Overview of our 2023/24 audit strategy



02

Audit risks



03

Value for Money risks



04

Audit Materiality



05

Scope of our audit



06

Audit team



07

Audit timeline



08

Independence



09

Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

Context for the 2023/24 audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:


- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the expected system wide implementation of backstop dates and latest communication with the Council, the predecessor auditor is expected to disclaim the opinion on the Council's 2021/22 and 2022/23 accounts. The proposed disclaimers of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Risk Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit and Risk Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Misstatement due to fraud or error	Fraud risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Risk of error in valuation of property, plant and equipment, specifically other land & buildings and surplus assets, and investment property	Significant risk	Property, plant and equipment and investment property represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgmental inputs and estimation techniques are required to calculate the year-end land & buildings, surplus assets and investment property valuations held in the balance sheet.
Pension liability valuation	Inherent risk	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Heritage assets completeness and existence	Inherent risk	The Council holds material heritage assets. Although not subject to the same valuation risk as property plant and equipment and investment property, we have identified a risk regarding the completeness and existence of heritage assets related to the missing assets identified by management during the year, and related weaknesses in controls over these assets.

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

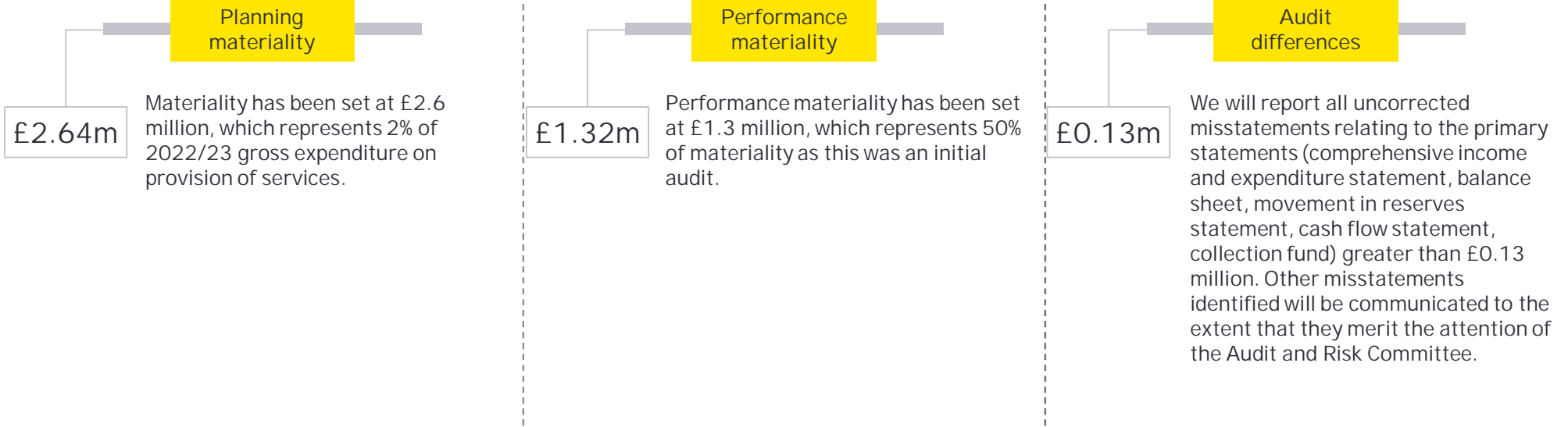
Audit risks and areas of focus (continued)

Risk/area of focus	Risk identified	Details
Minimum Revenue Provision (MRP) calculation	Inherent risk	Under statute, the Council is required to calculate and set aside a minimum revenue provision for the repayment of debt. The calculation and supporting regulations are complex and therefore there is a risk that the Council may not have calculated this correctly. Although the Council's MRP in the 2022/23 accounts is not material, we have assessed that there may be a risk of material understatement.
IFRS 16 - Leases disclosures	Other area of focus	<p>Implementation of IFRS 16 has been deferred to the 2024/25 financial statements, with application from 1 April 2024 (although local authorities may adopt IFRS 16 on a voluntary basis). The standard is expected to have significant practical and financial impact for local authorities due to the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.</p> <p>Although IFRS 16 does not come into effect until 1 April 2024, we will assess the work that the Council has been doing and evaluate the preparedness and readiness of the Council in the implementation of IFRS 16, and the adequacy of disclosures related to this in the accounts.</p>


The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit and Risk Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Council Materiality



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

This Provisional Audit Planning Report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.


Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Provisional Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Provisional Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit and Risk Committee where necessary to do so.

Overview of our 2024 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable has been agreed with management to complete the audit by 29th November 2024. In Section 07, we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Partner (Debbie Hanson)

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor's report that is issued on behalf of EY
- The overall quality of the audit



Manager (Lorenz Cayetano)

The Manager has responsibility for management of the audit, ensuring that it is adequately resourced to meet both its time and budget constraints.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required, as outlined on the next slide.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment (PPE) and investment property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test property, plant and equipment (PPE) and investment property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that the revenue expenditure meets the definition of REFCUS and can therefore be financed from capital resources.
- ▶ Identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of error in valuation of property, plant and equipment specifically other land & buildings, surplus assets and investment property

Financial statement impact

We considered that the level of estimation uncertainty and complexity is higher on land and building valuations. The net book value of these properties as at 31 March 2023 are as follows:

- ▶ Other land & buildings - £171.4 million
- ▶ Surplus assets - £8.9 million
- ▶ Investment property - £58.9 million

What is the risk?

Property, plant and equipment and investment property represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgmental inputs and estimation techniques are required to calculate the year-end land & buildings, surplus assets and investment property valuations held in the balance sheet.

What will we do?

- ▶ Consider the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Assess the classification of assets and the valuation basis that are assigned as a result to confirm they are appropriate;
- ▶ and any material increases or impairments that arise during the year;
- ▶ Group the assets revalued during the year into types, depending on the nature and valuation basis. Select a sample of assets based on value and complexity of valuation and movements in year, ensuring that at least one asset have been selected from each type. For the assets sampled we will:
 - Assess the appropriateness of the methodology used by the valuer;
 - Test the material accuracy of key inputs used by the valuers in performing their valuation, such as floor plans and land areas
 - Assess the reasonableness of the key assumptions used in the valuations, such as yield rates, obsolescence;
 - Investigate any significant variations between our estimates and the values determined by the value;
- ▶ Where we identify assets that involve more complex specialist judgements, we will engage our EY valuers to support the audit team in the above assessment;
- ▶ Review the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for property, plant and equipment and annually for investment property;
- ▶ Review assets that are not subject to valuation in 2023/24 to confirm the remaining asset base is not materially misstated; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus, and the key judgements and estimates?

Pension liability valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund estimated liability is £5.3 million at 31 March 2024. The position at 31 March 2023 was an asset of £31.4 million. These are material estimated balances and the Code requires these to be disclosed on the Council's balance sheet.

Where the net pension position is an asset at year end, the CIPFA Code of Practice requires the application of an asset ceiling to limit the extent to which a surplus is recognised on the balance sheet under the accounting standard IFRIC 14. The application of IFRIC 14 is not normally within the scope of an actuarial valuation unless specifically instructed by the employer. There is therefore a risk that IAS19 disclosures have been produced assuming no IFRIC 14 adjustments are required and therefore the Council may be recognising too high a pension asset in the balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- Liaise with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assess the work of the pension fund actuary, Barnet Waddingham, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering reviews by the EY actuarial team;
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and;
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets/liabilities. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Heritage assets completeness and existence (inherent risk)

The Council holds material heritage assets. Although not subject to the same valuation risk as property plant and equipment and investment property, we have identified a risk regarding the completeness and existence of heritage assets related to the missing assets identified by management during the year and related weaknesses in controls over these assets.

We will:

- Obtain heritage assets listing from the museum with the value of each assets and reconcile this to the disclosures in the financial statements;
- Assess the report on the lost assets produced by the Council's Internal Audit team and assess the impact on our risk assessment in this area and perform follow-up procedures as necessary;
- Consider the work performed by the Council's internal and external valuers and the results of their work; and
- Review and test the accounting entries and disclosures made within the Council's financial statements.

Minimum Revenue Provision (MRP) calculation (inherent risk)

Under statute, the Council is required to calculate and set aside a minimum revenue provision for the repayment of debt. The calculation and supporting regulations are complex and therefore there is a risk that the Council may not have calculated this correctly. Although the Council's MRP in the 2022/23 accounts is not material, we have assessed that there may be a risk of material understatement.

We will:

- Review the Council's calculation of the Capital Financing Requirement (CFR) and minimum revenue provision (MRP);
- Check that Council's MRP Policy is compliant with the statutory guidance issued by DLUHC (previously MHCLG).

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks nor inherent risk but is still important as it needs to be disclosed in the financial statements and has significant impact in the succeeding year.

What is the risk/area of focus, and the key judgements and estimates?

IFRS 16 Leases disclosures (area of focus)

The Financial Reporting Standard IFRS 16 Leases, will become effective for local authorities from 1 April 2024 to replace the existing IAS 17 (although local authorities may adopt IFRS 16 on a voluntary basis). The new standard will eliminate the traditional distinction between operating and finance leases and bring in a single approach under which all substantial leases are recognised on the balance sheet.

Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Changes agreed by CIPFA/LASAAC in relation to the adoption of IFRS 16, include:

- the identification of leases;
- the recognition of right-of-use assets and liabilities and their subsequent measurement;
- derecognition and presentation and disclosure in the financial statements; and
- the consequential changes to other sections of the Code.

The new accounting standard introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. Hence, work will be necessary to secure the relevant information to enable local authorities to fully assess their leasing position and to ensure compliance with the standard from 1 April 2024.

Although IFRS 16 does not come into effect until 1 April 2024, the Code of Practice on Local Authority Accounting requires local authorities to disclose information relating to the impact of the accounting change, where a new standard has been published but has not yet been adopted.

Our response: Key areas of challenge and professional judgement

We will:

- Assess the work that the Council has been doing and evaluate the preparedness and readiness of the Council in the implementation of IFRS 16; and
- Review the IFRS 16 disclosures and policy decisions made by the Council. The 2023/24 financial statements must disclose the impact the initial application of IFRS 16 is expected to have on the Council.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

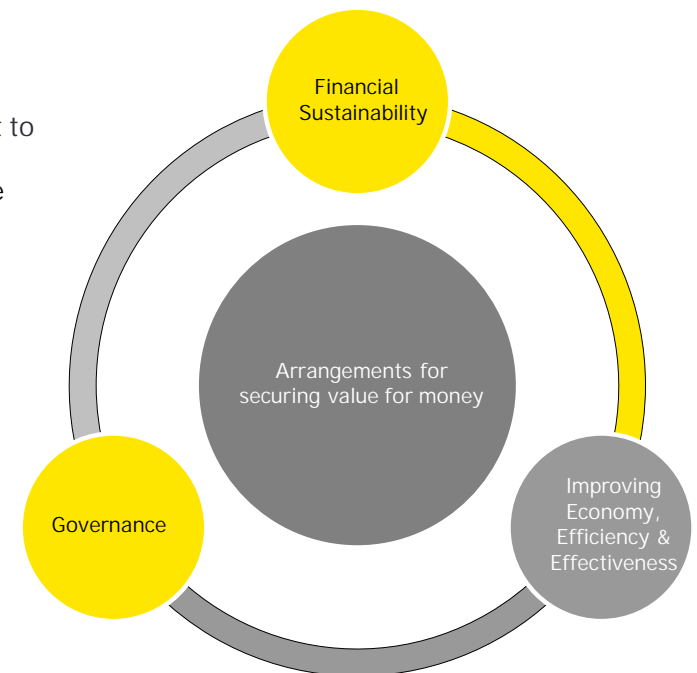
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- ▶ Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to – or could reasonably be expected to lead to – unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Risk Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, as per our initial discussion with management and review of Council's minutes, we have identified a potential risk of significant weakness in relation to the Council's governance arrangement on Chelmer Waterside Development, which is currently the Council's largest development scheme.

We will update the next Audit and Risk Committee meeting on the outcome of our VFM planning.

Our planned response to the identified potential risk of significant weakness in arrangement is set out on the following page.

Value for Money

Value for Money Risks

The following table summarises the risk of significant weakness identified during the course of our planning procedures. We will keep our understanding of arrangements and risks identified during planning under review. We will update our work to reflect any emerging risks or findings that may suggest an additional significant weakness in arrangements and communicate these to you.

What is the risk of significant weakness?	What arrangements does this impact	Details and what we will do
Council's value for money arrangements on Chelmer Waterside Development, Council's largest development scheme.	<ul style="list-style-type: none"> Financial sustainability Governance Improving economy, efficiency and effectiveness 	<p>Chelmer Waterside is a large expanse of land to the east of the Chelmsford city centre. The area has the potential to deliver thousands of new homes.</p> <p>Making properly informed decisions, having arrangements in place to support effective decision making, scheme's financing requirement, and its financial impact to the Council is critical in the Council's consideration of options for this development. These arrangements should include areas such as arrangements for selecting the developer and potential methods of sale, which may include direct sale, a joint venture or a development agreement.</p> <p>We will:</p> <ul style="list-style-type: none"> Review the Council's arrangements in relation to this development to assess their adequacy in terms of supporting the Council in making properly informed decisions which are supported by appropriate evidence and allow for challenge and transparency; Review the legal and professional advice the Council received, if any, to support its decision-making process in this area; Review how the Council plans and manages the funding in relation to this scheme and its financial impact; and Review how the Council uses information about its costs and performance to improve the way it manages and delivers this scheme.

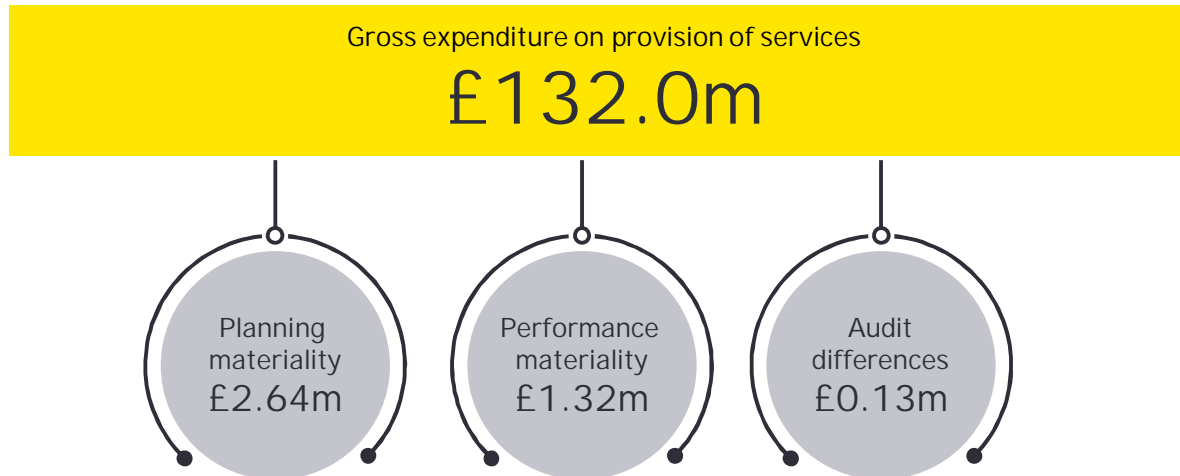


04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2023/24 has been set at £2.64 million. This represents 2% of the Council's 2022/23 gross expenditure on provision of services. Materiality will be reassessed throughout the audit process and, in particular once we receive the draft 2023/2 accounts. We consider that the focus from interested parties will be on how income is spent and therefore our judgement is that gross expenditure is the most appropriate measurement basis for materiality. We have provided supplemental information about audit materiality in Appendix F.



The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.32 million which represents 50% of materiality. We have set our performance materiality at 50% due to this being an initial audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit and risk committee or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position, its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit and Risk Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Risk Committee.

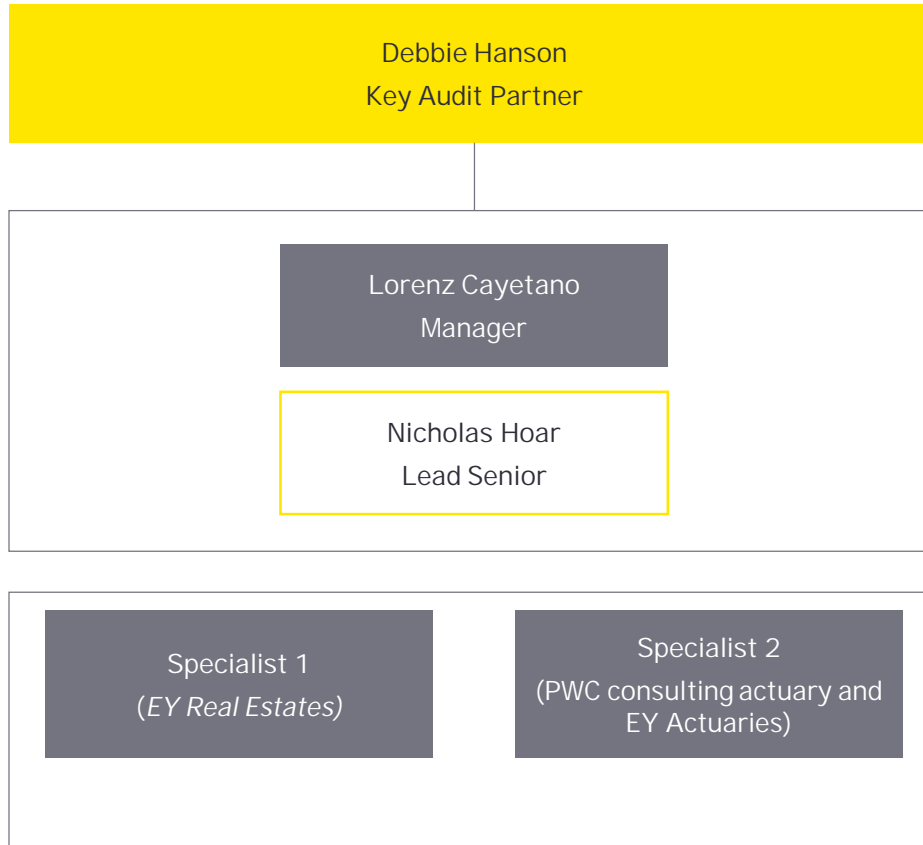
Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team



Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of land and buildings	Montagu Evans - Management specialist EY Real Estates team – auditor specialist
Pensions disclosures	Barnett Waddingham – Management specialist EY Actuaries – auditor specialist

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist’s findings are properly reflected in the financial statements



07

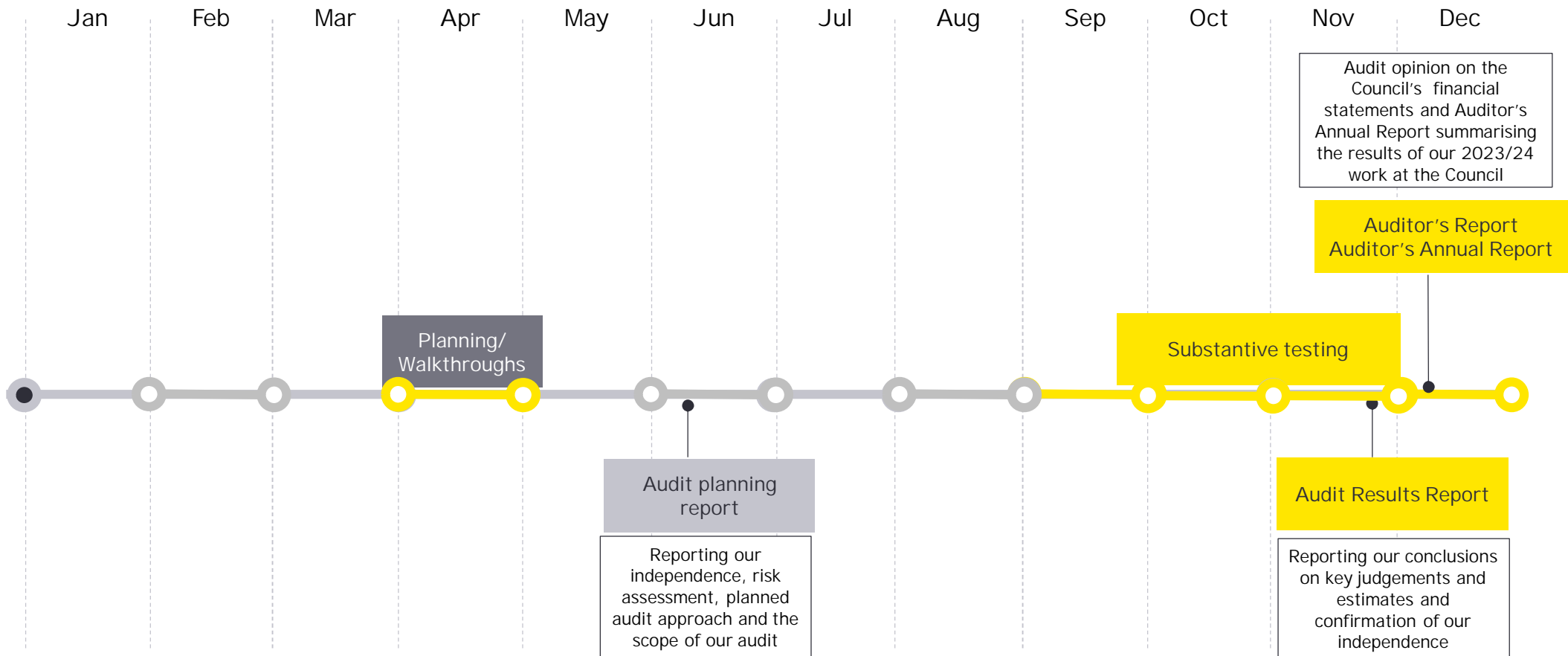
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Audit and Risk Committee and we will discuss them with the Audit and Risk Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided, and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0.07:1. No additional safeguards are required.

At the time of writing, we have not agreed to undertake any non-audit services and therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees



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

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

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Planned fee	Scale fee
	£	£
Total Fee – Code Work	166,466	166,466
Other (Note 1)	TBC	N/A
Total audit	TBC	166,466
Other non-audit services not covered above (housing benefit certification)	TBC	N/A
Total audit	TBC	166,466

All fees exclude VAT

(1) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.• Lease liabilities and right of use assets will be subject to more frequent remeasurement.• The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">• The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.• The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.• Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> • Risk Assessment • Understanding the entity's internal control • Significant risk • Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> • Drive consistent and effective identification and assessment of risks of material misstatement • Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') • Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> • how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and • how auditors understand the entity's use of information technology relevant to financial reporting. • Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E – Required communications with the Audit and Risk Committee

We have detailed the communications that we must provide to the audit and risk committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit and risk committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Provisional Audit planning report – 12 June 2024
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Provisional Audit planning report – 12 June 2024

Appendix E – Required communications with the Audit and Risk Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - TBC
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - TBC
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit and risk committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit and Risk Committee responsibility 	Audit results report - TBC

Appendix E – Required communications with the Audit and Risk Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - TBC
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Independence Report – Audit planning report – 12 June 2024</p> <p>Independence Confirmation at final - Audit Results Report -TBC</p>

Appendix E – Required communications with the Audit and Risk Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - TBC
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit and risk committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit and risk committee may be aware of 	Audit results report - TBC
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - TBC
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - TBC
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - TBC
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - TBC
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - TBC

Appendix F – Additional audit information

Regulatory update

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Risk Committee. The audit does not relieve management or the Audit and Risk Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the audited financial statements for the relevant reporting period

We have included in Appendix E a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and
Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter – in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis – do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline – discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-023026 (UK) 04/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com



Chelmsford City Council Audit and Risk Committee

18 September 2024

Draft Statement of Accounts 2023/24

Report by:

Accountancy Services Manager (S151 Officer)

Officer Contact:

Zuzana Clarke, Principal Accountant, 01245 606324,
zuzana.clarke@chelmsford.gov.uk

Purpose

This report is for the Committee to consider the draft unaudited Statement of Accounts 2023/24.

Recommendations

That the Committee considers the draft Statement of Accounts 2023/24.

1. Background

- 1.1. The Draft Statement of Accounts was circulated by email to the members of this committee and published on the Council's website in May, which meant the Council was part of the 40% of district Council's to meet the government's statutory deadlines for publication.
- 1.2. Audit and Risk committee members have been provided by officers with awareness and training session on the accounts prior to this meeting.
- 1.3. In prior years, the committee would only consider the accounts following an audit completion, just prior to sign off. However, in recent years, due to

ongoing delays in audits and changes to deadlines for completion of the audit, the draft statements are also being brought to the Committee to provide an opportunity for timely consideration and review of the accounts.

- 1.4. The Council's accounts only need to be formally approved post external audit, so will be brought back to the Committee for approval once the external audit is completed which is expected to be the Autumn of 2024.

2. Audit delays

Government's proposed actions to tackle the audit backlog

- 2.1. The Council's accounts audits for the financial year 2021/22 and 2022/23 are still outstanding. The Government has recently published proposals to address the audit delays and to enable the sector to get back on track. The proposals, still subject to legislation, will aim to set a backstop date of the 13th December for all outstanding audits to be completed for years prior to 2023/24. The audit firm BDO who are responsible for those years of accounts have committed to issue an opinion by the backstop.
- 2.2. It is unlikely that the outstanding audits can be fully completed by the backstop date. Where auditors have been unable to complete full audits, they will issue a 'disclaimed' or 'modified' audit opinion. It is anticipated that disclaimed opinions will likely continue for some bodies for a number of years.
- 2.3. Furthermore, the new Government intends to introduce revised backstop dates by which account audits need to be completed for the five years, including 2023/24 accounts. The proposals are as follows:

Financial year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 2.4. To alleviate the pressure on local authorities' and auditors, the Government is also proposing to move the current statutory requirement to publish the draft (unaudited) statement of accounts by 31 May to 30 June for financial years 2024/25 to 2027/28.

Impact of audit delays on the draft statement

- 2.5. There is a significant risk that the Council's published 2023/24 unaudited accounts include figures that will need to be revised during the external audit review. As the time between the audit taking place and the statement

completion results in estimates becoming more certain as more information becomes available.

- 2.6. The 2023/24 audit might also identify errors that impact previous years, as these remain unaudited, and require changes to the opening balances in the 2023/24 accounts. The auditor may have some discretion to use disclaimers on the figures depending on the nature of the issue.

3. Upcoming changes to the accounts

Change to the asset valuations process

- 3.1. We are continuously reviewing the process for preparation of the accounts to seek more efficient ways to produce a good quality statement, that complies with the accounting code but requires less onerous preparation and audit time.
- 3.2. We engaged with our external auditors and our property and land valuers earlier this year to discuss more simplified process for valuing our assets.
- 3.3. The valuation process will be simplified by less frequent valuations from 2024/25, with the exception of investment properties and surplus assets, for which annual valuations are required by the accounting standards.
- 3.4. The intention is to amend the accounting policies and move towards 5 yearly valuations for all other assets and use indexation to update the asset values, where necessary, for the periods in between valuations. We will still revalue any assets where there is a known material change to the asset or the economic/market conditions changed sufficiently to require us to do so.
- 3.5. Additionally, due to accounts not being audited for two years prior, it is possible that issues may be identified during the 2023/24 audit review resulting in additional valuations need.

Accounting for leases (IFRS16)

- 3.6. As previously reported to the Committee, from April 2024 the Council is required to adopt a new financial standard IFRS16 when accounting for leases.
- 3.7. An operational lease, where rental payments for say equipment are included in the service expenditure of the Comprehensive income and expenditure statement (revenue transactions), will no longer exist.
- 3.8. The change will result in accounting implications as the value of the lease needs to be capitalised and recorded as a 'Right of Use' asset on the Council's balance sheet. A corresponding liability (effectively debt) must also be recognised on the balance sheet. The Council will now account for in

revenue accounts interest and debt repayments equal to annual rental, extending over the life of the lease.

- 3.9. The implementation of these changes is underway and accounting policies will be updated, after consultation with the external auditors.

4. Conclusion

- 4.1. Members are asked to consider the draft Accounts and recognise the risk of revisions to the Accounts.
- 4.2. Members to note that the Accounts will be brought back for formal approval, subject to the completion of the external audit, in line with the amended timescales for the 2023/24 publication of Accounts.
- 4.3. Members to note that the 2024/25 accounting policy for valuation of our assets will be amended in accordance with the changes proposed and brought back for formal approval.
- 4.4. Members to note that the 2024/25 accounting policy for leasing will be amended in accordance with the changes required by the new accounting standard (IFRS16) and brought back for formal approval.

List of appendices:

Draft Statement of Accounts 2023/24

Background papers: N/A

Corporate Implications

Legal/Constitutional: Meets obligations on reporting Accounts.

Financial: As detailed in the Statement of Accounts.

Potential impact on climate change and the environment: N/A

Contribution toward achieving a net zero carbon position by 2030: N/A

Personnel: N/A

Risk Management: N/A

Equality and Diversity: N/A

(For new or revised policies or procedures has an equalities impact assessment been carried out? If not, explain why)

Health and Safety: N/A

Digital: N/A

Other: N/A

Consultees:
N/A

Relevant Policies and Strategies: N/A

CHELMSFORD CITY COUNCIL

DRAFT STATEMENT OF ACCOUNTS

2023/24



1. Contents

1. Contents.....	1
2. Introduction to the accounts	3
Introduction by the Leader of the Council and the Chief Executive	3
3. Environmental issues	8
4. Narrative report	10
Background	10
Guide to the Statement of Accounts	11
Monitoring our performance during 2023/24.....	17
Council's principal risks and opportunities.....	21
Workforce	23
Other significant items	23
5. Statement of responsibilities for the Statement of Accounts	25
6. The main financial statements	26
Comprehensive income and expenditure statement.....	26
Movement in reserves statement.....	27
Balance sheet.....	28
Cashflow statement	29
7. Notes to the Main Financial Statement	30
1. Expenditure and funding Analysis	30
2. General Accounting policies	31
3. Accounting standards issued but not yet adopted	33
4. Critical judgements in applying accounting policies.....	34
5. Uncertainty about the future and other assumptions	35
6. Note to the Expenditure and funding analysis	40
7. Major classes of cash receipts and payments (Comprehensive income and expenditure statement).....	43
8. Events after the Balance sheet date.....	43
9. Adjustments to expenditure to arrive at the final charge to council tax.....	43
10. An assessment of our earmarked reserves	47
11. Other operating expenditure	47
12. Financing and investments	48
13. Taxation and non-specific grants	48
14. Movements on our assets.....	48
15. Heritage assets.....	58
16. Categories of financial assets and liabilities.....	61

17.	Major commitments under capital contracts.....	68
18.	Debtors	69
19.	Cash and cash equivalents.....	69
20.	Creditors	70
21.	Provisions	70
22.	Unusable reserves	71
23.	Cashflow – Operating activities.....	72
24.	Cashflow statement – Financing activities	73
25.	Expenditure and Income analysed by nature.....	73
26.	Trading operations.....	74
27.	South Essex Parking Partnership (SEPP)	75
28.	Councillors’ allowances.....	75
29.	Employees pay	75
30.	External audit costs	78
31.	Grants.....	79
32.	Related party transactions	80
33.	Leases	81
34.	Pensions.....	82
35.	Contingent liabilities.....	89
36.	Government and non-government grants	89
37.	Long term Creditors	90
8.	Collection fund	91
1.	Council tax.....	92
2.	Non-domestic rates (NDR)	93
3.	Contributions to the collection fund – surpluses and shortfalls.....	93
4.	Non-domestic rate appeals.....	94
5.	Non-domestic rate pooling.....	94
6.	Business Improvement District.....	95
9.	Independent auditors’ report	96
10.	Glossary.....	97
11.	Our Structure chart as at 31 March 2024	101

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

The council continues to be ambitious in delivering for Chelmsford's residents. The achievements are however in the context of several years of increasing costs, rising demand and insufficient funding from central government.

Whilst local authorities are faced with many issues the main issue faced by the City Council during 2023/24 has been dealing with homelessness arising from the national housing crisis. Although Chelmsford has exceeded its annual targets for local house building over the last few years, this has not made up for years of building below target and a housing crisis persists, which is more severe in the Chelmsford area than in many neighboring districts. The impact of the crisis on residents has resulted in higher rents, higher house prices and a scarcity of affordable housing.

The Council is legally obliged to provide or identify accommodation for people who are homeless and it also has to meet most of the costs of providing temporary accommodation. For 2023/24, this has meant the council had to find an extra £1.8m above its budget just for homelessness services.

However, a 3% council tax increase (the maximum that lower-tier councils are allowed to raise by central government), generates an additional £475,000. So, just one quarter of the extra spending on homelessness support. Other cost rises, such as increases in utility bills and in the National Living Wage, therefore have to be covered in other ways.

The number of households the council has placed in temporary accommodation rose from 391 to 460 during 2023/24 - an 18% increase. In the previous two years, the annual increase was 27%. The Council cannot tackle this problem without Government action, as Chelmsford is part of the wider housing crisis.

In 2023/24 the Council faced significant financial pressures arising from the housing crisis, historically high levels of inflation and a 10% increase in the National Living Wage. It avoided reductions to services in 2023/24 by delivering savings, increasing some charges for services and the use of reserves. Despite these problems, the Council maintained high-quality services and continued to support its residents.

Help for residents

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

- A council tax hardship payment of up to £25, paid to people in receipt of council tax support.
- Discretionary hardship payments of council tax were paid to residents in particular need, totaling £60,000.
- £7.1m was claimed from the City Council's council tax support scheme

- Discretionary housing payments totaling £236,000 were paid to residents needing additional help with housing costs. Housing benefit of £35m was paid out to residents.

The Council's finances

As well the financial costs of homelessness, there are other areas of spend which varied significantly from what had been expected in the 2023/24 council budget:

Energy costs were expected to rise by £1.5m in 2023/24 due to price increases of some 60%. The council was not able to find the original £1.5m cost increase from savings in the 2023/24 budget, so took the decision to fund the £1.5m from its reserves. During the year it became apparent the cost increase would be lower, some £900,000 extra. As the cost increase was significantly less than anticipated, the Council used less reserves. This lower energy costs should reduce pressure on budgets for later years.

Pay increases at the council are traditionally determined by what is affordable to the Council and local labour market factors, but the strongest influence in recent years has been large increases in the statutory National Living Wage (minimum wage). The minimum wage increased by 10% in 2023/24, and with many council workers paid at rates near the minimum wage, the Council had to increase pay by more than the 2023/24 budget allowed. This resulted in, a one-off extra cost of £1.2m and a further £0.4m which would be ongoing, which was met from reserves in 2023/24. There remains a concern that future pay awards, particularly as inflation has been high, may remain higher than in the past. As many services are delivered predominantly by people, pay represents half of all the council's revenue expenditure. This, and housing, remain the greatest financial risks for the Council going forward.

Higher costs on pay and homelessness were offset in part by higher interest earnings on cash balances and the lower spend on energy. Overall, the net cost of running the council in 2023/24 was £1.5m higher than the budget set in February 2023.

There is commitment from Government to undertake a review of how local authorities are funded. The Council in 2024/25 expects to receive £8m of core funding from Government. New funding arrangements will need to be widely consulted on, and the full effect of any change probably won't be known until at least 2026/27. Additionally, proposed reforms to domestic recycling and refuse services are under consultation which may have a beneficial financial impact. Until these matters are resolved the Council's financial strategy will have to remain flexible.

The process of having local authority accounts audited has been hugely delayed by a national crisis in audit firms. The position for Chelmsford is like that experienced by nearly every council nationally; that is, the audits of 2021/22 and 2022/23 have not yet started. BDO, the current auditor, and Council officers are clear this delay is not a reflection of the Council's financial management. The Council will have a new auditor, EY, for 2023/24. Initial engagement with EY has begun, and it is expected an audit will be completed by winter 2024.

The Council cannot enforce a faster audit, nor seek new auditors due to the national crisis in external audit. The reader (and the public more generally) 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 all stakeholders confidence that the financial management of the Council is effective.

Our priorities for 2024/25: Our Chelmsford, Our Plan

Despite the challenges of the last few years and the lack of certainty over government funding for local authorities, we remain ambitious for Chelmsford as a leading place in the East of England. During 2023/24, Chelmsford City Council launched its revised corporate plan, '**Our Chelmsford, Our Plan**', which sets out a vision for the district and identifies priorities for the years ahead.

Our Chelmsford, Our Plan is a strategy for creating a fairer, greener and more connected community, building on the Council's original plan from 2019.

To make the district a **fairer and more inclusive place**, we will continue to prioritise sustainable development, housing needs, jobs, and skills. The council is also consulting on a review of the district's Local Plan to take it to 2041, which sets out proposed sites where new homes, jobs and other facilities could be located, along with new and updated policies aimed at tackling the climate and housing crisis.

In July 2019, we declared a Climate and Ecological Emergency, setting us on the path to a **greener and safer place**. Local action is already underway to protect and grow green spaces and tackle habitat loss, and we will reduce energy and waste, protect the environment, and ensure safe and green public spaces.

Our **more connected place** will support healthy and safe lives, enhance a network of community facilities, and celebrate Chelmsford as a culturally ambitious destination. As part of this work, we are developing a 'Thriving Places' framework which will measure the wellbeing of people, places, and the environment, to help us make and sustain a flourishing city.



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

During 2023/24 the Council achieved the Carbon Literacy Organisation 'Bronze' accreditation demonstrating its commitment to action on climate change and to

creating a low-carbon culture. The City Council is the first district council in Essex to achieve this recognition. The Council will now target the CLO 'Silver' accreditation to further embed practical carbon reduction actions and behaviours both internally and externally.

Community engagement through the 'Love Your Chelmsford' programme continues to flourish with an extensive volunteering programme for all sectors of the community and businesses. Promotional campaigns to encourage behaviour changes, particularly in relation to reducing food waste and promoting the more sustainable fashion, including the reuse and re-purposing of clothing and other textiles, have taken place throughout the year.

The 'Space to Thrive' initiative is growing, with the policy for the creating and managing species-rich grassland now fully established and embedded in grounds maintenance practices across the City Council area.

By 31 March 2023 an additional 68,811 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.

Measures are being taken 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 vehicle fleet has been switched to HVO [hydrotreated vegetable oil] fuel. Whilst more expensive, this achieves a carbon reduction of around 90% from vehicle emissions. Some other small vehicles have been switched to ultra-low emission electric-powered alternatives.

The air quality management areas at the Army and Navy and Maldon Road Danbury have now been revoked following significant and sustained improvements in air quality. Air quality standards have not been exceeded during the last five years in these locations.

.

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 2023/24, the employment in Chelmsford remained strong with 89,000 jobs in the heart of the City. The unemployment rate also remained unchanged at 2.6%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing. There are 9,355 business units within Chelmsford, this is a decrease of one hundred units from previous year.

The Council's updated corporate plan, has a strategy for creating a fairer, greener and more connected community, to shape Chelmsford as a leading place in the East of England.



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 2023/24 and shows our financial position on 31 March 2024. 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 statement 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.

If we had to make any changes to previous year's figures due to change in accounting policy, an error or a post balance sheet event with material impact, we will either clearly indicate in the individual statements or notes if they are restated and reason for the restatement or show the main impact of the changes in a separate 'restatements' note.

- **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 2023 to 31 March 2024	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	127,131	(93,118)	34,013
Other Income and Expenditure	45,177	(78,862)	(33,685)
Total spending on services as presented in the Comprehensive Income and Expenditure account			328
add Adjustments between the Funding and Accounting bases			(278)
Decrease/(Increase) in General fund (including Earmarked Reserves)			50

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.

Simplified Balance sheet statement

A simplified Balance Sheet	31 March 2024
	£ 000
What we own	
Assets	267,098
Stocks	341
Investments	17,319
	284,758
What we are owed	
Amounts due before 31 March 2025	34,948
Amounts due after 31 March 2025	1,051
	35,999
What we owe	
Amounts due before 31 March 2025	(19,804)
Amounts due after 31 March 2025	(11,191)
Provisions	(2,033)
Borrowing	(5,031)
	(38,059)
Pension (deficit)/surplus	(5,312)
Cash and equivalents in hand or (overdrawn)	8,852
Net assets	286,238
Our reserves	31 March 2024
	£ 000
Usable reserves	64,012
Unusable reserves	222,226
Total reserves	286,238

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

Chelmsford City Council – Draft Statement of Accounts 2023/24

determine the value of our liabilities, the actuary determines a discount rate to be 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 2024 and as a result the discount rate has increased from 2.6% at 31 March 2022 to 4.9% at 31st March 2024. 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 and March 2024.

We were not able to recognise the surplus in our balance sheet in 2023/24 as following an updated guidance for application of the reporting requirements issued by the Chartered Institute of Public Finance & Accountancy in November 2023, we are only able to recognise surplus in our balance sheet to the extent to which we are able to recover that surplus either through reduced contributions in the future, or through refunds. Based on the assumption that any refunds are at the discretion of the pension fund and our future liability exceeds the value of the surplus, we applied an asset ceiling adjustment that resulted in a £5m reported deficit in the balance sheet.

You can find out more about the pension scheme in note 34 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.

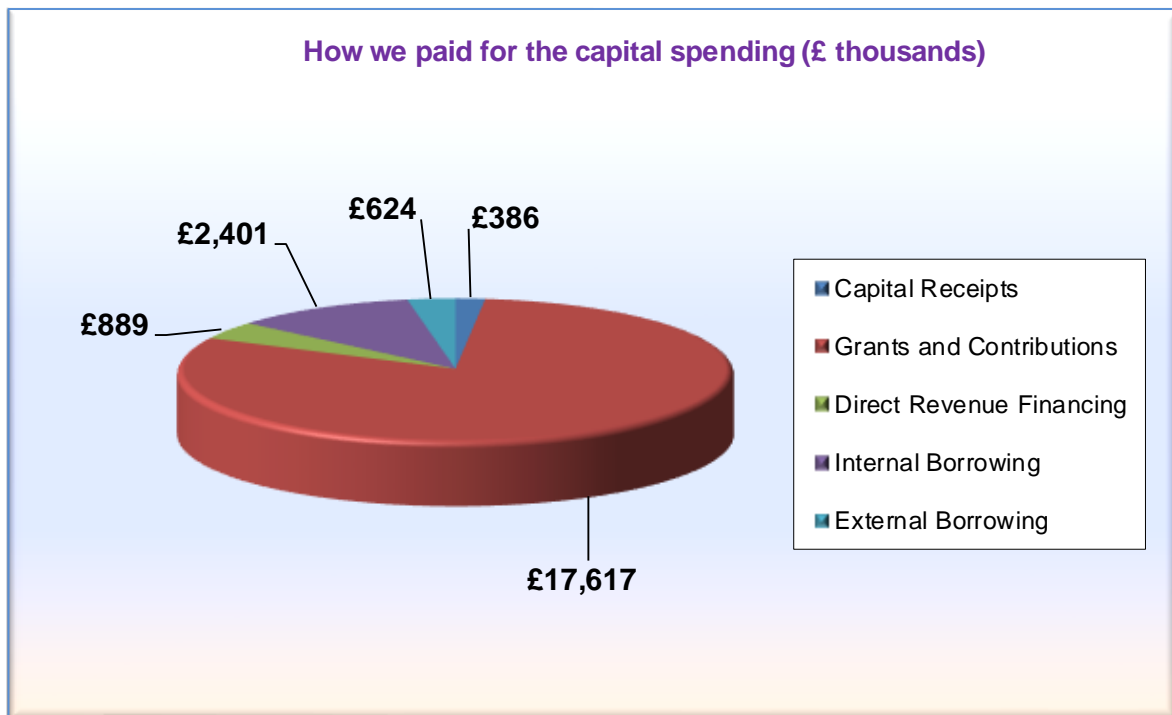
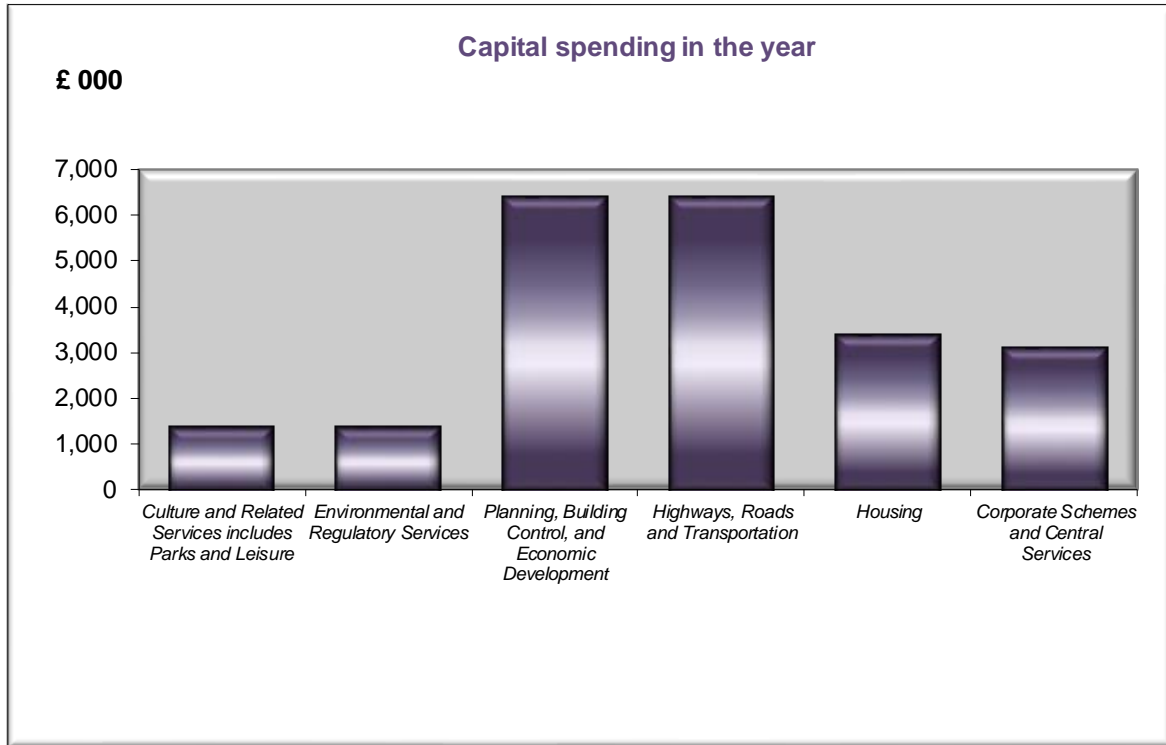
Borrowing

We have total external borrowing of £6.4m at the end of the year. This includes £5m short term, borrowed from another local authority for cashflow purposes and finance leases of £1.4m.

The Council has undertaken additional internal borrowing of £2.4m 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 £36.2m at the end of the year.

Capital spending

During the year we spent £21.9m 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 £2m, for our share of the cost repayable for any successful appeals made by businesses against their business rates valuations.

Auditors

Chelmsford is opted in to a national procurement scheme conducted by the Public Sector Audit Appointments for the appointment of external auditors. From 2023/24 we have been appointed new external auditors for five year period, to audit our accounts, Ernst and Young LLP. You can find details of their audit fees in note 30 to the main financial statements.

Monitoring our performance during 2023/24

During 2023/24, 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 October 2023, a Cabinet decision was called in which was relating to the Public Spaces Protection Order on Hylands Park. This has allowed the Committee to ask further questions to the Cabinet Member and officers to receive further information and clarification on the decision. It was decided by the Committee to uphold the decision without any amendments.

In both July 2023 and November 2023 meetings, there were two presentations relating to Cultural Strategy which allowed Members to gain further insight on the strategy.

In November 2023, the Committee also received the annual report for Housing Delivery which provided Members detailed statistics and a comparison to previous year's progress.

In February 2024, the Deputy Chief Constable from Essex Police was invited to do a presentation on Essex Violence and Vulnerability Partnership and Essex Countywide Traveller Unit was also invited to do a presentation on unauthorised encampments. Both presentations have been very well received by Members and provided an opportunity for them to gain insight on these operations and their work in Chelmsford.

The Committee will continue to monitor performance and receive updates from specific services, during 2024/25, 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 2023/24 senior managers were given a detailed monthly report, Management Team and Cabinet Members received an informal quarterly report and in October 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 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 2023/24 identified £0.7m overspend compared to the latest budget as amended by approvals made under delegation and an overspend against the original budget of £3.5m.

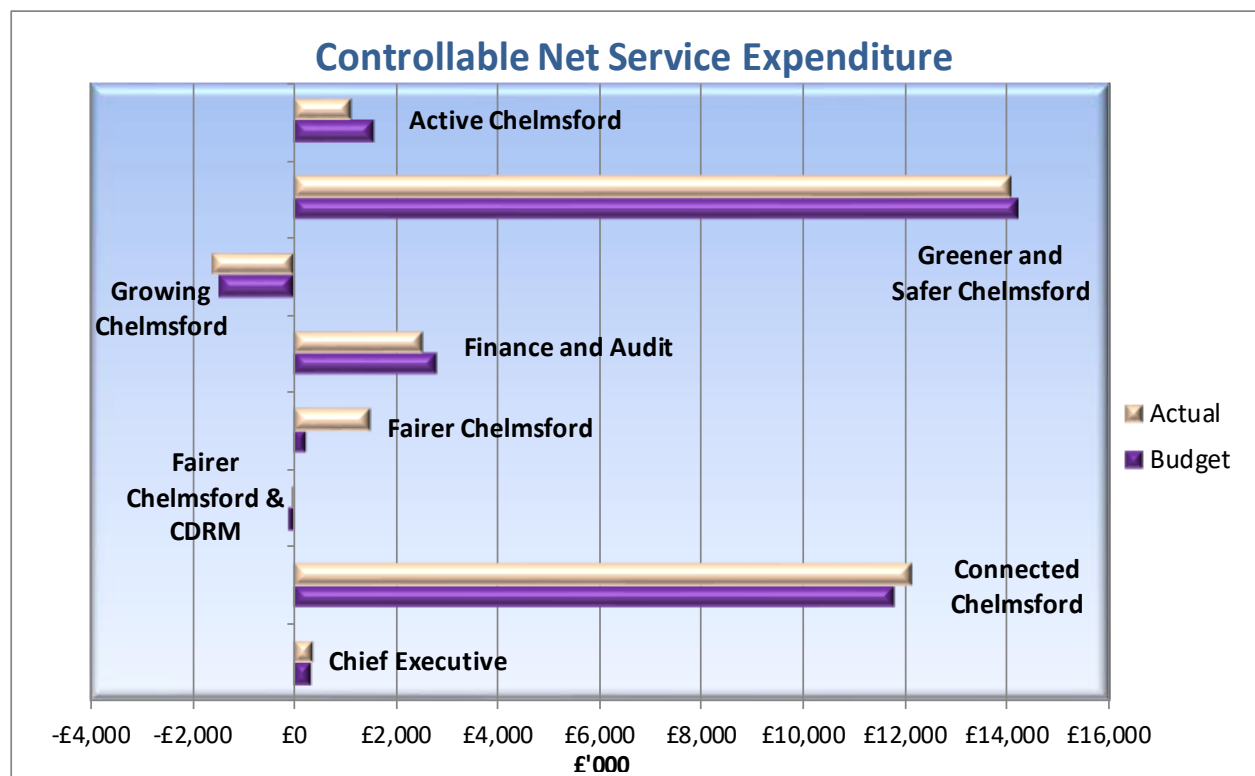
The increased demand for housing and cost of temporary accommodation was behind the largest variation on our service budget. The 2024/25 budget was already realigned to reflect the trend.

The reduced cost of electricity and gas resulted in a favorable variance of £0.9m, and future costs will need to be closely monitored to effectively manage fluctuations in prices.

The table below shows key service variations:

Reason for variation	Outturn +over/ under £m
Temporary accommodation	1.8
Gas and Electric costs less than budgeted	-0.9
Car parking income variations	-0.6
Sport centre income higher mainly due to increased membership	-0.6
Income from food waste recycling and recycling sales	-0.7
Sports centre staff costs due to higher membership	0.6
Other service variations	1.1
Total service variations to latest Approved budget	0.7
Additional cost of 2023/24 Pay Award	1.7
Use of infrastructure reserve for capital costs transferred to revenue	0.5
Other approved variations to original budget	0.6
Total additional service budget added during 2023/24	£2.8m
Total service overspend to original budget	£3.5m

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.



Chelmsford City Council – Draft Statement of Accounts 2023/24

Non Service budgets

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. The Council remains a member of the Essex Pool in 2024/25. The retained business rates income was £5.7m, however, £2m of this income will have to be paid to our preceptors in future years. The business rates income is volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The surplus above the budgeted income was put aside into reserves to deal with future volatility in business rates income.

Due to higher interest rates, the Council has earned £1.6m of additional interest earnings than originally budgeted for.

A one-off contribution of £0.9m from revenue to finance the capital programme.

The above variation results in £0.2m lower use of reserves than budgeted and £0.1m less use of General Fund balance.

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

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

The delivery of the Council's objectives has in recent years been in the context of a very challenging financial environment. The published strategies have for over the last decade shown forecast shortfalls of resources compared to the Council's need to fund current plans and services. These financial forecasts are updated in the February Council meeting which sets Council tax for the following year.

In summary the MTFS and financial planning identify that.

- a target level of unearmarked reserves (to meet general contingencies) should remain at minimum of £9m for 2023/24.
- Individual reserves should be established to manage specific risks, such fluctuations in rent income.
- Surplus income from the Business Rate Retention is set aside in 2023/24 to create a contingency to cover fluctuations income or Government funding changes.
- 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.

Financial Risks when setting annual budgets.

The MTFS in July 2022 identified the financial risks that were expected in 2023/24. These risks were updated in February and July 2024 but broadly were high inflation, high pay settlements and a rapid rise in homelessness cases and associated cost.

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 forecast budget shortfalls have increased. The largest impact excluding pay, was for energy costs. The budget for 2023/24 assumed a £1.5m increase, however, as reported during the year and confirmed at outturn the cost increase was lower at circa £0.6m, resulting in an underspend of £0.9m against the budget. The outlook for energy prices now looks more favourable.

The main area affected by inflation has been staff pay which makes up around 50% of Council costs. Around 30% of the Council's workforce is paid near the national living wage. For the second year the increase in the statutory national living wage was near 10%. 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 pay in 2023/24 was budgeted at 4% (an extra £1.5m a year) but the 2023/24 pay agreement cost an extra £0.4m ongoing, plus a one off payment to staff at a cost of £1.3m.

The budget for 2023/24 recognised that Homelessness cases were increasing but it was only once the budget was set that pressures became fully apparent. The 2023/24 budget was overspent by some £1.8m on Homelessness. This adverse trend has been recognised in the 2024/25 budget. However, latest projections for homelessness show an ongoing pressure at a lower level than planned for.

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.

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 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	Comments
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 High	Housing Crisis declared at Feb 2022 Full Council. The recent EELGA Housing Review confirms that the Council’s Housing Service is strong; however, short-term measures to expand temporary accommodation are creating increased workloads, while dealing with unprecedented demand (with post-Covid evictions and sharp rent increases) and progressing the medium-term measures set out in the new Housing Strategy 2022-27. Increased provision for rough sleepers remains in place.
Cyber Security Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations.	Very High	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.	Very High	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.	Very High	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. Planning permission has been granted for both the new access road/bridge and the relocation of the gas infrastructure, and the first phase of land contamination has begun.

Risk event	Likelihood	Comments
Budget/Exposure Financial Risk An example could be High Chelmer closing due to lack of tenants and reduced footfall.	Very High	Establish plans for significant commercial and retail closures in the City centre.
Local Government Review Unification, Devolution and other significant legislative changes.	Very High	Ensure the MT is monitoring potential changes in government policy.
Governance & Leadership Failure Issues found to be created by poor governance/leadership.	Very High	Management Team considering succession planning and strengthening governance with Statutory Officer Group.
Pandemic Ensuring we are ready for another pandemic.	Very High	Update plans form previous pandemic situation.
Key person/ Succession Planning/ Recruitment and Retention	Very High	There are a number of key staff who could retire from The Council in the next 5 to 10 years therefore this could result in a significant loss of knowledge and experience.
Asset Management funding and replacement. Ensuring the capital programme has all assets replacements.	Very High	There are a number of properties that require refurbishment or replacement, therefore condition surveys should be completed and necessary work planned and budgeted.

Workforce

The Council's employees play an important role in delivering our objectives and we have clear policies and strategies in place which help to ensure we have the right people with the right skills to deliver quality services to our customers and residents. We continue to invest in staff development and promote regular dialogue through Our Conversations Framework.

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 2023/24.

We are still awaiting completion of the 2021/22 and 2022/23 audits by our previous external auditors, BDO LLP. The outstanding audits are a consequence of delays in audits nationally, caused mainly by a shortage of audit staff.

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 2024 and the income and spending for the year ended 31 March 2024.

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

.....
Date

Chelmsford City Council – Draft Statement of Accounts 2023/24

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.

The 2022/23 figures in the main financial statements were restated, where required, to reflect the reporting structure during 2023/24. This restatement had no impact on overall totals.

2022/23 Restated Gross spending £ 000	2022/23 Restated Income £ 000	2022/23 Restated Net spending £ 000	Money spent on services direct to the public	Notes	2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 000
409	(2)	407	Chief Executive		358	(4)	354
48,012	(34,275)	13,737	Connected Chelmsford		50,325	(37,891)	12,434
162	(485)	(323)	Fairer Chelmsford & CDRM		338	(341)	(3)
14,499	(6,116)	8,383	Fairer Chelmsford		17,629	(17,145)	484
2,119	(139)	1,980	Finance and Audit		2,249	(89)	2,160
15,577	(9,143)	6,434	Growing Chelmsford		11,143	(11,778)	(635)
30,211	(10,768)	19,443	Greener and Safer Chelmsford		31,975	(11,342)	20,633
13,431	(8,350)	5,081	Active Chelmsford		13,114	(14,333)	(1,219)
-	(190)	(190)	Other Service Income		-	(195)	(195)
54	(676)	(622)	Exceptional Item - VAT claim		-	-	-
124,474	(70,144)	54,330	Spending on current services		127,131	(93,118)	34,013
3,261	(1,307)	1,954	Other operating expenditure	11	3,629	(565)	3,064
11,103	(9,783)	1,320	Financing and investment	12	11,982	(13,046)	(1,064)
28,589	(72,591)	(44,002)	Taxation and general grants	13	29,566	(65,251)	(35,685)
167,427	(153,825)	13,602	(Surplus) or deficit on Provision of Services		172,308	(171,980)	328
			Items that will not be reclassified to the Total spending on services				
		(1,075)	(Surplus) or loss from our assets being revalued				13,286
		(105,618)	Remeasurement of the assets of the pension fund	34			40,223
			Items that may be reclassified to the Total spending on services				
		-	(Surplus) or loss from financial assets				-
		(93,091)	Total income and expenditure	25			53,837

Movement in reserves statement

Movement in Reserves	General fund Restated	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 22) Restated	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

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 2023	29,718	580	44,309	74,607	265,468	340,075
Total comprehensive income and expenditure	(328)	-	-	(328)	(53,509)	(53,837)
Adjustments from council tax levied and accounting regulations (note 9)	278	363	(10,908)	(10,267)	10,267	-
Net increase or (decrease)	(50)	363	(10,908)	(10,595)	(43,242)	(53,837)
Balance at 31 March 2024	29,668	943	33,401	64,012	222,226	286,238

Balance sheet

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

31 March 2023	Balance Sheet		31 March 2024
£ 000		Notes	£ 000
	Long-term assets		
204,244	Property, plant and equipment	14	208,872
58,908	Investment property	14	54,090
347	Intangible assets		243
4,380	Heritage assets	15	3,893
15,265	Long-term investments	16	9,244
1,617	Long-term debtors		1,051
31,428	Assets relating to our pensions	34	-
316,189			277,393
	Current assets		
303	Stocks		341
6,129	Short-term investments	16	8,075
37,676	Short-term debtors	18	34,948
20,694	Cash in hand and cash equivalents	19	8,852
64,802			52,216
	Current liabilities		
(29,875)	Short-term creditors	20	(19,804)
-	Short-term borrowing	16	(5,031)
(1,789)	Provisions	21	(1,470)
(31,664)			(26,305)
	Long-term liabilities		
(2,568)	Long-term creditors	37	(3,306)
-	Long-term Provisions	21	(563)
(6,684)	Capital grants received in advance	31	(7,885)
-	Liability relating to our pensions	34	(5,312)
(9,252)			(17,066)
340,075	Net assets		286,238

31 March 2023	Reserves		31 March 2024
£ 000		Notes	£ 000
	Reserves		
74,607	Usable reserves (see Movement in Reserves Statement)		64,012
265,468	Unusable reserves	22	222,226
340,075	Total reserves		286,238

Chelmsford City Council – Draft Statement of Accounts 2023/24

Cashflow statement

This section shows what cash we spend and receive.

We continuously review our accounts to ensure that we present information in the most concise way. As part of this review we have changed the way we present the information in the cashflow statement and this has resulted in restating the 2022/23 categories.

2022/23 Restated £ 000	Cash Flow	Notes	2023/24 £ 000
	Operating activities		
13,602	Net (surplus) or deficit on the provision of services		328
	Adjustment for non cash movements		
-7,333	Depreciation		-7,787
-10,997	Impairments and valuation movements		10,362
-97	Amortisation of intangible assets		-114
-357	Movement in provision for bad debts		-387
8,262	Movement in debtors		-3,032
11,270	Movement in creditors		9,858
49	Movement in inventories		38
-7,680	Movement in pension liability		3,483
-350	Carrying amount of non-current assets sold		-335
1,606	Movement in other provisions		-462
-2,629	Other non-cash items charged to net surplus or deficit		-5,246
	Adjustments for items that are investing and financing activities		
1,336	Proceeds from sale of property, plant and equipment		680
15,673	Grants received for the financing of capital expenditure		5,790
22,355	Net cash (inflow) or outflow from operating activities	23	13,176
	Investing activities		
	Spending		
27,365	Buying non-current assets		15,970
	Income		
(1,336)	Selling non-current assets		(680)
(17,613)	Capital grants and contributions we received		(7,910)
266	Other contributions		(117)
(28,976)	Investment Inflows		(18,000)
12,000	Investment Outflows		14,000
(8,294)	Net cash (inflow) or outflow from Investing activities		3,263
14,061	Net cash (inflow) or outflow before financing		16,439
	Financing activities		
-	Short-term borrowing		(5,000)
319	Finance lease liability		403
319	Cash flow from financing activities	24	(4,597)
14,380	(Increase) or decrease in cash		11,842
35,074	Cash balance at the beginning of the year		20,694
20,694	Cash balance at the end of the year		8,852

Chelmsford City Council – Draft Statement of Accounts 2023/24

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.

The figures for 2022/23 financial year were restated, to reflect reporting structure during 2023/24, this had no impact on overall totals.

2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
Restated Net Expenditure Chargeable to the General Fund	Restated Adjustments between the Funding and Accounting bases	Restated Net Expenditure in Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	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
352	55	407	Chief Executive	365	(11)	354
11,033	2,704	13,737	Connected Chelmsford	12,113	321	12,434
(323)	-	(323)	Fairer Chelmsford & CDRM	(3)	-	(3)
(621)	9,004	8,383	Fairer Chelmsford	1,490	(1,006)	484
2,172	(192)	1,980	Finance and Audit	2,538	(378)	2,160
(1,981)	8,415	6,434	Growing Chelmsford	(1,620)	985	(635)
12,350	7,093	19,443	Greener and Safer Chelmsford	14,034	6,599	20,633
1,089	3,992	5,081	Active Chelmsford	1,138	(2,357)	(1,219)
(190)	-	(190)	Other Service Income	(195)	-	(195)
(622)	-	(622)	Exeptional Item - VAT claim	-	-	-
23,259	31,071	54,330	Spending on current services	29,860	4,153	34,013
2,940	(986)	1,954	Other operating expenditure	3,244	(180)	3,064
147	1,173	1,320	Financing and investment	(921)	(143)	(1,064)
(23,285)	(20,717)	(44,002)	Taxation and general grants	(32,133)	(3,552)	(35,685)
3,061	10,541	13,602	Total spending on services	50	278	328

2022/23	Movement on General fund Balance (including Earmarked reserves)	2023/24
£ 000		£ 000
32,779	Opening Balance	29,718
(3,061)	Surplus/(Deficit)	(50)
29,718	Closing Balance at 31 March	29,668

2. General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2023/24 and our position at the year-end, 31 March 2024. 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 2023/24 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

We use the following accounting policies in preparing the accounts. In order to streamline the accounts and make them simpler and clearer for the reader, we will only include in the published statement of accounts policies that relate to material items in the accounts.

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:

- Classification of Liabilities as Current or Non-current (Amendments to IAS issued in January 2020). The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The above standards mainly provide clarifications and are not expected to have significant impact on the accounts or will have limited application.

- IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
- IFRS 16 extends the current definition of a finance lease to cover all leases, from the lessee's (the user of the asset) position. An operational lease, where rentals are included in the service expenditure of the Comprehensive income and expenditure statement in the year that they are paid as revenue transactions, will no longer exist from a lessee's perspective. The change will result in accounting implications as the value of the lease needs to be capitalised and recorded as a 'Right of Use' asset on the lessee's balance sheet. A corresponding liability (effectively debt) must also be recognised on the balance sheet, extending over the life of the lease, to reflect the lease payments still to be made.
- IFRS 16 will have an impact on all the main statements in the accounts including the balance sheet, comprehensive income and expenditure statement and cash flow statement. A number of new disclosure notes will also be required to be published in the Statement.
- Further changes as a result of adopting IFRS 16 relate to assets being leased under a 'peppercorn' agreement coming on balance sheet, the measurement of liabilities from leases.
- Exceptions will be granted for leases of small value assets and for very short-term leases, but a number of existing operating leases will need to be reclassified and reported on the balance sheet, which could potentially have prudential borrowing implications.

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.

Property and Investment Properties

Valuations require significant judgements to be made. The Council employs relevant experts to identify the most appropriate valuation techniques. 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. Existing use asset valuations use inputs which can be corroborated as there is reliance on comparable market data. 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.

Chelmsford City Council – Draft Statement of Accounts 2023/24

Fair Value Measurements

The Code requires many of the Council's assets to be held on the balance sheet at fair value, which is the price that an independent market participant would pay for the asset as at the balance sheet date.

Where possible, fair value is measured based upon quoted prices for identical assets in an active market (known as level 1 inputs). However, where such prices are not available, other valuation techniques must be used. These can be based upon observable (level 2) or unobservable (level 3) inputs.

Wherever level 1 inputs are not available for material assets or liabilities, we employ relevant experts to identify the most appropriate valuation techniques and to undertake valuations as required. The most significant assets held by the Council and valued using level 2 or level 3 inputs are its investment properties. 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. 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 as at 31/3/2024 was £54m.

External funding

During 2023/24 we received 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
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 34 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 2024 following successful appeals. Our share of this provision is £2m (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 and 2023 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.

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.</p> <p>All Investment, Surplus, Other Land and Building assets with a value over £2m, all car parks, owned temporary accommodation properties and specialised operational assets (DRC) over £2m. Valuations were also provided for the majority of assets that have not been valued for the previous three years as part of a rolling programme of valuations. The valuation date was the 31st March 2024.</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: -</p> <ul style="list-style-type: none"> Other Land and Buildings £78m Other Land and Buildings DRC £87m Community £5m Surplus £9m Investment £54m <p>A 1% change in the valuation of these categories would be £2.3m.</p> <p>Note 14 provides further details on the value of our assets and valuation methodologies.</p>

Item	Uncertainties	Effect if assumptions change
Fair Value Measurement	<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).</p> <p>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</p> <p>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.</p> <p>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.</p> <p>Significant changes in any of the inputs could result in significantly lower or higher fair values.</p> <p>The value of investment properties measured at Fair Value is £54m.</p>

Item	Uncertainties	Effect if assumptions change
Bad Debt	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.	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 2024 for general, housing tenants, HB, NDR and Council Tax debtors. Our share of this provision is £4m. 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.

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. The figures for 2022/23 financial year were restated, to reflect the reporting structure during 2023/24. This restatement had no impact on overall totals.

2022/23 Restated	Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non- statutory) Adjustments Restated	Adjustments between the Funding and Accounting bases
Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	(Note 1)	(Note 2)	(Note 3)		(Note 4)	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Chief Executive	-	55	-	55	-	55
Connected Chelmsford	1,144	1,535	-	2,679	25	2,704
Fairer Chelmsford & CDRM	-	-	-	-	-	-
Fairer Chelmsford	6,060	288	-	6,348	2,656	9,004
Finance and Audit	(3)	1	(190)	(192)	-	(192)
Growing Chelmsford	7,434	1,018	-	8,452	(37)	8,415
Greener and Safer Chelmsford	5,317	2,245	-	7,562	(469)	7,093
Active Chelmsford	3,121	877	-	3,998	(6)	3,992
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

Chelmsford City Council – Draft Statement of Accounts 2023/24

2023/24						
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	-	(11)	-	(11)	-	(11)
Connected Chelmsford	606	(308)	-	298	23	321
Fairer Chelmsford & CDRM	-	-	-	-	-	-
Fairer Chelmsford	(3,084)	(66)	-	(3,150)	2,144	(1,006)
Finance and Audit	(21)	(575)	218	(378)	-	(378)
Growing Chelmsford	1,227	(215)	-	1,012	(27)	985
Greener and Safer Chelmsford	6,669	(450)	-	6,219	380	6,599
Active Chelmsford	(2,165)	(184)	-	(2,349)	(8)	(2,357)
Other Service Income	-	-	-	-	-	-
Exceptional Item - VAT claim	-	-	-	-	-	-
Spending on current services	3,232	(1,809)	218	1,641	2,512	4,153
Other operating expenditure	(180)	-	-	(180)	-	(180)
Financing and investment	4,093	(1,674)	(50)	2,369	(2,512)	(143)
Taxation and general grants	(6,709)	-	3,157	(3,552)	-	(3,552)
Total spending on services	436	(3,483)	3,325	278	-	278

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 £36.3m
- Government grant received in respect of housing benefit paid to the Council £31.6m
- Income from sales, fees and charges and rents £41.4m
- Employee costs excluding statutory payments on behalf of employees for tax and pensions £34.6m

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 2022/23	General fund Restated	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves Restated	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	(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 adjustment account						
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	-

Chelmsford City Council – Draft Statement of Accounts 2023/24

Movements in 2023/24	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	(7,787)	-	-	(7,787)	7,787	-
Revaluation losses on property, plant and equipment	10,362	-	-	10,362	(10,362)	-
Change in the market value of investment properties (+gain/-loss)	(5,794)	-	-	(5,794)	5,794	-
Amortisation of intangible assets	(114)	-	-	(114)	114	-
Capital grants and contributions applied to capital financing	919	-	-	919	(919)	-
Revenue expenditure funded from capital under statute	(5,693)	-	-	(5,693)	5,693	-
Gain or loss on the disposal of non-current assets	(219)	(116)	-	(335)	335	-
Unrealised gain or loss on Investments	50	-	-	50	(50)	-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment	812	-	-	812	(812)	-
Capital expenditure charged to the General Fund	889	-	-	889	(889)	-
Adjustments involving the capital receipts reserve						
Unattached asset sale proceeds and loans repaid credited to the CI&ES	565	(799)	-	(234)	234	-
Bad debt provision for Capital receipts debtors	(166)	166	-	-	-	-
Use of capital receipts to fund new capital spending	-	386	-	386	(386)	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	4,815	-	(4,815)	-	-	-
CIL grant	975	-	(975)	-	-	-
Grants applied to capital financing	-	-	16,698	16,698	(16,698)	-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(3,467)	-	-	(3,467)	3,467	-
Employer's pension contributions paid in the year	6,950	-	-	6,950	(6,950)	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	85	-	-	85	(85)	-
Adjustment for Non-domestic rates collection fund income	(3,242)	-	-	(3,242)	3,242	-
Adjustments involving the accumulating compensated absences adjustment						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(218)	-	-	(218)	218	-
Total adjustments	(278)	(363)	10,908	10,267	(10,267)	-

Chelmsford City Council – Draft Statement of Accounts 2023/24

10. An assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Contingency	Business Rates Reserve	Future replacement of assets	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 31 March 2022	3,042	4,635	2,156	5,849	15,682
Transfers in	-	-	2,186	1,828	4,014
Transfers out	(3,042)	(3,829)	(1,383)	(1,152)	(9,406)
Balance at 31 March 2023	-	806	2,959	6,525	10,290
Transfers in	-	6,183	17	3,390	9,590
Transfers out	-	(498)	(953)	(3,397)	(4,848)
Balance at 31 March 2024	-	6,491	2,023	6,518	15,032

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

2022/23 Gross spending	2022/23 Income	2022/23 Net spending	Other operating expenditure	2023/24 Gross spending	2023/24 Income	2023/24 Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
2,940	-	2,940	Parish council precepts	3,244	-	3,244
321	-	321	(Gain) or losses on disposal of non-current assets	219	-	219
-	(1,307)	(1,307)	(Gain) or losses on disposal of unattached assets	166	(565)	(399)
3,261	(1,307)	1,954		3,629	(565)	3,064

12. Financing and investments

2022/23 Gross spending Restated £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000	Financing and investments	2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 000
-	(1,867)	(1,867)	Interest and investment income	-	(2,884)	(2,884)
69	-	69	Interest we have to pay	262	-	262
2,125	-	2,125	Other unrealised investment income or loss	-	(50)	(50)
1,661	-	1,661	Pensions interest (note 34)	-	(1,674)	(1,674)
4,272	(3,688)	584	(Gains) or losses on trading operations (note 26)	3,979	(4,245)	(266)
1,501	-	1,501	Revaluation of investment properties	5,794	-	5,794
1,475	(4,228)	(2,753)	Investment properties (note 26)	1,947	(4,193)	(2,246)
11,103	(9,783)	1,320		11,982	(13,046)	(1,064)

13. Taxation and non-specific grants

2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000	Taxation & general grants	2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 000
-	(30,074)	(30,074)	National non-domestic rates	-	(30,939)	(30,939)
27,509	(5,328)	22,181	Government tariff and s31 grants	29,285	(5,382)	23,903
-	(17,415)	(17,415)	Demand on the collection fund	-	(18,356)	(18,356)
1,080	(19,774)	(18,694)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	281	(10,574)	(10,293)
28,589	(72,591)	(44,002)		29,566	(65,251)	(35,685)

14. Movements on our assets

Accounting policies

Charges to Revenue for Assets

We charge service revenue accounts, central support services and trading undertakings for all the fixed assets (non-current assets) they use to provide their services. There are depreciation charges that cover the estimated loss in value over time of physical assets with lives in excess of one year, 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)

Physical assets are 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 recorded as follows:

- Vehicles and equipment such as freighters, computers or lawnmowers are held at cost of buying them.
- Community assets such as parks are held at historic cost, unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are held 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. It should be newly classified as a current asset and no longer depreciated.
- 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. The valuation date is 31st March 2024.

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 or amortisation). 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.

Independent external valuers are used to revalue our properties. The valuations were undertaken by Montagu Evans on the 31st March 2024. The following assets were valued in 2023/24:-

- All Investment Properties
- All Surplus Assets
- Other Land and Building assets with a value over £2m, all car parks, owned temporary accommodation properties. Valuations were also provided for the majority of assets that have not been valued for the previous three years as part of a rolling programme of valuations.

For the specialised assets not valued by Montagu Evans an indexation based on BCIS of 2.9% 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.

Major Changes to the Value of our Assets

The new valuation of Council's car parks reflects a change in valuation methodology, advised by our external valuers, which has resulted in a reduction in the overall car parks valuations of 27.5%. The new approach assumes a notional rent for each income producing car park which is derived from a percentage of the average gross income of the past 3 financial years. This has then been capitalised into perpetuity by a gross yield. The notional rent approach differs from the 'average net income' approach adopted in previous years, as it does not reflect all of the income applicable to the Council, but mimics how car parks would be valued in the open market. For non-income producing car parks, an amenity land value has been applied to the overall

site area. This years valuation is £29m compared to £40m in 2022/23. A reduction of £11m.

The Council's crematorium site has also been assessed using the same methodology used for the car parks, which has resulted in a 50% reduction. The valuation is now £10m compared to £20.1m in 2022/23.

The Council owns 59 properties which are held for temporary accommodation. In 2022/23 the value of these assets was £10.7m. These assets were previously valued at existing use social housing (EUV-SH) rather than at their market value. The valuation methodology has been reviewed and it was agreed with the valuers that the valuation method should change from EUV-SH to EUV. The valuations are now based on market value which has resulted in an increase of £12.1m to £22.8m, an increase of 114%

The Council owns two sites of modular housing and a hostel. These were previously valued as EUV but are now being treated as specialised assets and have been valued as DRC. This has resulted in a reduction in the valuations of 36% or £1m. These are now valued at £1.8m.

Our portfolio of city centre retail properties is now valued at £31.2m a decrease of £2.3m or a 6.9% decrease from 2022/23. This is due to a reduction in the ground rent of one of the properties.

Compared to previous years, the change in value of our commercial office accommodation is a decrease of £0.6m or 4% compared to 2022/23. These are now valued at £15.1m.

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.

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

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 2023 (after depreciation)	171,434	9,893	200	5,217	8,567	8,933	204,244
Total book value on 1 April 2023	171,950	22,509	227	5,217	8,567	8,933	217,403
Assets we have transferred	446	134	-	-	(1,899)	1,180	(139)
Assets we have bought, improved or were donated	701	1,895	-	-	12,728	-	15,324
Adjustment to accruals for assets we bought	-	-	-	-	-	-	-
Assets we have sold or disposed of	(264)	(366)	-	-	-	-	(630)
Assets no longer required	-	(518)	-	-	-	-	(518)
Assets we have impaired	-	-	-	-	-	-	-
Assets revalued	(7,296)	-	-	91	-	(1,320)	(8,525)
Total book value on 31 March 2024	165,537	23,654	227	5,308	19,396	8,793	222,915
Depreciation on 1 April 2023	516	12,616	27	-	-	-	13,159
Assets we have transferred	-	-	-	-	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
Amounts written out on assets we have disposed of	(8)	(810)	-	-	-	-	(818)
Impairments recognised in the cost of provision of services	-	-	-	-	-	-	-
Impairments recognised in the revaluation reserve	-	-	-	-	-	-	-
Impairments written out	-	-	-	-	-	-	-
Depreciation written out	(5,667)	-	-	-	-	(419)	(6,086)
Depreciation for the year	5,232	2,129	8	-	-	419	7,788
Depreciation on 31 March 2024	73	13,935	35	-	-	-	14,043
Net book value on 31 March 2024 (after depreciation)	165,464	9,719	192	5,308	19,396	8,793	208,872

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	23,654	227	4,880	19,396	-	49,368
Carrying fair value at:							
31 March 2023 (valuation date 31/03/2024)	164,205	-	-	428	-	8,793	173,426
31 March 2023 (valuation date 31/03/2023)	-	-	-	-	-	-	-
31 March 2022 (valuation date 31/03/2022)	121	-	-	-	-	-	121
31 March 2021 (valuation date 31/03/2021)	-	-	-	-	-	-	-
31 March 2020 (valuation date 31/03/2020)	-	-	-	-	-	-	-
Total	165,537	23,654	227	5,308	19,396	8,793	222,915

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	204	57,807	58,011	1,009	57,899	58,908
Additions						
Properties we bought	-	-	-	-	-	-
Properties we built	-	-	-	-	-	-
Properties we improved	805	1,593	2,398	(962)	2,221	1,259
Disposals						
Net gain or (loss) from fair value adjustments	-	(1,501)	(1,501)	-	(5,794)	(5,794)
Transfers (to) or from						
Stocks	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	(232)	(232)
Other changes	-	-	-	(47)	-	(47)
Balance on 31 March	1,009	57,899	58,908	-	54,090	54,090

The table above shows that £232k has been transferred from investment to surplus.

The operating costs and income from our investment properties can be found in note 26 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 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

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2024
	£ 000	£ 000	£ 000
Commercial Site	17,912	-	17,912
Development site	3,273	383	3,656
Pending Sale			-
Residential (market rental) properties	280	-	280
Retail Sites	32,242	-	32,242
Balance on 31 March 2024	53,707	383	54,090

The categorisation inputs of assets involves the valuers making a judgement based on the latest available information. There have not been any changes to the input categorisation of assets this year.

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 £37.6m. At the end of the year we have an external debt of £1.4m (finance lease) and £36.2m internal borrowing against reserves.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2022/23	2023/24
	£ 000	-
Opening capital finance requirement at 1 April	18,899	35,366
Expenditure on		
Property plant and equipment	25,778	14,950
Investment properties	2,398	1,212
Heritage assets	-	-
Intangible assets	109	10
Revenue expenditure funded from capital under statute and Renovation Loans	4,722	5,745
Less sources of finance		
Capital receipts	(807)	(386)
Government grants and other contributions	(13,788)	(17,617)
Revenue funding	(1,351)	(889)
Minimum revenue provision	(594)	(812)
Capital financing requirement at 31 March	35,366	37,579

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. The agreement is currently in the process of being renewed. 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

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
31 March 2022	247	254	541	1,301	538	294	1,200	4,375
Additions								-
Revaluations	4	-	-	-	-	-	-	4
31 March 2023	250	254	541	1,302	538	294	1,200	4,380
Additions								-
Revaluations	(71)	(37)	(40)	(194)	140	-	(285)	(487)
31 March 2024	179	217	501	1,108	678	294	915	3,893

Commentary on movements

The movement in heritage assets in 2023/24 results from realignment of valuations with insurance records and high value items were externally valued in year. Statues have increased significantly due higher expected replacement costs.

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:

2022/23 Investments £ 000	2022/23 Cash & cash equivalents £ 000	2022/23 Receivables & payables Restated £ 000	SHORT-TERM	2023/24 Investments / Borrowing £ 000	2023/24 Cash & cash equivalents £ 000	2023/24 Receivables & payables £ 000
			Financial assets			
-	11,955	-	Fair value through profit or loss	6,072	8,141	-
6,129	8,358	6,603	Amortised cost	2,003	711	7,528
6,129	20,313	6,603	Total financial assets	8,075	8,852	7,528
6,129	20,313	6,603	Total assets	8,075	8,852	7,528
			Financial liabilities			
-	381	(10,839)	Amortised cost	(5,031)	-	(11,777)
-	381	(10,839)	Total financial liabilities	(5,031)	-	(11,777)
-	381	(10,839)	Total liabilities	(5,031)	-	(11,777)

2022/23 Investments	2022/23 Receivables & payables	LONG-TERM		2023/24 Investments	2023/24 Receivables & payables
£ 000	£ 000			£ 000	£ 000
15,265	-	Financial assets		9,244	-
-	990	Fair value through profit or loss		-	807
15,265	990	Amortised cost		-	807
15,265	990	Total financial assets		9,244	807
15,265	990	Total assets		9,244	807
		Financial liabilities			
-	(1,121)	Amortised cost		-	(1,264)
-	(1,121)	Total financial liabilities		-	(1,264)
-	(1,121)	Total liabilities		-	(1,264)

Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2024 for new investments that would end at the same time. The fair value of short term instruments is assumed to approximate the reporting amounts.

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

Fair Value	Reporting £ 000	Fair value £ 000
Fair Value At 31 March 2023		
Financial assets		
Investments and cash	41,679	41,680
Cash	28	28
Long-term receivables	990	990
Financial liabilities		
Cash	381	381
Fair Value At 31 March 2024		
Financial assets		
Investments and cash	25,754	25,754
Cash	417	417
Long-term receivables	807	807
Financial liabilities		
Cash	-	-

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 2023 £ 000	31st March 2024 £ 000
Local Authority Property Fund	Level 1	Unit Prices	6,318	6,072
Aegon Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,147	3,319
Ninety One Multi-Asset Diversified Income Fund	Level 1	Unit Prices	2,985	2,972
CCLA Better World Cautious Fund	Level 1	Unit Prices	2,815	2,953
Total			15,265	15,316

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.

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 2023 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	2022/23	2023/24	2022/23	2023/24
	Short term £ 000	Short term £ 000	Long term £ 000	Long term £ 000
AAA				
AA+				
AA				
AA-	6,129			
A+	259	294		
A				
A-				
BBB+				
Unrated local authorities	3,003	2,003		
Unrated Building Societies				
Unrated Housing Associations				
AAA-mmf	17,023	8,141		
Credit Risk not applicable (pooled funds)		6,072	15,265	9,244
Total	26,414	16,510	15,265	9,244

The following table details the counterparties approved in the Council's Treasury Management Strategy for 2023/24:

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 31/03/2024.

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).

2022/23 £ 000	Age of debt	2023/24 £ 000
5,203	Less than three months	4,991
348	Three to six months	233
182	Six months to a year	699
870	More than a year	1,605
6,603		7,528

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:

2022/23 £ 000	Financial assets returned to the Council	2023/24 £ 000
20,285	Less than three months, including cash equivalents	14,507
-	Three to six months	2,003
6,129	Six months to a year	-
15,265	More than a year	9,244
41,679		25,754

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 2023/24. The effect of a 1% increase in interest rates would have resulted in an extra income of £84K on variable rate investments for a full year.

The Council holds balances where interest is paid on them and if variable interest rates had been 1% higher with all other variables held constant the effect would have been to increase the interest paid by 37K.

The net effect of a 1% increase in interest results would be an increase in the surplus on the provision of services in the CIES of 47K. 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 £1.072m is currently held, which helps protect capital values against future losses. An unrealised loss of £0.756m is held against the Council's 3 Multi-Asset funds, resulting in a net unrealised gain across all pooled funds of £0.316m. 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 are legally committed to the the following material schemes. As at the 31st March 2024 the outstanding amounts were;

Chelmer Waterside Infrastructure Scheme - GPRS Relocation £4.2m.

Chelmer Waterside Infrastructure Scheme – Bridge and Road Construction £10.54m

18. Debtors

2022/23	Debtors	2023/24
£ 000		£ 000
2,515	Government departments	3,115
1,506	Other local authorities	1,435
7,720	Sundry debts owed by other organisations and individuals	8,680
5,802	VAT refund on Leisure income (exceptional item)	-
5,270	Payments in advance	4,377
2,333	HB overpayments	2,323
16,137	Other debtors *	19,012
(3,607)	Debts we may not be able to collect	(3,994)
37,676		34,948

* Other debtors include money owed to us by Council tax and NNDR ratepayers and by the Collection Fund Preceptors.

2022/23	*Other debtors	2023/24
£ 000		£ 000
-	NNDR Preceptors	1,346
10,841	CT Preceptors	12,955
2,420	NNDR ratepayers	2,557
2,874	Council Tax ratepayers	2,150
2	Money owed by Council's employees	4
16,137		19,012

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.

2022/23	Cash & cash equivalents	2023/24
£ 000		£ 000
28	Cash held by officers	19
381	Bank current accounts	398
20,285	Cash equivalents (short-term deposits)	8,435
20,694		8,852

20. Creditors

2022/23	Creditors	2023/24
£ 000		£ 000
7,707	Government departments	1,438
6,211	Other local authorities	4,635
7,375	Sundry creditors with other organisations and individuals	8,916
2,914	Receipts in advance	3,195
5,668	Other creditors *	1,620
29,875		19,804

* 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.

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 2022	3,207	3,207
Transfers in	-	-
Transfers out	(1,418)	(1,418)
Balance at 31 March 2023	1,789	1,789
Transfers in	-	-
Transfers out	244	244
Balance at 31 March 2024	2,033	2,033

Chelmsford City Council – Draft Statement of Accounts 2023/24

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 2023	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 2023	76,312	157,241	31,428	542	(55)	265,468
Change on the reserve during the year	(15,766)	12,589	(36,740)	(3,157)	(168)	(43,242)
Balance at 31 March 2024	60,546	169,830	(5,312)	(2,615)	(223)	222,226

Revaluation reserve

2022/23 £ 000	Revaluation Reserve	2023/24 £ 000
77,816	Opening balance	76,312
1,075	Revaluation of assets	(13,286)
(274)	Impairment losses	
	Write-out of revaluations of assets we have sold	(130)
(2,305)	Difference between fair value and historic cost depreciation	(2,350)
76,312	Closing Balance	60,546

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

Capital adjustment account

2022/23	Capital Adjustment Account	2023/24
£ 000		£ 000
163,071	Opening balance	157,241
(7,430)	Allowance for depreciation and amortisation	(7,901)
2,305	Less depreciation and amortisation charged to the revaluation reserve	2,350
(4,645)	Revenue expenditure funded from capital under statute	(5,693)
274	Transfer from revaluation reserve on disposals	130
(10,997)	Impairments and amortisation charged to revenue	10,362
594	Minimum Revenue Provision	812
(26)	Repaid Capital loan receipts	(235)
15,946	Application of receipts and contributions	18,893
(350)	Assets disposed of	(335)
(1,501)	Movements in the value of investment properties in the CI&ES	(5,794)
157,241	Closing balance	169,830

23. Cashflow – Operating activities

Included in the cash flows for operating activities are the following items:

2022/23	The cash flows from operating activities include the following items:	2023/24
£ 000		£ 000
(1,691)	Interest received	(2,983)
69	Interest paid	231
(1,622)		(2,752)

24. Cashflow statement – Financing activities

Reconciliation of liabilities arising from financing activities					
	2023/24	Financing cash flows	Changes which are not financing cash flows		2023/24
	1st April		Acquisitions	Other non-financing cash flows	31 March
	£ 000	£ 000	£ 000	£ 000	£ 000
Short-term borrowings	-	(5,000)	-	(31)	(5,031)
Lease liabilities	(1,051)	403	(624)	-	(1,272)
	(1,051)	(4,597)	(624)	(31)	(6,303)

25. Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income

2022/23	Expenditure and Income Analysed by Nature	2023/24
£ 000		£ 000
	Expenditure	
43,810	Employee benefits expenses	41,544
62,231	Other services expenses	73,427
54	Exceptional item - fees for VAT refund	-
23,073	Depreciation, amortisation, impairment	3,232
69	Interest payments	262
2,940	Precepts and levies	3,244
1,661	Pension interest and return on investment	-
(105,618)	Remeasurement of the assets of the pension fund	40,223
1,565	Gain or loss on the disposal and revaluation of Assets	18,851
29,785	Total Expenditure	180,783
	Income	
(39,045)	Fees, charges and other services income	(46,845)
(676)	Exceptional item - VAT on fees and charges	-
-	Pension interest and return on investment	(1,674)
(1,867)	Interest and investment income	(2,884)
(17,415)	Income from Council Tax	(18,356)
(42,569)	Government grants incl Business Rate income, Housing Benefits grants and Covid19 grants	(45,143)
(4,635)	Other grants and contributions	(5,334)
(16,669)	Capital Grants and contributions	(6,710)
(122,876)	Total Income	(126,946)
(93,091)	Total expenditure and income	53,837

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

2022/23		2023/24
£ 000	Revenues from contracts with service recipients	£ 000
(34,202)	Revenues from contracts with service recipients	(41,280)
678	Impairments of receivable or contract assets	482
(33,524)	Total included in Comprehensive Income and Expenditure Statement	(40,798)

26. 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.

2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
Gross spending	Income	Net spending	Trading accounts not shown in Spending on current services	Gross spending	Income	Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			Other operating expenditure			
3,652	(3,098)	554	Grounds maintenance	3,458	(3,630)	(172)
620	(590)	30	Vehicle maintenance	521	(615)	(94)
4,272	(3,688)	584		3,979	(4,245)	(266)
			Financing and investment			
1,475	(4,228)	(2,753)	Investment properties	1,947	(4,193)	(2,246)
1,475	(4,228)	(2,753)		1,947	(4,193)	(2,246)
5,747	(7,916)	(2,169)	Total trading activity	5,926	(8,438)	(2,512)

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.

27. 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	2022/23 SEPP £ 000	2023/24 SEPP £ 000	2022/23 Chelmsford £ 000	2023/24 Chelmsford £ 000
Expenditure	2,455	3,013	601	658
Income	(2,376)	(2,455)	(901)	(955)
Net position	79	558	(300)	(297)

28. Councillors' allowances

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

2022/23 £ 000	Councillors allowances	2023/24 £ 000
360	Basic allowance	377
161	Special responsibility allowance & expenses	168
16	Mayor and Deputy Mayor allowance	19
537	Total we paid in the year	564

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

29. 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
£	2022/23	2023/24	2022/23	2023/24
50,000–54,999	25	26	-	-
55,000–59,999	16	16	-	-
60,000–64,999	7	10	1	-
65,000–69,999	3	5	1	-
70,000–74,999	3	3	-	-
75,000–79,999	2	6	-	-
80,000–84,999	8	1	-	-
85,000–89,999	3	6	-	-
90,000–94,999	3	4	-	-
95,000 – 99,999	1	2	-	-
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
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

Chief officers	Salary, fees and allowances	Benefits in kind ***	Compensation for loss of employment	Employer pension contributions ****	TOTAL
2023/24	£	£	£	£	£
Chief Executive (N Eveleigh)	207,063	2,145		42,187	251,395
Directors of:					
Connected Chelmsford (L Goodwin)	139,963	1,716		28,609	170,288
Public Places (K Nicholson)	113,331	1,716		22,648	137,695
Sustainable Communities (D Green) Left 21/7/23	33,809	1,262	158,606	6,575	200,252
Sustainable Communities (P Brookes) Started 1/11/23	47,041	358		10,817	58,216

The Director of Sustainable Communities (D Green) left 21/07/2023 and was part-time (75% of a full-time equivalent). The full-time cost of this post would be £162,800.

The Director of Public Places post is part-time from 01/06/2023. (75% of a full-time equivalent). The full-time cost of the post would be £145,442.

*** 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.

2022/23	Termination benefits	2023/24
£ 000		£ 000
	Termination benefits	
174	Redundancy costs	5
140	Additional pension costs	-
-	Other Termination Costs	142
314	Total spending	147
	No of employees whose employment	
8	was terminated	2

Exit packages	2022/23	2023/24	2022/23	2023/24
	Leavers	Leavers	Cost	Cost
	Number	Number	£ 000	£ 000
£0 - £20,000	4	1	45	5
£20,001 - £50,000	1	-	20	-
£50,001 - £250,000	3	1	249	142
Total	8	2	314	147

We made one employee compulsorily redundant in 2023/24, and five in the previous year.

30. External audit costs

The table below gives details of the amounts payable to our external auditors for 2023/24 financial year as well as any outstanding amounts accrued for previous years audits. Due to Government's proposed hard deadline for completing any outstanding audits for prior years by September 2024, it is now unlikely that the 2021/22 and 2022/23 audits will be completed. Due to ongoing audit delays, we did not accrue the basic audit fee or the Housing Benefits audit fee for 2023/24 in our accounts as neither of the audits have started by the 31st March 2024.

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

2022/23	External audit costs	2023/24
£ 000		£ 000
	Amounts payable for 2023/24 audit not recognised in our accounts, due to audit not taking place by 31st March:	
	Fees payable to the auditor	
-	Basic audit	166
-	Housing Benefits audit	22
	Total fees payable in future years relating to 2023/24	188
	Amounts recognised in our accounts:	
(21)	Government grant for audit fees	-
-	Accrued costs relating to previous year's audit fees no longer expected to be due	(41)
(21)	Total fees recognised in the accounts	(41)

31. 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.

2022/23	Grants and contributions	2023/24
£ 000		£ 000
30,049	Housing benefits grants	31,638
59	COVID 19 grants and contributions for redistribution to support business and individuals	119
7,174	Other grants and contributions	8,100
37,282		39,857

We also received a number of grants and contributions that have conditions attached to them that may require us to return them. Once we have met these conditions, we

will recognise them as income. The amounts involved are shown in the tables below. £0.9m of the in-year movement relates to new capital grants received in advance, £2.1m relates to the spend.

2022/23	Capital grants received in advance	2023/24
£ 000		£ 000
5,473	Opening balance	6,684
1,211	In-year movements	1,201
6,684		7,885

32. 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, 31 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 34.

We must also give details of any transactions we had during the year with our Councillors and chief officers, or their close families. Each Councillor and chief officer has stated that they did not have any such transactions during the financial year 2023/24.

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 2023/24.

Chelmsford Garden Community Parish Council £17,247
 Galleywood Parish Council £4,618
 Great Baddow Parish Council £7,152
 Great and Little Leighs Parish Council £7,010
 Rettendon Parish Council £2,662
 South Hanningfield Parish Council £3,900
 South Woodham Ferrers Town Council £8,534

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 2023/24.

We made the following grants and payments during 2023/24 to the following organisations and some of our members sit on their boards or are trustees, but do not have a controlling interest.

Anglia Ruskin University £230
Backhouse solicitors £1,200
Chelmsford Citizens Advice Bureau (CAB) £103,583
Chelmsford Community Radio £500
Chelmsford Council for Voluntary Services (CVS) £101,853
Chelmsford Cultural Development Trust £67,000
East of England Local Government Association £14,609
Essex Society for Archaeology and History £50
Essex County Council £2,853,288
PATROL Parking and Traffic Regulations Outside London £17,766
South Hanningfield Parish Council £8,000
South Woodham Ferrers Town Council £3,000
YMCA £25,703

In addition, the following organisations made rent payments to us.

Chelmsford CAB £40,765
Chelmsford CVS £16,122

33. 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.

2022/23	Operational Leases Minimum Income Due	2023/24
£ 000		£ 000
2,086	Lease payments due in less than a year	1,501
3,839	Lease payments due from 1 to 5 years	3,644
20,175	Lease payments due in more than 5 years	19,565
26,100		24,710

34. 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.

2022/23	Charges to the Comprehensive income and expenditure account	2023/24
£ 000		£ 000
	Spending on services	
	Service cost	
11,066	Current service cost	4,924
419	Previous service cost	-
151	Administration expenses	217
	Other spending	
1,661	Net interest on the defined liability	(1,674)
13,297	Charge to the spending on current services in the comprehensive income and expenditure statement	3,467
	Other charges	
(111,495)	Remeasurement of the pension liability	61,406
5,877	Return on scheme assets (excluding interest)	(21,183)
(105,618)	Other charges to the comprehensive income and expenditure statement	40,223
(92,321)	Total charges to the comprehensive income and expenditure statement	43,690
5,617	Employer's contributions charged to the General fund	6,950

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.

In addition to the gains and losses included in the Comprehensive income and expenditure statement, we have included a remeasurement deficit identified by the actuaries of £43.7m in 23/24 that included adjustment for asset ceiling of £65.9m (a surplus of £92.3m in 2022/23).

31 March 2023	Movements on pension fund assets and liabilities	31 March 2024
£ 000		£ 000
	Scheme liabilities	
(329,172)	Value at 1 April	(229,868)
(11,066)	Current service cost	(4,924)
(1,690)	Member contributions	(1,798)
(8,463)	Interest costs	(10,818)
	Remeasurement	
111,495	Financial returns	4,499
(419)	Past service (gains) or costs	-
9,447	Benefits paid	10,869
(229,868)	Value at 31 March	(232,040)
	Scheme assets	
262,662	Value at 1 April	261,296
6,802	Interest	12,492
	Remeasurement	
(5,877)	Return on assets (excluding interest)	21,183
-	Other actuarial gains/(losses)	-
(151)	Administration expenses	(217)
5,617	Employer contributions	6,950
1,690	Employee contributions	1,798
(9,447)	Benefits paid	(10,869)
261,296	Value at 31 March	292,633
31,428	Net pension (liability)/surplus	60,593

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.

During 2023/24 our net pension fund was £60.6m in surplus. According to the accounting standard, if our pension fund is in surplus, we are only able to recognise it in our balance sheet to the extent to which we are able to recover that surplus either through reduced contributions in the future, or through refunds. Based on the assumption that any refunds are at the discretion of the pension fund and our future liability exceeds the value of the surplus, the asset ceiling is nil.

We did not apply asset ceiling in the 2022/23 accounts, as the additional guidance from CIPFA providing further clarification on best practice for local authorities was only issued in November 2023.

Asset ceiling	31 March 2024
	£ 000
Opening impact of asset ceiling	-
Interest on impact of asset ceiling	-
Actuarial losses/(gains)	65,905
Closing impact of asset ceiling	65,905

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 the difference 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.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Pension fund balances						
Present value of scheme liabilities	(292,570)	(275,255)	(346,614)	(329,172)	(229,868)	(232,040)
Fair value of assets	195,277	183,458	237,698	262,662	261,296	292,633
(Deficit)/Surplus on the pension fund	(97,293)	(91,797)	(108,916)	(66,510)	31,428	60,593
Impact of Asset Ceiling						(65,905)
(Deficit)/Surplus on the pension fund recognised in Balance sheet	(97,293)	(91,797)	(108,916)	(66,510)	31,428	(5,312)

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 2023/24, calculated on the IAS19 basis, net surplus of £60.5m, that is subject to asset ceiling adjustment. 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 £6.1m 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.

2022/23	Assumptions used in the valuations of the fund	2023/24
	<u>Years we expect to pay current pensioners</u>	
21.1	Men	20.8
23.5	Women	23.3
	<u>Years we expect to pay pensioners retiring in 20 years</u>	
22.3	Men	22.0
25.0	Women	24.7
%		%
2.90	Rate of inflation – CPI	2.95
3.25	Rate of inflation – RPI	3.25
3.90	Rate of increase in salaries	3.95
2.90	Rate of increase in pensions	2.95
4.80	Discount rate	4.90

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	9,961	(9,495)

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	1,444	284	(283)	(1,393)
Rate of increase in pensions, or inflation	17,910	3,398	(3,312)	(15,745)
Rate for discounting scheme liabilities	(16,762)	(3,525)	3,616	19,069

The weighted average duration of the pension obligation for scheme members is 16 years in 2023/24 (16 years 2023/24).

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 2023	Scheme assets	31 March 2024
£ 000		£ 000
8,425	Cash and cash equivalents	7,834
	Stocks and shares (by type)	
-	UK investments	-
137,447	Overseas investments	148,946
137,447		148,946
	Bonds (by sector)	
-	UK Corporate	-
3,821	UK Government	5,193
3,821		5,193
	Property (by type)	
4,959	Listed	5,190
16,441	Unlisted	15,568
21,400		20,758
13,065	Private equity	11,682
	Other investment funds	
26,959	Infrastructure	29,543
9,161	Timber	8,863
5,235	Illiquid and Private Debt	5,908
35,783	Other Managed Funds	53,906
77,138		98,220
261,296	Total	292,633

31 March 2023	Stocks and Shares	31 March 2024
£ 000		£ 000
	Stocks and shares (by company size)	
137,447	Listed	148,946
-	Unlisted	-
137,447		148,946

35. 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.

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.

2022/23	Grants and contributions	2023/24
£ 000		£ 000
	Grant received in advance	
6,684	Money received as part of planning agreements	7,885
	Capital grants unapplied	
7,737	Money received as part of planning agreements	4,100
9,436	Government grants	3,345
2,705	Empty Homes grant	2,506
24,318	Community Infrastructure Levy	23,328
113	Other	122
44,309		33,401
50,993	Total	41,286

37. Long term Creditors

2022/23	Long-term Creditors	2023/24
£ 000		£ 000
877	Section 106 contributions	994
765	Leases	886
356	Property transaction creditor	378
570	Recreational Avoidance Mitigation Strategy	1,048
2,568		3,306

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.

2022/23 Council Tax £ 000	2022/23 Non-Domestic Rates £ 000	2022/23 Total £ 000	Collection Fund	2023/24 Council Tax £ 000	2023/24 Non-Domestic Rates £ 000	2023/24 Total £ 000
(135,589)	-	(135,589)	Income			
			Council tax (Note 1)	(143,321)	-	(143,321)
-	(73,615)	(73,615)	Transfers from the General fund			
-	1,044	1,044	Non-domestic rates (Note 2)	-	(72,908)	(72,908)
			Transitional protection	-	(5,467)	(5,467)
(135,589)	(72,571)	(208,160)		(143,321)	(78,375)	(221,696)
			Spending			
			Precepts and demands			
-	36,076	36,076	Central Government	-	41,791	41,791
98,277	6,494	104,771	Essex County Council	102,618	7,522	110,140
17,591	28,861	46,452	Chelmsford City Council	18,464	33,432	51,896
15,327	-	15,327	Essex Police Authority	16,520	-	16,520
5,284	721	6,005	Essex Fire Authority	5,681	836	6,517
-	219	219	Subsidy paid towards the costs of collecting Non-domestic rates	-	221	221
328	114	442	Increase or (decrease) in our provision for amounts that we may not be able to collect	613	(509)	104
144	599	743	Amounts written off	263	706	969
-	(3,546)	(3,546)	Provision for appeals	-	611	611
			Distribution of previous year's surplus or (shortfall)			
-	(3,827)	(3,827)	Central Government	-	933	933
286	(688)	(402)	Essex County Council	(1,078)	168	(910)
52	(3,062)	(3,010)	Chelmsford City Council	(193)	746	553
46	-	46	Essex Police Authority	(167)	-	(167)
16	(78)	(62)	Essex Fire Authority	(58)	19	(39)
137,351	61,883	199,234		142,663	86,476	229,139
			Movements on the Collection Fund			
1,762	(10,688)	(8,926)	(Surplus) or shortfall for the year	(658)	8,101	7,443
223	8,698	8,921	(Surplus) or shortfall at start of the year (Note 3)	1,985	(1,990)	(5)
1,985	(1,990)	(5)	(Surplus) or shortfall at end of the year (Note 3)	1,327	6,111	7,438

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

Chelmsford City Council – Draft Statement of Accounts 2023/24

adjusted by a proportion of the band D charge. In 2023/24, the council tax base was 70,763 (in 2022/23 it was 70,142). The basic amount of council tax for a property in band D was £2,025 (£1,946 in 2022/23). 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	4,650	3,715	6 / 9	2,477
B	10,727	8,971	7 / 9	6,978
C	23,635	21,250	8 / 9	18,889
D	18,037	12,874	9 / 9	12,874
E	11,181	10,551	11 / 9	12,895
F	6,337	6,119	13 / 9	8,838
G	4,357	4,215	15 / 9	7,025
H	424	394	18 / 9	787
Total	79,348	68,089		70,763

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 2023/24 (49.9p in 2022/23) and the Standard Business Rate Multiplier 51.2p in 2023/24 (51.2p in 2022/23). 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 2024, our NDR income after relief totalled £72,972,614 based on the total non-domestic rateable value for our area of £208,509,723.

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.

2022/23	2022/23	2022/23	Contributions to the collection fund - surpluses and shortfalls	2023/24	2023/24	2023/24
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
-	(995)	(995)	Central Government	-	3,056	3,056
256	(796)	(540)	Chelmsford City Council	171	2,444	2,615
1,428	(179)	1,249	Essex County Council	951	550	1,501
223	-	223	Essex Police Authority	153	-	153
78	(20)	58	Essex Fire Authority	52	61	113
1,985	(1,990)	(5)		1,327	6,111	7,438

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	306
Chelmsford City Council	40	244
Essex County Council	9	55
Essex Fire Authority	1	6
	100	611

5. Non-domestic rate pooling

On 1 April 2023, Chelmsford continued in a Non-domestic rating pool with 14 other authorities for the 2023/24 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 2023/24 the reduction was £0.6m.

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

We will insert here 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.

Asset Ceiling (Pensions)

Restriction on the amount of accounting surplus which can be recognised, limited by the amount we are able to recover either through reduced future contributions or refunds.

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 and the Leader and three deputies that are not members of the Cabinet but support Cabinet members with specific areas of responsibility. 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 NNDR 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.

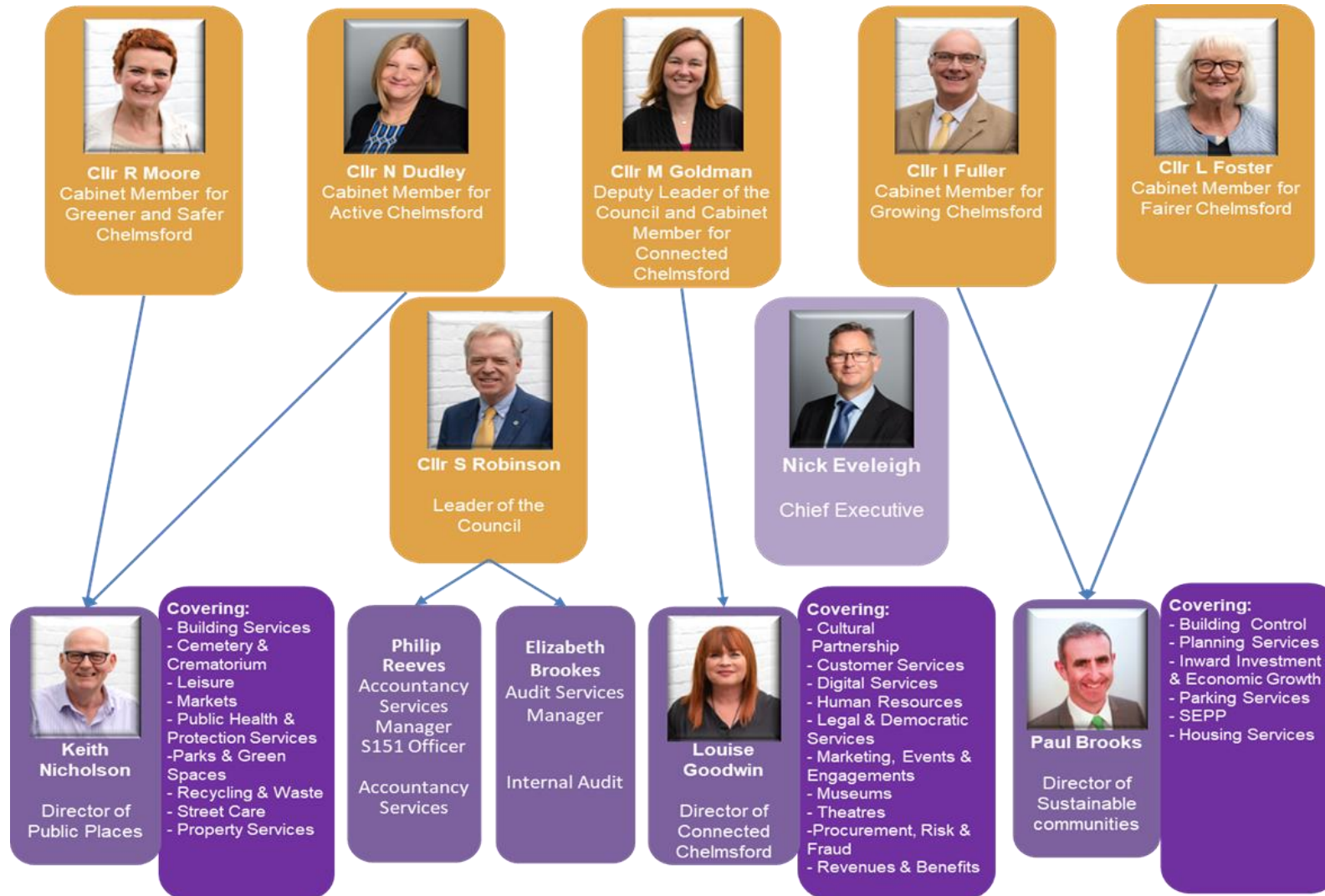
Trading undertakings

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 2024





Chelmsford City Council Audit and Risk Committee

18th September 2024

Provisional Revenue Outturn Report for 2023/24

Report by:

Accountancy Services Manager (Section 151 Officer)

Officer Contact:

Phil Reeves, Accountancy Services Manager (s151), Email: phil.reeves@chelmsford.gov.uk,
Tel: (01245) 606562

Purpose

This report informs Members of the revenue outturn position for 2023/24.

Recommendation

It is recommended that the revenue outturn position for 2023/24 and actions arising be noted.

1. Background

- 1.1. This report sets out the provisional outturn position in respect of the Council's revenue expenditure, income, and reserves for the financial year 2023/24.

Revenue transactions are the day-to-day expenditure and income resulting from running a business, which are chargeable in the Council's case to the General Fund.

1.2. The outturn figures in the report are provisional and are at risk of revision later in the year for the following reasons:

- Income and expenditure cut offs. Determining what financial period, a transaction belongs to can be difficult. Officers continue to test transactions to ensure the correct accounting has been made until the publication of accounts at the end of May. Significant numbers of transactions should then be tested by external audit.
- At time of publishing this report the 2021/22 and 2022/23 audits have not yet been completed. The 2023/24 audit is likely to take place in October and November 2024. For both members and the finance team, the external audit provides assurance that processes work correctly. No changes are expected arising from the audit; however, the lack of full audit for several years does create a greater risk of figures being revised during the audit process.

1.3. Reporting of the Provisional Revenue Outturn is part of the financial management process. Broadly that process is:

- Cabinet in January and then Council in February, where budget recommendations are received for approval for the forthcoming financial year (starting 1st April).
- Informal monitoring of the budget takes place and is reported to Cabinet Members every quarter.
- A pilot/ change of the budget process by producing a single document, comprehensive financial review will be taken to October 2024 Cabinet.
- Audit and Risk Committee receive the provisional Revenue Outturn report to review the key variances and actions identified. This will provide information on financial risks moving forward.

1.4. The Council's revenue income and expenditure outturn is in Appendix 1, in the normal reporting format. Below is a narrative on the contents of Appendix 1 with some additional supporting information.

2. Summary of the Provisional Revenue Budget net spend 2023/24 compared to approved budgets

2.1. The Council budget is separated into service budgets, non-service budgets, and reserve use. Each is explained below.

2.2. Net Spend on Service budgets: the provisional outturn showed a service net overspend against the latest approved budget of £0.67m (Appendix 1). The key service variations are below, plus a comparison to the revenue monitoring reported to November 2023 Cabinet:

Description	Outturn -favourable /+ adverse latest approved budget £ms	Previously reported to Cabinet October 2023 £ms
Electricity and gas due to lower unit prices than budgeted for	-0.913	-1.0
Vehicle fuel costs due to market conditions - lower prices than expected	-0.251	-0.247
Income from recycling food waste, sales and credits	-0.712	-0.421
Car parking income	-0.612	-0.4
HB Subsidy predominantly due to additional supported housing benefit loss	0.480	0
Other net items (adverse)	0.190	0.182
Sports centre income higher due to increased number of memberships (please note this is offset below by higher casual staff costs)	-0.624	0
Net overspends on Temporary Accommodation - demand led service and cost	1.807	1.321
Bereavement services income below budget	0.35	0.2
Property services a mix of reduced rents (£110k) and slower reletting. Higher costs; agency staff (£112k), and professional fees (£118k)	0.393	0.203
Leisure casual staff adverse variance which is offset by additional income discussed above	0.562	0.32
Total Service Variation - favourable/+adverse	£0.670m	-£0.045m

2.3. Spend on Non-service budgets, favourable variation £0.93m (Appendix 1):

These are corporate expenses/income like interest earnings that cannot be attributed to a specific service. The significant variations were as follows:

Description	Outturn +adverse /- under budget £ms	Previously reported October Cabinet £ms
Interest Earnings -favourable	-1.594	-1.01
Business Rates Retention (net)	Unchanged	Surplus taken to reserves
Capital Contribution from revenue	+0.916	0
Other Grants (business retention related)	-0.323	0
MRP & Interest Paid	0.049	-0.115
Other minor items	0.021	
Total Projected Variation	-£0.931m	-£1.125m

- £1.59m additional income from Interest Earnings. Higher interest rates and higher cash balances generated the extra income.
- Business Rate Retention income. The approved policy is to transfer any surplus above the budgeted income to reserves. The surplus transferred to reserves is £5.7m, made up of timing differences £2m and potential additional income £3.7m. The £2m timing difference will be paid in later years to Government and preceptors. The balance £3.7m will be retained in reserves as a specific contingency against the significant risks of variations in future income and the Government resetting the scheme. The reset would potentially result in the Council losing all future income. Looking ahead the 2024/25 budget includes some £2.25m of business rate retention income supporting ongoing expenditure which is an increase of £1.75m over the 2023/24 budget.
- The capital programme funding at year end included a one-off contribution from Revenue Reserves of £0.916m. This is shown as an adverse variation but is in fact an early use of the reserves. This enables the capital programme to be funded in the most effective way to keep MRP (financing debt) costs lower for a longer period. The contribution is funded from reserves.
- A favourable £0.253m other net variations, mostly grants relating to business rate retention.

2.4. Combining the variances; Overall service and non-service costs are favourable, £260k better than the current approved budget.

2.5. During any financial year, additional sums will be approved under delegation which increase the budget. The Council therefore starts the year with original budget, but as additional approvals are made, the amended budget is referred to as latest approved budget. In 2023/24 approvals were made to spend an additional £2.792m above the budget approved in February 2023 by Council. This included £1.7m additional pay costs. A breakdown of the £2.792m approved is below:

List of Supplementary estimates	
Description	Amount
Housing Benefits Agency Staff	£102,000
Legal Agency Cover	£81,000
Temporary Accommodation Support Officer	£48,300
T1 Asset Management System	£128,000
Legal Additional Agency Cover	£18,000
Total Approved	£377,300
Total Funding Set aside in reserves	£200,000
Extra cost above that assumed in budget funded from General Fun	£177,300
Infrastructure Reserve -Project costs written back to revenue	£543,500
Project evaluation reserve- feasibility studies	£109,900
Housing Initiatives Reserves - interim to undertake policy review work	£40,500
Carry forwards from 2022/23	£63,600
General Balance - Pay Award Ongoing	£386,300
General Balance - Pay Award One off	£1,271,400
Total All Additional Budget Approvals	£2,792,500

2.6. A comparison of year end expenditure to the original budget set in February 2023 is not shown in Appendix 1, but the comparison is an adverse £2.532m additional cost. A high-level explanation of the variations of £2.532m is below:

Description	Amount +adverse/ -favourable
Temporary Accommodation -adverse variation	£1.807m
Gas and Electric -favourable	(£0.913m)
Income variations -Net favourable (Appendix 1 shows variances)	(£1.036m)
Housing Benefit -adverse variation (Appendix 1 shows details)	£0.480m
Other Net Service -adverse variations (Appendix 1 for variations)	£0.332m
Sub-Total Service Variations to Latest Approved Budget Adverse (Appendix 1)	£0.670m
Non-Service Variations	-£0.93m
Subtotal service and non-service variances compared latest approved budget	-£0.26m
Below are Budget Variations Approved during the year	
23/24 Pay Award, extra costs	£1.658m
Capital costs transferred to revenue (see paragraph 3.3) one-off funded from reserves	£0.543m
Other approvals under delegation (see paragraph 3.3)	£0.591m
Sub-Total Additional Service Budgets Added during 23/24	£2.792m
Total overspend variation (Outturn vs. Original Budget February 2023 Council). This funded from reserves.	£2.532m

2.7. Impact on Reserves: The result of these outturn variations impacts on reserve use. Any adverse variances use reserves and favourable ones increase reserves. When compared the current approved budget, there is

- Less use of earmarked reserves of £0.166m (compared to current approved budget)
- Less use of general fund balance (unearmarked reserves) of £0.094m

- Total reserve variations; is less use of £0.26m

However, if the comparison is made against the original budget approved at February 2023 Council, the position changes significantly.

- Additional use of earmarked reserves £0.792m
- Additional use of general balance £1.74m
- Total impact is an additional use of £2.532m

2.8. The budget for 2024/25 set at February 2024 Council makes assumptions regarding the expected level of reserves carried into 2024/25. The position for all reserves compared to the February 2024 budget position is shown below.

Usable Reserves (Provisional Outturn)										
Earmarked	2023/24 Latest Forecast (Feb Council Report)					2023/24 Provisional Outturn				
	Provisional/Opening Balance	Budgeted (use of)/ contribution to reserves	Forecast adjustments	Budgeted Transfers	Closing Balance	Actual Opening Balance	Actual net (use of)/ contribution to reserves	Transfers	Closing Balance	Variation (Closing Balance)
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Investment										
Cultural Support 'Fund'	92	-35			57	92	-35		57	0
Local Development Framework	1,034	-200		388	1,222	1,034	-382	388	1,040	-182
Growth fund	19			-19	0	19		-19	0	0
Carry forwards & Supplementary estimate Reserve	146		-346	200	0	146	-264	118	0	0
Housing Initiatives	150			-150	0	150	-41	-110	0	0
DPO Reserve	79			-71	8	79			79	71
Hylands House Reserve	3				3	3			3	0
Master Plan Income	65			-65	0	65		-65	0	0
	1,588	-235	-346	283	1,290	1,589	-721	312	1,180	-110
Capital Programme										
Project Evaluation Resrve	285		-72		213	285	-110		175	-38
Sinking Fund for let property	0	50			50	0	50		50	0
Infrastructure fund	1,258		-699		559	1,259	-544		715	156
Chelmsford development	2,959		-2,309		650	2,959	-936		2,024	1,374
	4,502	50	-3,080	0	1,472	4,502	-1,539	0	2,963	1,491
Risk Management										
Insurance	910	-50			860	910	-12		898	38
Pension deficiency	2,245	-534		-655	1,056	2,246	-534	-655	1,057	1
Park and Ride	229				229	229	29		258	29
Vehicle Fuel Reserve	0	-304	304	604	604	0		604	604	0
Utility Costs Reserves	0	-1,535	805	2,303	1,573	0	-622	2,195	1,573	0
New: rent income (temporary loss of tenant)	0				0	0			0	0
	3,384	-2,423	1,109	2,252	4,322	3,385	-1,139	2,144	4,390	68
Total Earmarked Reserves	9,474	-2,608	-2,317	2,535	7,084	9,476	-3,399	2,456	8,533	1,449
Unearmarked										
Provisional/Opening Balance		Budgeted (use of)/ contribution to reserves	Forecast adjustments	Budgeted Transfers	Closing Balance	Actual Opening Balance	Actual net (use of)/ contribution to reserves	Transfers	Closing Balance	Variation (Closing Balance)
General Fund & Contingency	19,428	-624	-2,432	-2,535	13,837	19,428	-2,365	-2,456	14,607	770
Recommended level £9m	19,428	-624	-2,432	-2,535	13,837	19,428	-2,365	-2,456	14,607	770
Total reserves	28,902	-3,232	-4,749	0	20,921	28,904	-5,764	0	23,140	2,219
Not Available to Support Spend, until financial year end when the actual position is determined.										
Business Retention reserve	805	2,304	2,653		5,762	806	5,685		6,491	729

Of particular note the General Fund Balance closing position for 2023/24 is £0.77m higher than expected in the February 24/25 budget report. This is predominantly due to the unreduced spend on energy meaning less had to be transferred from the general fund reserves to create the earmarked reserves set out in the 2024/25 budget.

3. Implications for Financial Planning

3.1. There are a number of areas where further analysis is needed to determine what the ongoing trends are. For instance, when looking at the budgets at a global level there are issues for further detailed assessment during the budget:

- Overspends on employee costs were some £1.5m. This includes £0.562m overspend on casuals in leisure which is offset by extra income and has mostly been allowed for in the 2024/25 budget. The balance of the adverse variance is across a number of service areas including recycling and theatres. Most of this cost may be offset by higher income identified in the outturn. There are other one-off additional costs in 23/24 for staffing that should not occur in later years on agency and temporary staff. Detailed analysis of employee costs will be undertaken in the budget and monitoring processes to determine if there are ongoing issues across the Council.
- Housing Benefit. The position needs further analysis but based on the outturn, the Council is likely to face ongoing subsidy loss on supported housing costs, of extra circa £0.2m a year.
- There is additional income in a number of areas that individually is not large enough to show up in a report but may be helpful to balancing the 2025/26 budget. These will be assessed over the coming months. Examples being Theatres, Street Trading Consents and PHPS income.
- Council spend on homelessness may not increase as much as 2024/25 budget allowed for, as the number of households in Temporary Accommodation at year end was better than expected. The caseload assumed in the 2024/25 budget was 531 on 31st March 2024, whereas actual caseload was 458. This could make a significant difference to 2024/25 and later years, perhaps avoiding circa £1m of budgeted cost. However, the budget is still expected to be under pressure from rising caseloads and higher unit costs.

4. Conclusion

- Further reviews of outturn variances by services are being undertaken but the financial position is better than expected. There are several positive trends such as homelessness and energy which could make a significant difference to the 2025/26 budget gap.
- The higher level of reserves will also provide additional flexibility for the Council in 2024/25 and later years. The use of reserves however should be part of the wider strategy to ensure financial resilience.
- The Council's future financial position remains challenged by rising costs, demand and real terms reduced Government funding.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position for 2023/24

Background papers:

Nil

Corporate Implications

Legal/Constitutional: None

Financial: As detailed

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

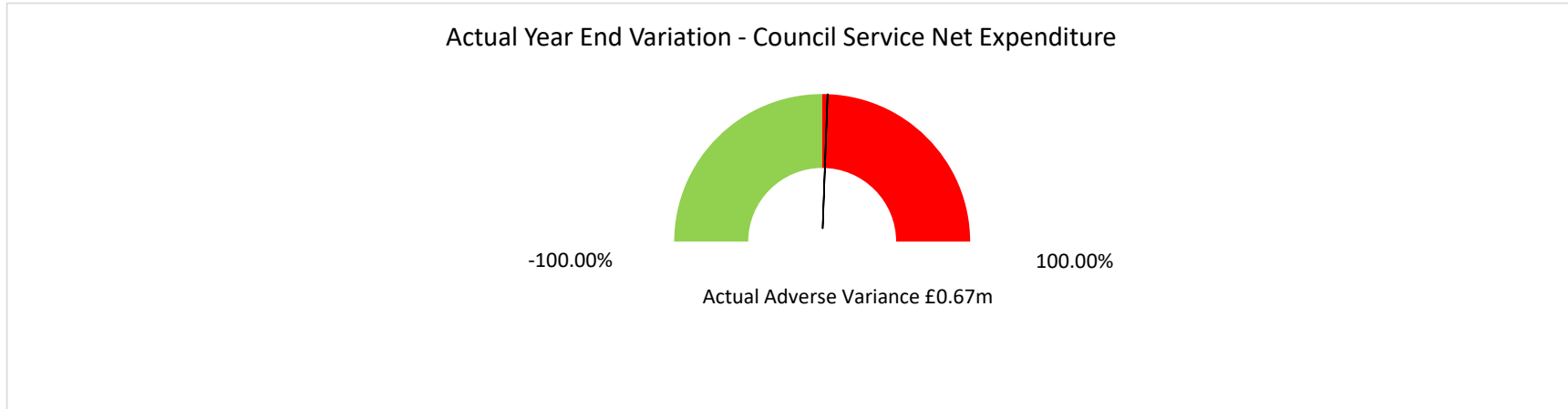
Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None

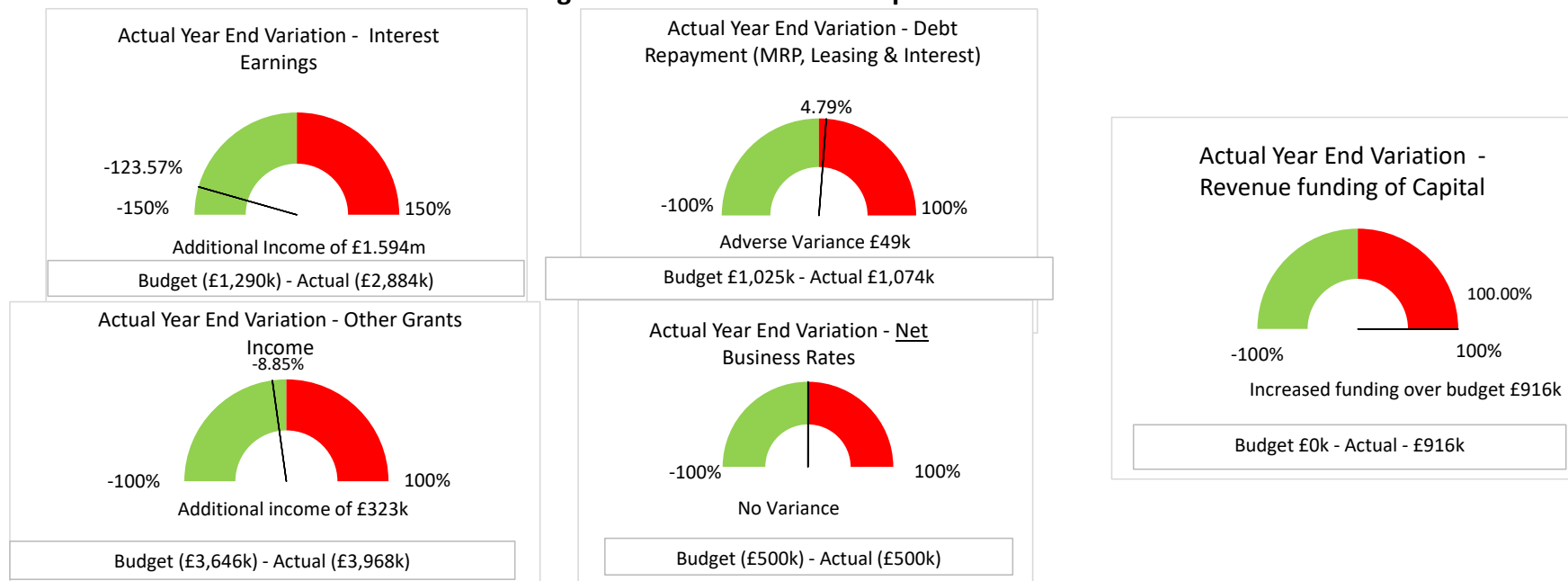
Chelmsford City Council Variances - 2023/24 Outturn Summary



Please note where approval of additional expenditure has since February 2023 Council been made, this will not show as a variance. In the current year some £2.8m of additional expenditure has been approved (£1.66m relates to higher than budgeted pay award)

Favourable Variances compared to Final Budget - £3.256m			
1	£913k favourable variance on electricity and gas due to prices being lower than budgeted for	The saving means less reserve use in 2023/24 (shown within the figures on the next page). The 23/24 budget assumed £1.5m would be funded from reserves, in practice it was £600k .	Global factors can significantly impact on utility prices, however it is expected that prices for 24/25 will be lower than 23/24 prices. Gas and Electricity is now purchased over a 2 year period to give more stability over pricing moving forwards for the Council.
2	£251k favourable variance on vehicle fuel costs due to market conditions resulting in price per litre being lower than expected.	Prices for fuel have been rising at the back end of 23/24, so will need to continue to be monitored closely in 24/25. The budget in 2023/24 assumed £300k of reserves would be used to manage the fluctuation in prices, in practice no reserves were used.	Global factors can significantly impact on fuel prices
3	£712k additional income from Food waste (£221k) and recycling sales and credits (£491k)	Monitor tonnages collected and prices of sales of recycling commodities as these fluctuate significantly, some prices have increased significantly in 23/24. Consider if 25/26 income budgets can be increased.	Market prices and tonnages can vary
4	£612k additional income from car parking made up of a favourable variance in £825k non-season ticket income and £144k adverse variation in season ticket income	More customers than initially budgeted for 23/24, an increase has been allowed for in the 24/25 budgets, but levels seen in 23/24 may mean the budget can be revised upwards further.	Customer trends change compared to previous years or competitors out price Council car parks
5	£624k additional sports centre income due to increased number of memberships. This is partially offset by higher casual staff costs shown below.	Further review of ongoing budgets for income and casual staff . The 2024/25 budget already assumes a significant increase in income.	Spend outweighs income or membership numbers drop off
Adverse Variances Compared to Final Budget - £3.782m			
6	£1,807k adverse variance on Temporary Accommodation (TA) made up of TA HB subsidy loss (£1,799k), TA accommodation repairs (£135k), bad debt provision/write-offs (£133k), other TA ((£260k)).	Caseload at the end of 23/24 was not as high as feared when the 2024/25 budget was set. The projections for 24/25 will be revised lower than forecast in the Feb. Budget. This should improve the budget outlook. However, the cost increase is still very large and will continue to have a significant adverse affect on the Council's finances.	Costs continue to rise due to increasing interest rates putting pressure on landlords mortgages. Any revised TA forecasts prove to be optimistic rather than pessimistic and households in TA rise further
7	£350k reduced income at Cemetery & Crematorium (made up of £381k loss on fees and charges, offset by an additional £31k income on sales)	Income budget will likely need to be adjusted for reduced customer numbers	Customers choose alternative venues
8	£393k adverse variance on property services a mix of reduced rents (£110k) and slower reletting. Higher costs; agency staff (£112k), and professional fees (£118k).	A reserve has been set up to provide for the risk of properties not being let, work is ongoing to promote any properties currently available to be let. Consider increasing the reserve.	Properties take longer to be fully let or have higher levels of tenant turnover leading to higher void costs and reduced rental income
9	£562k adverse variance on leisure casual staff offset by additional income above	Review budgets for 25/26 budget	Spend outweighs income or membership numbers drop off
10	£480k adverse variance on other HB Subsidy predominantly due to additional supported housing.	Review whether ongoing for future years budgets and work with providers to encourage moves to registered providers as this reduces subsidy loss on supported housing	Further supported housing is needed in future years increasing this loss
11	£190k adverse variance on Other net items	Reviews are taking place to determine if there are any ongoing variances within this figure, employee budgets need looking at in detail	There may be an ongoing impact on the budget

Other General Fund Budget Items of Income and Expenditure-Favourable Variance £931k



Note	Key Variations	Actions	Risks
1)	£1,594k additional income from interest earnings due to several unbudgeted Bank of England base rate rises and secondary factor higher cash balances than predicted. This is partially offset by higher interest paid, as single short term loan was borrowed at year end.	Review cashflow and interest rate forecasts.	Income is expected to fall as the capital programme draws down invested cash and external borrowing occurs on a regular/ongoing basis. Interest rate projections remain volatile.
2)	Retained business rates additional income of £5.7m above the £500k budget was transferred a reserve.	The transfer to the contingency reserve has occurred in line with the MTFS. The future income assumptions in budget for retention income will be revised post audit (autumn 2024)	Incorrectly identifying the ongoing impact of the Business Rate Retention scheme. A reset of the system could result in the Council losing all gains of retention income in future years
3)	Additional Revenue funding of capital £916k- this is offset by reserve movements below.	The use of reserve is part of strategy of minimising borrowing costs to the authority. It was planned for a later year but it is more effective at reducing MRP costs if made 2023/24	Non-optimal funding of capital programme increasing revenue financing costs.
4)	Adverse variations Other Minor Items £21k-not shown as a graph	No action required	N/a

Use of Reserves

Actual Year End Variation - Contribution/Use of Earmarked Reserves

Reduced Use of £166k

Changes in the use of earmarked reserves are often offset by changes in the expenditure in the service accounts.

The original budget was a £2,608k use of Earmarked reserves. Additional use of earmarked reserves has been approved so the latest budget for 23/24 is a use of £3,502k. This covers specific spend such as on utilities, fuel, insurance and pension deficiency payments.

At outturn some £3,336k of earmarked reserves had been used. This a favourable (less) use of reserves of £166k compared to the current budget **but a adverse £791k extra use of reserves compared to the original 2023/24 budget.**

Actual Year End Variation - Contribution/Use of General Fund Balance (reserve)

Reduced Use of £94k

The original budget for 23/24 is a £0.624m use of the General Fund Balance. The pay award and additional supplementaries not funded by earmarked reserves have been added in, resulting in a latest budgeted use of £2.459m.

The use of the General Fund Balance for 23/24 was £2.365m, some £0.095m lower than the current budget of £2.459m . **Compared to the original budget for 2023/24 the use of the general balance was an extra £1.740m.**

SUMMARY

The service budgets for 23/24 total just over £29.3m. These were overspent by £0.670m against the latest budget, key variations can be said to be £1,807k overspent on TA costs

£480k overspent on HB Subsidy Loss (Non TA related)

less £913k estimated underspend on utilities

less £712k additional income from recycling sales/credits and food waste income

Non-service variations are favourable aby £0.9m which is predominantly additional interest earnings.

The impact on reserves should be viewed when comparing the original assumptions made at Feb 2023 Council, as since then some £2.9m of extra expenditure has been approved. The comparison to the original budget shows an extra use of £791k of earmarked reserves and £1740k of general balance (£2.5m extra in total)

Further work is being undertaken to consider how the variances from outturn may impact on future budget setting.



Chelmsford City Council Audit and Risk Committee

18th September 2024

Capital Programme Update and Provisional Outturn 2023/24

Report by:

Accountancy Services Manager (S151 Officer)

Officer Contact:

Sue Jones, Senior Accountant

01245 609519, sue.jones@chelmsford.gov.uk

Purpose

- a) To report the capital expenditure incurred in 2023/24.
- b) To provide an update on the approved Capital Schemes and variations in cost which have been identified at outturn and to date.
- c) To provide an update on the approved Asset Replacement Programme for 2023/24 and 2024/25 for variations in cost and timing which have been identified at outturn and to date. Those schemes requiring approval will be taken forward to October Cabinet.

Recommendations

It is recommended that

- 1. The report be noted, and
 - 2. Officers produce a report for October Cabinet including any comments from Audit & Risk Committee.
-

1. Background

The Council has a long-established process for monitoring and reporting its forecast expenditure and income against approved estimates. Formal monitoring reports are prepared on a regular basis, and these are supplied to all Cabinet Members.

2. Introduction

There are two types of expenditure, capital and revenue.

Capital expenditure relates to the acquisition or enhancement of assets, which have a useful life in excess of 12 months and are charged to the Council's balance sheet (this can include software, property, plant and equipment). To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset. We can make capital grants to third parties or incur capital expenditure on assets which do not belong to us which is funded from capital resources but not recorded on the Council's balance sheet. An example of this would be improvements made to an asset belonging to Essex County Council to improve public realm.

Revenue costs are ongoing. They are incurred to run an asset or to provide a service.

3. Capital Programme

The capital programme is split between larger schemes (works, improvements and refurbishments) and an asset replacement programme.

Services submit bids annually for schemes to be added to the capital programme. The schemes should add value to the organisation, provide revenue savings or additional income, move forward the Our Chelmsford, Our Plan Priorities or have statutory/health and safety implications.

The Asset Replacement Programme is required to maintain the existing level of service delivery by ensuring there is provision to replace items of equipment and vehicles on a regular basis. Approval of individual items is on an annual basis.

4. Capital Resources

Capital expenditure is funded in a number of ways, which may include grants, receipts, third party contributions, contributions from revenue, the use of external leasing and internal/external borrowing.

When capital resources are spent, the amount available to invest is reduced and therefore the amount of interest income received is reduced, which in turn affects the revenue budgets available. When we borrow internally to fund capital schemes there is an annual charge to revenue for the minimum revenue provision (MRP) and when we borrow externally there is an MRP and interest payment.

Capital resources are forecast and reported to Cabinet and Council as part of the revenue budget process. This reflects the cost of financing the capital programme. MRP and interest, are met by the revenue budget.

5. Capital Reporting

A 'Capital Programme Update' is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report has previously been taken to Cabinet/Council in July each year. A further 'Capital Programme Monitoring and Update' report is taken to Cabinet in November. For 2024/25, the July monitoring will be replaced by an October report due to the timing of the general election. Officers are considering recommending to members that change in timing becomes permanent.

It is important to closely monitor capital expenditure as cost inflation has been historically high. Additionally, the cost of financing schemes impacts revenue budgets over the long term; given limited revenue resources higher capital spend will often mean less revenue resources to fund services.

6. Methods of Approval

New schemes are in the majority of cases recommended at Cabinet in January and approved by Council in February each year.

During the year, approval can be sought for further schemes or increases/changes to existing ones via supplementary approval or the use of urgency letters depending upon the level of expenditure required. An urgency letter authorises the Leader of the Council and Chief Executive to incur additional expenditure in extraordinary circumstances.

When schemes are approved, they are added to the capital programme and monitored throughout the year.

7. Capital Schemes

7.1 Monitoring Expenditure Against Latest Approved Budgets

Appendix 1 gives the overall capital outturn information for the completed Capital Schemes at the end of March 2024 and the latest forecast expenditure for the ongoing scheme costs. It identifies the anticipated variances in total individual scheme costs.

7.2 **Appendix 1** shows that the proposed cost of the Capital Schemes has increased by a net £2.381m against the latest approved budget of £119.25m, or 2% of the overall Capital Schemes' costs. This is summarised on the table.

Change in Overall Programme cost (detail in Appendix 1)	
Approved Budget	£119.250m
<p>Reductions in Scheme Costs</p> <p>Transfer Spend to Revenue</p> <p>Scheme number 9 – Theatre Refurbishment. £20k spend transferred to revenue. Consultant fees in this case are not capital.</p> <p>Scheme number 42 – Mass Tree-planting and Woodland Creation. £17k spend transferred to revenue as it does not meet definition of capital.</p> <p>Scheme number 43 – Green Initiatives Fund Phase 1. £37k transferred to revenue for Warmth Officer salary not capital.</p>	-£0.074m
<p>Reductions in Scheme Costs</p> <p>Spend from prior years transferred to Revenue – capital feasibility works now classified as revenue (main items are listed below)</p> <p>Scheme number 1 – Riverside Elevations. £22k feasibility spend removed as scheme not progressing.</p> <p>Scheme number 13 – Various Land Site Investigations. £255k spend transferred as land sites transferred to housing associations for social housing development in exchange for future nomination rights.</p> <p>Scheme number 22 – Housing Initiatives Development. £142k spend transferred as Railway Street Site transferred to housing association for social housing development in exchange for future nomination rights.</p>	-£0.419m
<p>Increases in Scheme Cost</p> <p>Scheme number 46 – CIL Parks and Open Spaces John Shennan Playing Field Basketball Facility</p> <p>Scheme Number 57 – Tindal Square</p>	<p>£0.010m</p> <p>£0.307m</p>
Scheme number 27 – Local Authority Housing Fund Round 2 (Govt grant passed to CHP by Council for Housing accommodation). No net cost to Council	£2.610m
Actual Increases in Completed Scheme Costs.	£0.057m

Actual Increases in Completed Scheme Costs Funded	£0.071m
Actual Reductions in Completed Scheme Costs.	-£0.181m
Total Proposed Budget	£121.631m

7.3 **Appendix 2** provides narratives, for capital scheme variances in excess of £25,000, against the latest Approved Budget.

7.4 **Appendix 1** also identifies when schemes are being delivered later than planned or expenditure is being deferred to a later year.

The majority of delays are where schemes are reliant upon conditions outside the control of Project Officers such as obtaining planning permission, consents and paying over CIL grants to third parties. Often the delay in the spend is favourable to the Council due to deferring financing costs or cash can be invested for longer.

7.5 **Appendix 1** does not provide details of the monetary value of the variance of in year spend. However, the original forecast expenditure for the year 2023/24 was £33.8m. The actual expenditure for 2023/24 was £19.051m. This is a net reduction for the spend in-year of £14.749m or 44%. The table below provides details of the schemes and shows the major variations over £1m.

<u>Schemes Where Expenditure is deferred to later years</u>	
Scheme 14 Enabling Lockside Growth Area (land purchases) – The spend on this scheme is dependent upon negotiations with third parties to acquire property and this has caused delays to the progress of the scheme. The budgets have been deferred to 2024/25.	-£2.516m
Schemes 20, 21, 22, 23 Housing Initiatives – (1) Acquisition of houses for temporary accommodation – remaining unspent balance £1.106m (2) Railway Street development £1.648m – scheme not being progressed by Council. Site transferred to housing association (3) Modular Units £0.300m – difficulty in identifying suitable sites (4) Exceptions Sites £0.1m budget not required. These budgets have been removed, pooled and deferred to later year. This was approved at Council February 2024. Where balances remain on the original scheme they are shown below as being deferred to 2024/25.	-£3.154m
Schemes 20 and 23 Housing Initiatives (1) Acquisition of houses for temporary accommodation – purchase of house did not complete in 2023/24 £0.387m (2) Exception Site £1.287m purchase delayed. Spend delayed to 2024/25.	-£1.674m

Scheme 58 – Chelmer Waterside Infrastructure – The scheme is not scheduled to complete until April 2025. Work on the relocation of the GPRS has been delayed due to bad weather.	-£4.494m
Scheme 75 CIL NE Bypass Bridge Forward Funding ECC – Although this was originally scheduled for payment in 2022/23 and was deferred to 2023/24, ECC have still not provided details for a loan agreement and the loan has now been deferred to 2024/25.	-£1.500m
Scheme 27 Local Authority Housing Fund Round 2 – £2.610m funding was awarded from DLUHC and has been paid over to CHP towards the cost of purchasing 15 properties. This removes any financial risk to the authority whilst ensuring Government funding is utilised	£2.610m
Other scheme variations where spend is third party dependent and schemes have been delayed (examples flood grant, CIL grants to third parties)	-£2.219m
Other scheme variations where spend is deferred	-£2.223m
Other schemes variations where cost increases occurred	£0.421m
Total In Year Underspend Against Original Forecast Spend	-£14.749m

This delay in expenditure has been beneficial to the resourcing of the Council's 2023/24 capital expenditure and has delayed the use of finite capital resources and reduced the requirement for borrowing in the year and the impact on the revenue budget.

7.7 Update on Capital Schemes

7.7.1 HIF Access Road and Bridge and Associated Works

A report (not for publication) was taken to Council in July 2023 where it was agreed that the scheme should continue to the build stage and an additional £16.46m budget was approved.

The road and bridge are now under construction and the current completion date is forecast as April 2025.

Land Remediation and Decontamination – The first phase of this work is complete.

Relocation of Gas Pressure Reduction System (GPRS) – works have been delayed due to excessive rain and flooding of the site. This work was estimated to be completed by late summer 2024.

The resourcing of this scheme is under constant review and is impacted by the timing of the receipt of CIL income.

Dovedales Sports Centre Refurbishment

This is in the process of going out for tender with results expected back in August 2024. A further report will be made to Cabinet once the tenders have been reviewed.

Housing Initiatives

A review of Housing delivery has been undertaken and it was agreed that the individual budgets approved for housing initiatives should be pooled and used to assist in the delivery of any new policy coming from the review to assist in the delivery of temporary accommodation. The pooled budget is £6.964m.

Local Authority Housing Fund Grant

During the year, a successful application was made for grant funding. £2.61m was awarded and a grant payment for the full amount has been made to CHP which is being used towards the purchase of 15 properties. The Council will get full nomination rights to these properties.

7.7.2 Inflation

Many of the budgets set out in **Appendix 1** are approved on the basis of the best advice available at the time the bid requests were submitted. However, as mentioned in previous Council Budget reports, there has been unprecedented inflationary pressure in the economy which makes the outcomes of tenders for goods and services erratic. Changes required to project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

7.7.3 Final Account Negotiations

Several large complex schemes were completed in 2022/23 and, although recorded as completed schemes, the final accounts with the main contractors were still being negotiated. It was previously highlighted that there was a risk with the costs previously reported and there might be additional cost once the final negotiations were completed.

The two schemes in this position were the Theatres Modernisation and Tindal Square Public Realm. The final accounts for the main contracts have now been agreed.

- Theatres' Refurbishment – Final account settled within budget figure. There are still some outstanding works and the remaining budget is expected to fully cover the cost.
- Tindal Square Public Realm – The final account has resulted in an additional overspend on the scheme of £307k. This was due to a number of compensation events claimed by the contractor. This will be funded from strategic CIL as it was previously agreed that the cost of the scheme would come from CIL funding. ECC have also agreed to contribute £65k towards the increased cost as they were responsible for some of the delays in delivery of the scheme. The net additional cost to the Council is £242k.

7.7.4 Feasibility Studies and Design Works

It should be noted that the capital programme includes a number of feasibility studies and design works. There is a financial risk with such schemes that needs to be noted. Any capital scheme where costs are incurred but the scheme is not completed or is undertaken via another method so does not result in a capital spend is likely to result in costs being re-classified from capital to revenue. The Council would have to use revenue reserves to meet such costs. Reserves of £1.5m were established within revenue.

Spend in prior years totalling £0.419m has been transferred to revenue for schemes not progressing. A further £0.146m was transferred for in-year spend. It is likely that further transfers will take place in 2024/25. The balance on the reserves is £0.715m

8. Asset Replacements

8.1 Monitoring Against Latest Approved Budgets

Appendix 3 shows that the final outturn for 2023/24 is £3.292m. In the year, there was also expenditure of £0.282m which was reimbursed and funded by leasing. Under existing capital accounting rules, the leasing spend of £0.282m is not shown in 2023/24 as capital spend. Under new regulations effective from 2024/25, it would count as capital expenditure. Some £0.808m has been moved forward to 2024/25 or later years. The table below provides a summary.

Approved Budget 2023/24	£4.618m
Proposed Change in scheme phasing	-£0.808m
Cost/funding changes Made up of: Variation in Asset Replacement Cost -£0.236m Adjustment for assets funded by leasing (treated as revenue in accounts, see below for more details) -£0.282m	-£0.518m
Total Outturn 2023/24	£3.292m

The net decrease at outturn is £1.142m which is summarised below

Summary of Major Changes to budget 2023/24	
Capital budgets for vehicles were created to enable officers to acquire them either via outright purchase or leasing. Under leasing, the Council purchases the vehicles and then sells them onto lease companies at cost, in return for the Council paying	-£0.282m

future rental payments. This does not use capital resources. Under new accounting rules in 2024/25 it will be classified as borrowing and capital expenditure.	
Grant applications funded by Disabled Facility Grant lower than forecast. For several years the grant we receive is in excess of the spend. We now hold a balance of £2.8m. The service is working with ECC to explore different options that could utilise the capital grant.	-£0.165m
Digital Replacements	-£0.151m
Other net Variations in Asset Replacement Cost	£0.080m
Total Outturn 2023/24	-£3.292m

8.2 **Appendix 3** also shows that the proposed budget for 2024/25 asset replacements is £6.408m compared to the approved budget of £5.6m. This is a net increase of £0.808m, or 12.6%. This is due to the asset replacements being delayed from 2023/24 until 2024/25. The table provides a summary.

Approved Budget 2024/25	£5.600m
Proposed Change in scheme phasing from 2023/24 – For detail see Appendix 3 2024/25 column “Rephasing from 2023/24”	£0.808m
Total Proposed Budget 2024/25	£6.408m

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k for 2023/24 and narratives for those variances in excess of £25k for 2024/25 against the Latest Approved Budgets.

8.4. At February Council, a budget of £7.057m was also approved for replacements forecast as required in 2025/26. This budget will be reviewed during the year and any changes to cost and phasing will be reported. The additional year’s approval gives service managers more control over placing orders for replacement items such as vehicles which may have delivery lead-in times of over 1 year and scheduling any associated works.

9. Funding of Programme

This will be reported to Cabinet.

10. Conclusion

- 10.1 The total cost of the Capital Schemes is forecast to increase by a net £2.381m more than the latest approved budget. The majority of the increases forecast in spend are funded by new grants or CIL.
- 10.2 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside of the control of the Project Officers.
- 10.3 The underspend on the Capital Schemes in 2023/24, £14.749m, is beneficial to the Council in terms of cashflow and financing as it has reduced the requirement to use internal borrowing in this financial year.
- 10.4 The 2023/24 Asset Replacement Schemes, £0.808m has been deferred to 2024/25. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources.
- 10.5 There is significant risk that the overall cost of the capital programme will increase as there are schemes which will require a full review of costs before they start as the estimates are potentially now understated due to inflation and cost increases. Resources used to fund the capital programme will be reviewed and reported to October Cabinet.

List of appendices:

Appendix 1 Capital Schemes – For each capital scheme, a comparison of the budgeted expenditure against the completed Schemes Outturn or with the Directors of Service forecast for the ongoing scheme.

Appendix 2 Capital Schemes Major Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2023/24, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2024/25, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for the years 2023/24 and 2024/25.

Background papers:

Nil

Corporate Implications

Legal/Constitutional: None

Financial: As detailed

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: Acquisition of electric vehicles and green initiatives

Personnel: None

Risk Management: None

Equality and Diversity: (For new or revised policies or procedures has an equalities impact assessment been carried out? If not, explain why) None

Health and Safety: None

Digital: None

Other: None

Consultees:

All Services

Relevant Policies and Strategies:

Medium Term Financial Strategy July 2023

Net Expenditure to 31/03/2024 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
251	12 Land Development Site Investigations - Waterside	365	50	415	1	416	Programme of works to be determined	Approved Cabinet November 2021. Additional £50k approved by Council February 2024.
478	13 Various Land Sites' Disposal Costs	612	255	867	-255	612	Under review	Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council. Council report in July decision taken to transfer some smaller sites rather than develop in house, therefore prior spend will need to be transferred to revenue. £255k transferred to revenue 23/24.
3,440	14 Enabling Lockside Growth Area	450	5,506	5,956		5,956	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25. Acquisition of remaining 3 properties delayed to 2025/26.
1,678	15 Apiary Yard (Galleywood Hall) Development Industrial Units	1,200	432	1,632	46	1,678	Completed 2023/24	Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022. Additional spend required to meet planning requirements for highways access.
1	16 Land Acquisition Cemetery/Crematorium	1,800	2,200	4,000		4,000	To identify potential Land Site	Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council. October 2023 Potential site identified, surveys for suitability being undertaken, budget adjusted for estimated cost of land Council February 2024.
	17 High Chelmer Roof	1,500	-1,500	0		0	Removed to Aspirational. Agreed Council February 2024	Approved at Council February 2020 and programmed for 2021/22. These works had been programmed to commence in 2026/27. October 2023 review has resulted in budget being removed due to insufficient clarity about timing.
	18 Refurbishment of Commercially Leased Properties - Visteon	720		720		720	New Scheme	Approved at Council February 2024. Delegation to Cabinet to approve a business case following feasibility. Works required to enable reletting of property.
2,136	19 Refurbishment of Commercially Leased Properties - Eagle House	720	1,480	2,200	-64	2,136	Completed 2023/24	Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021. Additional £1.1m agreed at Cabinet October 2022. Urgency approved November 2022.
6,707	20 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	8,200	-1,106	7,094		7,094	Remaining budget removed. Agreed Council February 2024	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. 17 properties purchased remaining budget deferred to 2023/24. Remaining budget to purchase 1 additional property deferred to 2025/26 due to delays in completion. £1.106m budget not required and used to establish new pooled fund. See scheme no. 24.
	21 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Modular Units	3,510	-3,510	0		0	Budget removed. Agreed Council February 2024	Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. £3.510m budget not required and used to establish new pooled fund. See scheme no.24.

Net Expenditure to 31/03/2024 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
0	22 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	1,900	-1,648	252	-252	0	Remaining budget removed. Agreed Council February 2024	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2024/25. Provision for development Railway Street. July 2023 decision to transfer site rather than develop in house. Previous spend will need to be transferred to revenue. £142k transferred to revenue remaining and £110k not required. £1.648m budget agreed not required and used to establish new pooled fund. See scheme no. 24.
13	23 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - acquisition of land	2,000	-700	1,300		1,300	Dependent on Third party	Approved at Council February 2020. Delegated authority to Cabinet. Report taken to Council in July and £1.3m budget approved to purchase land for affordable housing. £0.7m not required and used to establish new pooled fund. See scheme no. 24.
	24 Housing Initiatives Future schemes to be developed		6,964	6,964		6,964	Business Case to be Developed	October 2023 - Review of housing delivery being undertaken. All unallocated/unspent housing initiatives budgets have been pooled into one single pot which will be used to assist in the delivery of any new policy determined from the review to assist in the delivery of temporary accommodation. Approved Council February 2024.
	25 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,325	318		318	Dependent on Third party	Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation. This budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.
35	26 Housing Grant to CHESS	350		350		350	New Scheme	Approved by Council February 2024 for payment in 2024/25. Initial payment made in 2023/24 to support initiative.
2,270	27 Local Authority Housing Fund Round 2			0	2,610	2,610	New Scheme	Grant awarded and paid over to CHP for acquisition of properties.
1,895	28 Drakes' Lane Travellers Site	1,950	-56	1,894	1	1,895	Completed 2023/24	Approved by Urgency March 2021.
	Greener and Safer Chelmsford							
	29 Cemetery and Crematorium Infrastructure	6,800		6,800		6,800	Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.
83	30 Cemetery Toilet Refurbishment	86		86	-3	83	Completed 2023/24	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.
27	31 Cemetery Lining of Foul Water Drain	29		29	-2	27	Completed 2023/24	Approved at Council February 2023. Scheduled for 2023/24.
16	32 Crematorium Office Pyramid Roof	18		18	-2	16	Completed 2023/24	Approved at Council February 2023. Scheduled for 2023/24.
51	33 Civic Offices Improvement Programme	460	31	491		491	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k wired from replacement scheme.
	34 Civic Centre Ventilation and Roof Works	30		30		30	New Scheme	Approved at Council February 2024. Scheduled for 2024/25.
148	35 Community Flood Improvements	184	1	185		185	Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.
	36 Beaulieu Park Pavilion Refurbishment	57		57		57	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2025/26.

Net Expenditure to 31/03/2024 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
	37 Chancellor Park Pavilion Works	46		46		46	No - deferred to 2024/25	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.
14	38 Beaulieu Pavilion Health and Safety Works	33		33		33	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
181	39 Oaklands Park Upgrade Tennis Courts	91	90	181		181	Completed 2023/24	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Additional £86k budget approved February Council 2023 funded by contribution. Scheme has been amended from MUGA to upgraded tennis courts. Additional £4k approved Council February 2024 based on forecast cost.
	40 Rivers and Waterways Improvements	600	-107	493		493	No - Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22. Start of three year programme deferred to 2024/25.
55	41 Automatic Floodgates and Provision of Locks - Feasibility		107	107		107	No	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.
70	42 Mass Tree planting and Woodland Creation	4,400	-2,750	1,650	-17	1,633	Reviewed Annually	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places, S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Spend will now occur over longer period to 2029/30. Budget reduced £2.6m reduction reported to Council February 2024.
102	43 Green Initiatives Phase 1	500	-145	355	-37	318	Business Cases to be Developed	Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023. October 2023 £43k vired to fund additional cost of electric sweepers. £37k budget transferred to revenue in relation to spend not capital.
	44 Green Initiatives Fund Phase 2	6,500	-3,100	3,400		3,400	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced.
9	45 CIL Landscape Enhancement Scheme Chignal Road	11		11		11	Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.
	46 CIL Parks and Open Spaces - John Shennan Basketball				10	10	New Scheme	CIL neighbourhood grant application from Moulsham Community Trust approved April 2024.
533	47 Chelmsford Indoor Market Refurbishment	500	100	600		600	Indoor works completed. Outdoor works deferred to 2024/25	Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020.
	48 Retail Market Drainage Improvements	31		31		31	Deferred to 2024/25	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.

		Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		
Net Expenditure to 31/03/2024		£000s	£000s	£000s	£000s	£000s	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
	SCHEME DESCRIPTION							
	49 Retail Market Traders' Conveniences Remodelling	102		102		102	Agreed to defer to 2026/27	Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27.
	50 Retail Market Canopy Roof Liquid System	90		90		90	New Scheme	Approved by Council February 2024. Works scheduled for 2025/26.
	51 High Chelmer MSCP and Retail Market Red Walkway Health and Safety works	14		14		14	New Scheme	Approved by Council February 2024. Works scheduled for 2024/25,
	52 Market Road Conveniences Accessibility	20		20		20	No	Approved by Council February 2023. Scheduled for 2023/24.
99	53 Public Convenience Refurbishment - Admirals and Central Park	168		168		168	Yes	Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £113k. Remaining budget for Admirals Park £55k.
	54 Freighter House Depot Resurfacing Works	216		216		216	Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
	Sustainable Development							
389	55 Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833	Business case to be developed	This is the unspent budget from the withdrawn Environment Agency (EA). A new programme of works will be brought back to Cabinet at a later date. Agreement for S106 grants to be paid over to the EA.
32	56 Public Realm Wayfinding Signs Phase 3	150		150		150	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.
4,781	57 Public Realm Tindal Square Design and Construction	160	4,567	4,727	307	5,034	Completed - final account for works agreed	Approved at Council February 2018. The design works were completed 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m. Additional £485k approved at October 2022 Cabinet. Additional funding from ECC £450k. Additional budget approved February 2024 £339k. Update May 2024 - agreement reached on final account settlement. Additional budget £307k required to be funded from CIL and ECC have agreed in principal to an additional contribution of £65k.
18,311	58 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	28,130	43,630		43,630	No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works. An additional £16.410m was approved by Council in July 2023.
1,461	59 S106 Beaulieu Park Station	100	1,550	1,650		1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.
2,865	60 S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.
32	61 S106 Stonebridge Illuminations	37	6	43	14	57	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.
2	62 S106 River Can Pathway Lighting Design	10	6	16	-14	2	No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.
81	63 S106 Public Art Channels	21	81	102		102	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021. £2k approved Council February 2024.
	64 S106 Marconi Water Tower	30		30		30	Unspecified	£30k approved at February Council 2024.
71	65 S106 Strategic Borough Sports			0	71	71	Unspecified	Runwell Sports and Social Club grant to cover costs of scheme

Net Expenditure to 31/03/2024 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
		Original Approved Scheme Budget £000s	Additional/ Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s			
145	66 CIL Sutherland Lodge Refurbishment	525		525		525	No. Now being spent	Approved Council July 2017.	
	67 CIL St Andrew's Scout Hut Building	80		80		80	Dependent on Third party - Under Review	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019. This grant is currently under review and a report will be taken to propose that some of the grant is redirected to another facility.	
64	68 CIL Integrated Cycling Infrastructure Grant	100		100		100	No	CIL funding approved at meeting of the CIL Panel 23/1/2020.	
950	69 CIL Trinity Road School Improvements	950		950		950	Completed 2023/24	Approved at Council February 2021	
	70 CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.	
10	71 CIL Knife Angel Legacy Public Art	10		10		10	No - dependent on Third party	CIL funding agreed - approved £10k Council February 2024.	
26	72 CIL Green Initiatives - Various Schemes	15	31	46		46	No - dependent on Third party	£100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawn down following approval of applications for funding.	
	73 CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.	
	74 CIL Army and Navy Contribution to ECC	4,000	-4,000	0		0	Scheme moved to aspirational list	Approved Council July 2022. October 2023 Review resulted in budget provision being removed and scheme to be included on future aspirations schedule.	
	75 CIL ECC East Chelmsford Cycling and Walking Connectivity	1,500	-1,500	0		0	Scheme moved to aspirational list	Approved Council July 2022. October 2023 Review resulted in budget provision being removed and scheme to be included on future aspirations schedule	
70	76 UK Shared Prosperity Fund - Various Grant Funded Schemes	346		346		346	Yes	Approved by Council February 2023. Three year funded programme commenced 2022/23.	
84	77 Rural England Prosperity Fund- Supporting Businesses and Communities	400		400		400	Yes	Approved by Council February 2023. Two year funded programme commencing in 2023/24.	
33	78 Garden Communities Infrastructure Fund		290	290		290	Dependent on Third parties	Various schemes will be grant funded	
	79 High Chelmer Car Park Lifts	355		355		355	Yes	Approved by Council February 2023. Scheduled for 2025/26.	
	80 High Chelmer car Park Waterproofing Levels 11,12,13	500	350	850		850	Brought Forward to 2024/25	Approved by Council February 2023. Scheduled for 2025/26. Works have become urgent and needs to be rescheduled to 2024/25. Additional £350k approved by Council February 2024.	
	81 High Chelmer MSCP Improvement Works	148		148		148	New Scheme	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP.	
	82 Fairfield Road Car Park Resurfacing and Relining	84		84		84	New Scheme	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP.	
52,840	Grand Total	87,636	31,614	119,250	2,381	121,631			
				Net Variation	2,381				
		Summary of Changes Since Previous Council Report February 2024							
						£000's			
				Latest Approved Council February 2024		117,804			
				Previously Approved Schemes					
				New Schemes Approved		1,961			
				Supplementary Estimates Approved for Existing Schemes		0			
				Completed schemes removed		-515			

Net Expenditure to 31/03/2024 £000s	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2024 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget £000s	Additional/Reduced (-) Approved Budget £000s	Latest Approved Budget £000s	More/(Less) Than Approved Budgets £000s	Proposed Budget £000s		
		Total Approved Budget					119,250	
		Latest Forecast Variations shown above						
						127		
						1		
						2,927		
						-74		
						-181		
						-419		
						0		
		Latest Forecast Budget June 2024					121,631	

Appendix 2 Reasons for Variations Greater Than £25,000							
	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	Reason
		£000's	£000's	£000's			
1	Riverside Elevations	22	0	-22	Budget removed	-100.00%	Scheme removed remaining spend on scheme transferred to revenue as aborted cost
13	Various Land Sites' Disposal Costs	867	612	-255	Reduced Budget	-29.41%	Spend on development sites agreed to be transferred to Guinness Housing transferred to revenue as aborted costs
15	Apiary Yard (Galleywood Hall) Development Industrial Units	1,632	1,678	46	Increased Budget	2.82%	Scheme completed and has resulted in an overspend. Additional spend in relation to meeting access requirements imposed by ECC.
19	Refurbishment of Commercially Leased Properties - Eagle House	2,200	2,136	-64	Reduced Budget	-2.91%	Completed scheme resulted in underspend
22	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	252	0	-252	Reduced Budget	-100.00%	Railway Street site to be transferred to Guinness Housing for development therefore spend to date on scheme has been transferred to revenue as aborted cost, £142k. Remaining budget not required, £110k.
27	Local Authority Housing Fund Round 2	0	2,610	2,610	Increased budget fully funded	100.00%	We have been awarded a grant from DLUCH which has been transferred to CHP towards the acquisition of 15 properties.
43	Green Fund Initiatives Phase 1	355	318	-37	Budget reduced	-10.42%	Although this is being reported as a variation the spend did take place but did not qualify as capital and was transferred to revenue. Appropriate revenue resources have been allowed for to fund this cost in financial planning. The budget has been reduced by this amount.
57	Public Realm Tindal Square Design and Construction	4,727	5,034	307	Increased Budget fully funded	6.49%	The final account has now been agreed, although still not confirmed in writing. Under the terms of the contract for the project it is anticipated that due to a number of compensation events that an additional budget of £307k is required to close the final account. ECC have agreed in principal to provide funding towards the cost of £65k with the remainder coming from strategic CIL as previously agreed cost of scheme should come from CIL.
65	S106 Strategic Borough Sports	0	71	71	Increased budget fully funded	100.00%	Although there was no budget for this spend there is an agreement to transfer grant payments to Runwell Sports and Social Club to match their expenditure for a new facility.

APPENDIX 3

CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME

		2023/24						2024/25		
		REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST						2024/25 REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE REPHASING VARIATIONS		
		Analysis of Variations						Variations		
Net Expenditure to 31/03/2024	CAPITAL ASSET REPLACEMENT PROGRAMME	Latest Approved Estimates for 2023/24	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2023/24 Additional Cost	Total Outturn 2023/24	Original Approved Estimate for 2024/25	Re phasing from 2024/25	Total Proposed Budget Requirement for 2024/25
£000's	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Active Chelmsford									
6	1 Dovedales Replacement Equipment	7			-1	-1	6	14		14
90	2 Riverside Replacement Equipment	99	-8		-1	-9	90	148	8	156
21	3 Riverside Plant	32	-11			-11	21	120	11	131
30	4 CSAC Replacement Equipment	32	-2			-2	30	59	2	61
96	5 CSAC Expansion Fitness Room Equipment	105			-9	-9	96	0		0
5	6 CSAC Plant	6	-1			-1	5	35	1	36
3	7 SWFLC Replacement Programme	6	-3			-3	3	28	3	31
	8 SWFLC Plant Replacement	0				0	0	68		68
	9 SWF 3G Pitch	0				0	0	22		22
6	10 Hylands House Mechanical and Electrical	6				0	6	36		36
	11 Hylands Pavilion Infrastructure	0				0	0	6		6
73	12 Hylands Pavilion Skins and Linings	73				0	73	0		0
15	13 Hylands Pavilion Equipment	15				0	15	45		45
5	14 Hylands House Equipment	9			-4	-4	5	61		61
	Connected Chelmsford									
453	15 Digital Services Replacement Programme	604			-151	-151	453	10		10
	16 Digital Storage	0				0	0	0		0
24	17 Digital Servers	19			5	5	24	0		0
0	18 Meeting Room Digital Equipment	57	-57			-57	0	0	57	57

Net Expenditure to 31/03/2024	CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Estimates for 2023/24	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2023/24 Additional Cost	Total Outturn 2023/24	Original Approved Estimate for 2024/25	Re phasing from 2024/25	Total Proposed Budget Requirement for 2024/25
0	19	Website Upgrade	3			-3	-3	0	8		8
	20	System Upgrade	0				0	0	9		9
	21	System Security	0				0	0	20		20
5	22	Networks	134	-129			-129	5	0	129	129
7	23	Investment in Digital Technology - DPO	160	-153			-153	7	215	153	368
14	24	Theatres' Equipment	15			-1	-1	14	400		400
	25	Ultra Short throw and Long Lens							17		17
	26	Theatres' Plant	0				0	0	16		16
10	27	Museum Equipment and Vehicles	10				0	10	2		2
3	28	Museum Platform Lift	12	-9			-9	3	0	9	9
25	29	Civic Duties Vehicle	25				0	25	0		0
		Fairer Chelmsford									
		No Schemes	0				0	0	0		0
		Greener & Safer Chelmsford									
20	30	CCTV Replacement Equipment	20	-12		12	0	20	36	12	48
0	31	CCTV Various Schemes Sites CIL	3	-3			-3	0	0	3	3
4	32	CCTV Home Office GRIP Funded	4				0	4	0		0
33	33	Crematorium Equipment	40	-6		-1	-7	33	85	6	91
14	34	Crematorium Columbarium	14				0	14	14		14
10	35	Cemetery Plant	10				0	10	0		0
	36	Civic Centre Heating	0				0	0	0		0
2	37	Civic Centre Plant	2				0	2	0		0
	38	Civic Centre Floor Replacements	0				0	0	0		0
	39	Print and Post Room Replacement Equip.	0				0	0	5		5
8	40	Play Area Replacements	8				0	8	338		338
	41	Sports Equipment, floodlights, Irrigation	0				0	0	0		0
11	42	Parks and Sports Grounds Heating Systems	12			-1	-1	11	0		0
167	43	Parks Replacement Vehicles and Equipment	333	-166			-166	167	728	166	894
	44	Chelmer Park Artificial Pitch Flood Lights							37		37
	45	Melbourne 3G Pitch	0				0	0	4		4
3	46	Waterhouse Lane Depot Heating	3				0	3	0		0

Net Expenditure to 31/03/2024	CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Estimates for 2023/24	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2023/24 Additional Cost	Total Outturn 2023/24	Original Approved Estimate for 2024/25	Re phasing from 2024/25	Total Proposed Budget Requirement for 2024/25	
8	77	Car Park LED Lighting	8				0	8	0		0	
	78	Car Park Pay on Foot Equipment	0				0	0	0		0	
	79	Car Park Vehicles and Equipment	0				0	0	32		32	
3,292		Totals	4,618	-808	0	-518	-1,326	3,292	5,600	808	6,408	
			2023/24 Analysis of Forecast Variations from Latest Approved Estimate								2024/25 Analysis of Projected Variations	
			£000's								£000's	
			Rephasing of Schemes to 2024/25						-808	Rephasing of Schemes from 2023/24		808
			Rephasing of Schemes to Later Years									
			Price Variations Increases to be noted						10			
			Price variations Decreases						-103			
			Reduced Demand						-165			
			Supplementary Estimates New unfunded to be noted									
			Supplementary Estimates Funded New to be noted						104			
			Adjustment for Vehicles financed by leasing						-282			
			Virement to capital scheme									
			Removed to be funded from revenue						-82			
									-1,326			808

APPENDIX 4							
Reasons for Variations Greater Than £25,000 in Asset Replacement Programme							
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason	
<u>2023/24</u>							
<u>Connected Chelmsford</u>							
15 Digital Services Replacement Programme	604	453	-151	Revenue Expenditure and Price Variation	-25.00%	£75K spend did not qualify as capital spend and was transferred to revenue, £76K Price Variation.	
18 Meeting Room Digital Equipment	57	0	-57	Rephasing of spend to 2024/25	-100.00%	Replacements have been deferred to 2024/25 with installation occurring from April 2024.	
22 Networks	134	5	-129	Rephasing of spend to 2024/25	-96.27%	Replacements have been deferred to 2024/25 as there have been delays with being able to purchase replacement network kit.	
23 Investment in Digital Technology - DPO	160	7	-153	Rephasing of spend to 2024/25	-95.63%	Budgets have been deferred to 2024/25 awaiting for schemes to bid for funding.	
<u>Greener and Safer Chelmsford</u>							
43 Parks Replacement Vehicles and Equipment	333	167	-166	Rephasing of spend to 2024/25	-49.85%	Replacements have been deferred to 2024/25 to maximise warranty period of new vehicle.	
58 Street Cleansing Vehicles	481	320	-161	Budget not required - Vehicles leased	-33.47%	Vehicles leased under operating and finance leases £132k. No use of capital resources operational leases are a charge to revenue. £29k saving.	
60 Street Cleansing Crane Vehicle	88	0	-88	Rephasing of spend to 2024/25	-100.00%	Replacements have been deferred to 2024/25. Type of vehicle for replacement still under review.	
62 Wet Team Equipment	85	0	-85	Rephasing of spend to 2024/25 and budget not required -Vehicle leased	-100.00%	-29K Replacements have been deferred to 2024/25, -56K vehicle financed under operating lease, no use of capital resources and are a charge to revenue.	
63 Hit Squad Replacements	112	0	-112	Rephasing of spend to 2024/25	-100.00%	Replacements have been deferred to 2024/25. One vehicle awaiting delivery and the other vehicle still reviewing the type of vehicle for replacement.	
64 Refuse Vehicles	471	394	-77	Budget not required - Vehicles leased	-16.35%	Vehicles leased under operating lease £59k. No use of capital resources, operational leases are a charge to revenue. £18k cost adjustment.	
74 Disabled Facility Grants (fully externally funded)	1055	890	-165	Increase spend Fully Funded by grant	-15.64%	Additional spend incurred that is fully funded by grant. It is difficult to predict the annual spend as it is based on third party grant applications. Actual grant received in year £1.198m. The underspend against the grant is £308k.	
76 PLACE (Funded)	372	422	50	Increased spend Fully Funded	13.44%	Additional spend incurred that is fully funded by grant. It is difficult to predict the annual spend in year.	
<u>2024/25</u>							
<u>Connected Chelmsford</u>							
18 Meeting Room Digital Equipment	0	57	57	Rephasing of spend from 2023/24	100.00%	Replacements have been deferred to 2024/25. See above.	
22 Networks	0	129	129	Rephasing of spend from 2023/24	100.00%	Replacements have been deferred to 2024/25. See above.	
23 Investment in Digital Technology - DPO	215	368	153	Rephasing of spend from 2023/24	71.16%	Replacements have been deferred to 2024/25. See above.	
<u>Greener and Safer Chelmsford</u>							
43 Parks Replacement Vehicles and Equipment	728	894	166	Rephasing of spend from 2023/24	22.80%	Replacements have been deferred to 2024/25. See above.	
60 Street Cleansing Crane Vehicle	0	88	88	Rephasing of spend from 2023/24	100.00%	Replacements have been deferred to 2024/25. See above.	
62 Wet Team Equipment	91	120	29	Rephasing of spend from 2023/24	31.87%	Replacements have been deferred to 2024/25. See above.	
63 Hit Squad Replacements	0	112	112	Rephasing of spend from 2023/24	100.00%	Replacements have been deferred to 2024/25. See above.	



Chelmsford City Council Audit and Risk Committee

18th September 2024

Annual Health and Safety Report 2023/24

Report by:

Director of Public Places

Officer Contact:

Lewis Mould, Public Health and Protection Services Manager, 01245 606439,
lewis.mould@chelmsford.gov.uk

Purpose

To provide members with the 2023/24 annual health and safety update.

Recommendations

That members note the report.

1. Introduction

- 1.1 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.
- 1.2 This report summarises the activity undertaken within corporate health and safety in the last 12 months, an analysis of accidents that have occurred, and a summary of audit activity undertaken.
- 1.3 The Council uses external health and safety advisors to assist in managing the Council's high-risk services. Peninsula have been in place since 2020, providing

advice and carrying out audits across the higher-risk services such as Leisure, Waste Collection/Street Care and Parks, thereby providing an external check on the Council's approach to and implementation of its health and safety systems.

- 1.4 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 carrying out measures to ensure and improve the health, safety and welfare at work of all employees. The Forum have been consulted on this report.

2. Training

- 2.1 The core training courses of Managing Safely, Working Safely and Peninsulas Health & Safety Awareness continue to underpin the health and safety training provided by the Council, with additional specific training provided depending on the job role. The majority of roles within the Council are required to carry out one of these three training courses: Managing Safety for managers and supervisors, Working Safely for frontline operatives and Health & Safety Awareness for low-risk operatives. The Managing and Working Safely courses are accredited by the Institute of Occupational Health & Safety (IOSH).
- 2.2 Service areas are being encouraged to coordinate corporate wide training through HR to help ensure a central record is maintained and refresher training can be carried out in an effective and efficient manner.
- 2.3 The Council will continue to fund the necessary health & safety training to ensure employees comply with the relevant health & safety legislation.

Table 1 – Employee Training Carried Out

Course	No. of Employees Trained					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
IOSH Managing Safety	17	16	13	66	30	12
IOSH Managing Safety Refresher	12	7	20	36	10	11
IOSH Working Safely	15	29	40	149	172	67
IOSH Working Safely Refresher	16					
IOSH Executive Directors & Chief Executive					6	0
H&S Awareness e-Learning					83	400
Manual Handling Train the Trainer	12	16	7	1	13	8
Manual Handling	212	142	122	211	239	251
Emergency First Aid	24	18	0	22	37	43
First Aid at Work	23	0	0	27	30	21
First Aid at Work Re-Qualification	19	14	26	13	21	18
Fire Marshall/ Fire Warden	62	20	37	59	79	29
E-learning Fire Safety						26
Paediatric First Aid	0	0	2	7	1	10

Emergency Paediatric						5
Activity First Aid (Outdoor)						3
Risk Assessment	44	6	35	1	7	8
Stress Management	26	15	0	0	0	0
Legionella Training for Operatives	12	12	10	7	25	13
Legionella Training for Supervisors	16	4	4	3	25	9
Legionella Awareness – eLearning					6	19
Asbestos Awareness - eLearning						51
VDU Assessor Training	13	0	0	0	0	
Display Screen Equipment e-Learning					339	70
Conflict Resolution & Lone Working	57	25	19	23	19	27
Management of Contractors	0	0	50	40	26	5
Management of Contractors – eLearning						113
Evac Chair	29	21	0	28	19	40
Evac Chair – Train the Trainer						3
Evac Chair Refresher	7	3	0	0	0	
Mental Health Awareness for Managers	24	32	0	0	0	0
Total Trained	640	384	385	665	1187	1262

2.4 Employees whose training is overdue:

- IOSH Managing Safely – 2 in progress (issued 21st Feb and 5th April) – 1 to be issued.
- IOSH Managing Safely Refresher – 3 in progress (issued 4th April), 1 not started (issued 4th April) 24 people due to be invited to refresh course between now and end of August.
- IOSH Working Safely – 1 in progress (issued 19th March), 1 not started (issued 12th April). 1 to be issued. 31 people due to be invited to refresh course between now and end of August.
- Manual Handling (inc. Casuals) –
 - Bereavement (training undertaken by Parks) – 1
 - Theatre – 6
 - PHPS – 2
 - Parks – 7
 - Hylands – 6
 - Leisure – 56 (full) 28 (e-learning)
- Fire Warden Refresher Training – 17 (but need to check if position requirement for all, so this figure may decrease).

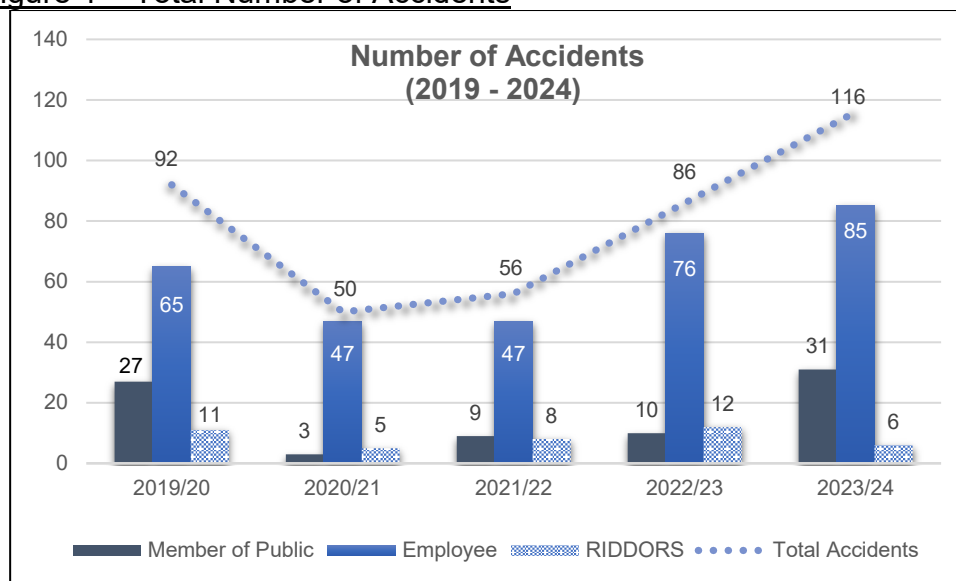
Some of these outstanding are new requirements due to new posts or the rolling program for IOSH. A proportion will have required this training in 2023/24 and failed

to attend, there is an incremental approach taken with staff to ensure these courses are undertaken, repeated non-attendance will result in disciplinary action.

3. Accidents

- 3.1 Accidents continue to be a key indicator of the effectiveness of the Council’s health and safety management system. The accident rate has increased in comparison to post pandemic levels, however, there has been a significant drop in RIDDOR reportable accidents.
- 3.2 Figure 1 shows the total number of accidents over the last 5 years involving employees and members of the public, and the number of those accidents that were RIDDOR reportable. RIDDOR reportable accidents are the more serious accidents or those resulting in more than 7 days off work.
- 3.3 When compared to the previous year, there has been an increase in the number of accidents to employees in 2023/24, but RIDDOR reportable accidents have decreased by six. The accident trends are discussed in more detail below.

Figure 1 – Total Number of Accidents



- 3.4 There were six RIDDOR reportable accidents in 2023/24 which is six less than the previous year. The number of RIDDOR accidents within waste collection services have remained the same (five), when compared with 2022/23.
- 3.5 Out of the six RIDDORS, five were reportable due to the accident resulting in 7+ days off work, one was a reportable injury (fractured wrist).
- 3.6 Figure 2 shows the incidence of employee accidents over the last 5 years. The majority of accidents occur in the Public Places Directorate which is expected due to the number of employees within the Directorate and the high-risk operational services provided.

Figure 2 – Employee Accidents

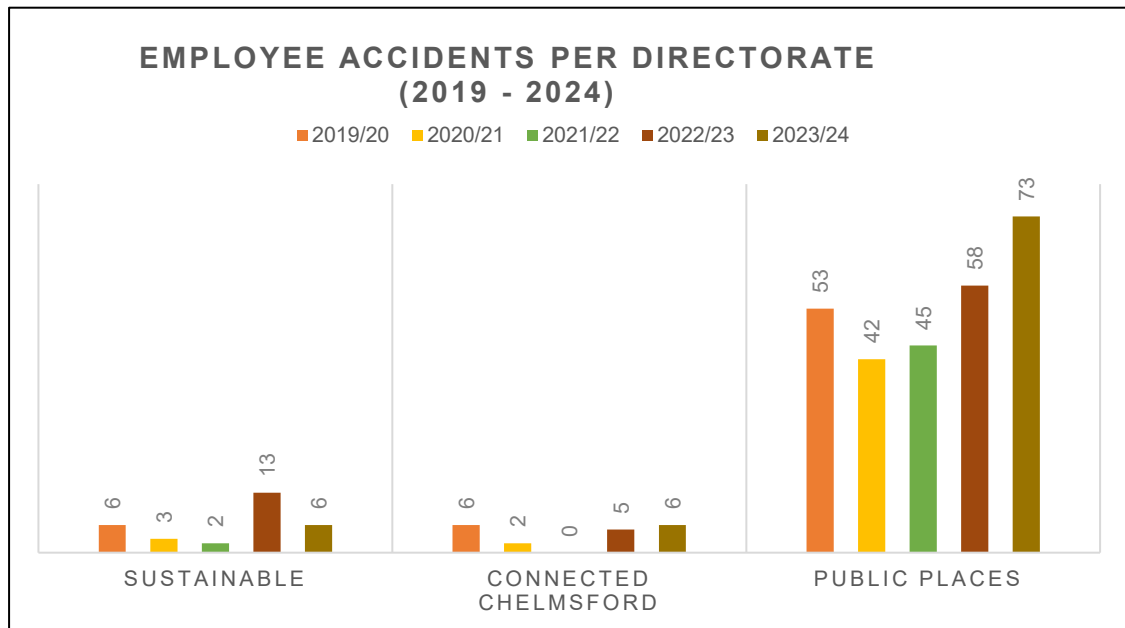


Table 2 - Employee Accident Categories for 2023/24.

Category	% of Accidents					2023/24
	2019/20	2020/21	2021/22	2022/23	2023/24	Number of Accidents
Slips/Trips	28	32	23	22	22	19
Impact	26	23	51	30	35	30
Manual Handling	18	21	13	6	12	10
Sharp Objects	8	11	6	3	13	11
Falls from Height	3	0	0	2	0	0
Needle Stick			2	0	1	1
Acts of Violence	3	6	4	5	5	4
Road Traffic Accident (Employee Injured)	3	0	0	4	4	3
Other	9	4	0	7	8	7

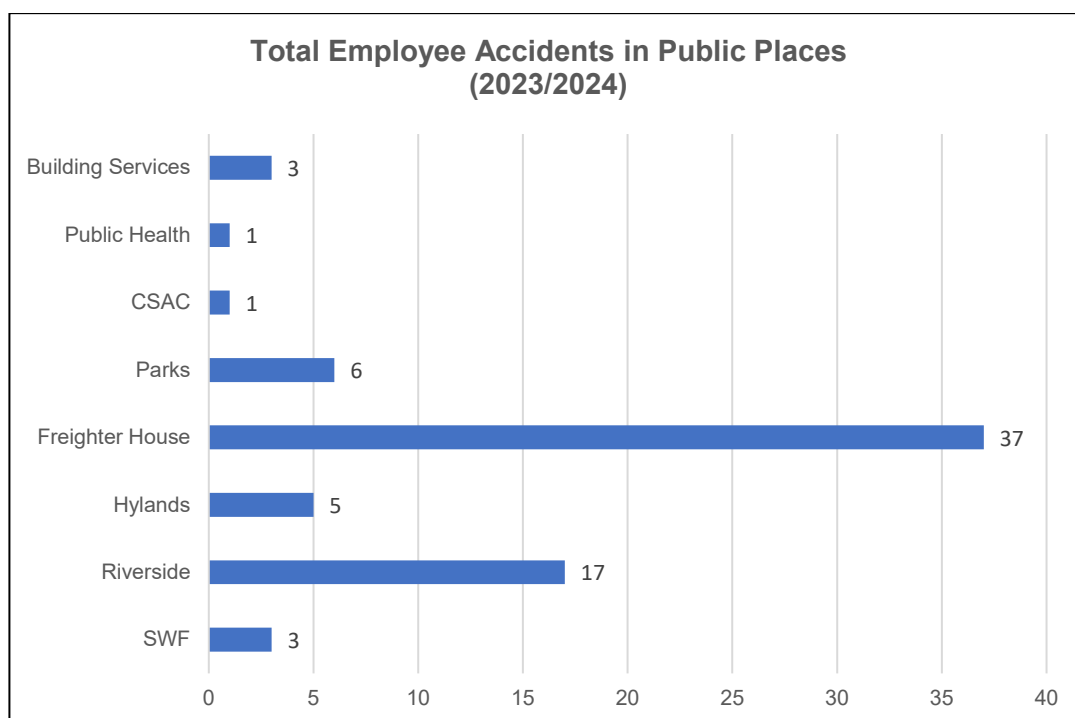
3.7 Due to the relatively small number of accidents, it is difficult to determine any specific trends with regards to accident causation. Slips/Trips and Impact continue to be the major causes of injury. Manual handling injuries have increase, as well as sharp objects, but the number of injuries is low given the high-risk manual handling activities that occur across the Council. The number of acts of violence has not increased in 2023/24 and those reported were not as severe as the previous year, however this will continue to be closely monitored to see if additional safeguards need to be put in place. All other areas have remained at similar levels, when compared to last year’s figures.

3.8 Of the 6 Employee RIDDORS:

- 1 was a slip/trip injury.
- 1 was an impact injury.
- 4 was a manual handling injury.

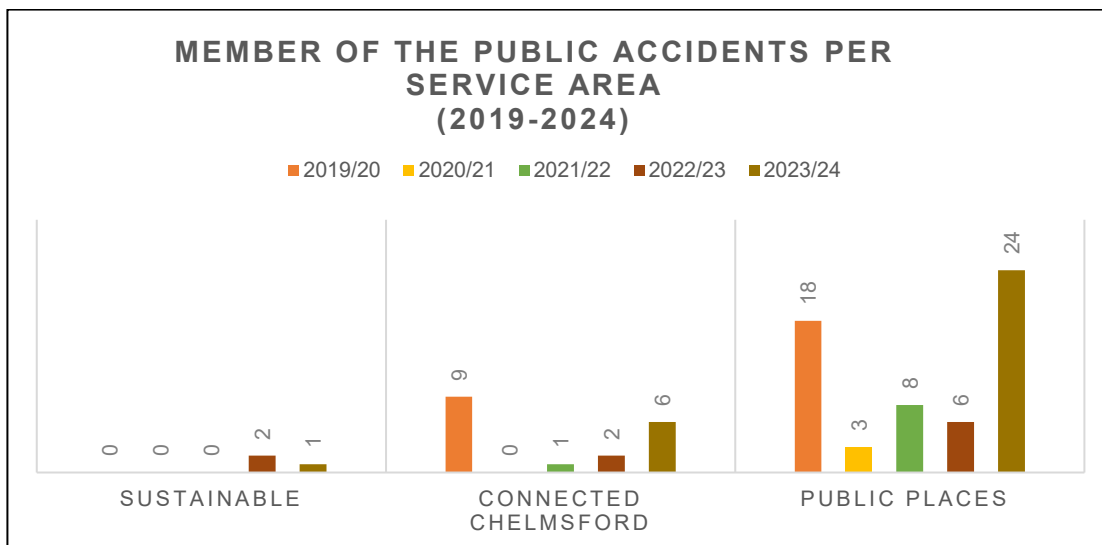
3.9 Figure 3 breaks down the accidents in Public Places to the respective service areas. As expected, the highest number of accidents occurred in services based at Freighter House, although the number of accidents is low considering the size and frequency of waste collection and street cleansing activities that take place. In 2023/24 the number of accidents for employees based at Freighter House remained the same as the previous year at 37. The figures also show an increase in reporting at the sports centres. Accident rates for other services within Public Places remain low.

Figure 3 – Breakdown of Accidents in Public Places Directorate



3.10 Accidents to members of the public are shown in Figure 4 below. There has been an increase in accidents, bringing the number of accidents back in line with pre pandemic levels. 8 of the accidents occurred at the summer holiday clubs run by CSAW and 8 were at Riverside. Due to the age demographic and nature of the activities being undertaken in both these areas, the level of accidents is not thought to be excessive.

Figure 4 – Accidents to Members of the Public



4. Performance Indicators

4.1. Table 3 gives details regarding the performance indicators. As discussed above the number of accidents to employees and members of the public have increased when compared to last year’s figures. However, accidents have been reported across a wider section of the council’s services, which is seen as an improvement in accident reporting. Additionally, there has been a drop in RIDDORS, which may be a result of better reporting of minor accidents. If minor accidents are reported, reviewed and any failings acted upon, this will reduce the likelihood of major accidents (RIDDORS).

It should be noted that the number of accidents still remains at a low level for the number of employees and scope of work activities carried out by the Council.

Table 3 – Performance Indicators

Performance Indicator	2019/20	2020/21	2021/22	2022/23	2023/24
Total Number of Accidents (Employees)	65	47	47	76	85
Total Number of Accidents (Public)	27	3	9	10	31
Notifiable Employee Accidents (RIDDOR)	11	5	8	12	6
Number of lost time accidents	21	6	20	19	30
Fatal Accidents	0	0	0	0	0
Number of investigations carried out*	3	1	0	0	0
Audit investigations as per audit schedule**	46%	55%	70%	50%	100%
H&S Policies Reviewed	100%	100%	100%	100%	100%
Dangerous occurrences	0	0	0	0	0

* This performance indicator relates to investigations carried out by Corporate Health & Safety, and this does not include investigations carried out by the service.

** Low risk audits no longer form part of the auditing schedule. Only high-risk audits undertaken.

5. Audits

5.1 The following audits were undertaken by Peninsula (external auditors) during 2023/24:

Service	Date of Audit
Theatre	03/05/23
Freighter House (Reversing)	01/08/23
Chelmsford Sports & Athletic Centre	27/09/23
Parks	19/10/23
Dovedale Sport Centre	13/12/23
Hylands House	13/12/23
Freighter House (Streets/MRF)	12/01/24
Parks (Volunteering)	08/02/24
Chelmsford Museum	29/02/24

Actions from Audits

5.2 The following shows the number of actions arising from the Peninsula audits:

Service	Number of Actions			Number of Actions Completed	Number of Actions Outstanding	
	Total	Medium Risk	High Risk		Medium Risk	High Risk
Theatre	27	22	5	19	6	2
Freighter House (Reversing)	5	-	-	5	-	-
Chelmsford Sports & Athletic Centre	18	13	5	14	2	2
Parks	7	-	-	7	-	-
Dovedale Sport Centre	10	-	-	0	-	-
Hylands House	29	14	15	12	11	6
Freighter House (Streets/MRF)	7	-	-	3	-	-

Parks (Volunteering)	5	-	-	4	-	-
Chelmsford Museum	36	27	9	8	23	5
Total	144	76	34	72	42	15

(No reporting system in place so records kept on a spreadsheet which is updated manually. Records taken from 12/04/24))

Proposed Audits 2024/2025

Currently the following Peninsula Audits have been undertaken or are proposed:

Service	Date of Audit
South Woodham Ferrers Leisure Centre	June 24
Crematorium/Parks	July 24
Museums - Bancroft Road	September 24
Parking Services	November 24
FH – Love Your Chelmsford	December 24
Public Health	March 25

6. Conclusion

6.1 The safety management systems at Chelmsford City Council continue to be effective in ensuring the safety of employees and members of the public. Where weaknesses have been identified, remedial action has been taken to ensure more robust measures are implemented. Overall, the accident levels remain very low for an organisation delivering a wide range of services daily to 181,000+ residents and visitors to Chelmsford.

List of appendices:

None

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: An effective health and safety management system has a positive impact on risk management

Equality and Diversity: None

Health and Safety: An annual report enables Management Team and Members to have oversight of the Council's health and safety responsibilities

Digital: None

Other: None

Consultees:

Management Team

Relevant Policies and Strategies:

None



Chelmsford City Council Audit and Risk Committee

18th September 2024

Internal Audit Annual Report 2023/24

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2023/24, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations.

Recommendations

Committee are requested to note the content of the 2023/24 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2. The Internal Audit Annual Plan for 2023/24 was approved by Audit and Risk Committee in March 2023. This report summarises the work that Internal Audit has undertaken during the financial year 2023/24, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.
- 1.3. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and report that can be used by the organisation to inform it governance statement in respect of the adequacy and

effectiveness of the organisation's framework of internal control, risk management and governance.

2. Conclusion

The Internal Audit Annual Report 2023/24 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Annual Report 2023/24

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). As well as Public Sector Internal Audit Standards (PSIAS), the Internal Audit section will govern itself by adherence to mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of Internal Audit's performance.

Financial: Failure to have appropriate risk management arrangements puts the Council financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Internal Audit Annual Report in September 2024.

Relevant Policies and Strategies: None

Internal Audit Annual Report 2023-24

1. Introduction

1.1. Purpose of this report

1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2023/24 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

1.2. The Role of Internal Audit

1.2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council's response to Internal Audit activity should lead to the strengthening of the control environment.

1.2.2. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit.

1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2023/24. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in March 2024 and will continue to be updated and appended to the Internal Audit Plan each year.

1.3. Overview of the Internal Audit Approach

1.3.1. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.

1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee, which should provide a reasonable level of assurance, subject to the inherent limitations set out in Appendix C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

- 1.3.3. Internal audit work was performed in accordance with the Council’s Internal Audit methodology which is in conformance with the PSIAS.
- 1.3.4. The audit plan for 2023/24 was approved by Audit and Risk Committee in March 2023 and September 2023. Internal Audit Team resource comprised of Audit Services Manager and 1.5 FTE Senior Auditor during 2023/24.

2. Internal Audit Opinion

2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

2.2. In assessing the level of assurance to be given, the following has been considered:

- All audits undertaken in the year
- Any follow up action taken in respects of audits from previous periods
- The effects of any significant changes in the Council’s systems or objectives
- Any limitations which may have been placed on the scope of internal audit
- The extent to which resource constraints may impact on the Audit Service’s Manager ability to meet the needs of the organisation
- The results of work performed by other assurance providers, such as External Audit.

OVERALL OPINION	<p>Moderate Assurance – 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. Please see our Summary of Findings in Section 4.</p> <p>Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below. An explanation of the types of opinion that may be given can be found in Appendix A.</p>
----------------------------	---

3. Other Sources of Assurance

3.1. Risk Management Framework

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. Reporting to Management Team and Audit and Risk Committee ensures arrangements are working effectively.

Risk and Internal Audit discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues. Risk consequence criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, and other

risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments.

3.2. Internal Audit View on Managing the Risk of Fraud

The Council's approach to counter-fraud was revised and refreshed in 2022, with responsibility moving to the Audit Services Manager, including the production of a new Counter Fraud Strategy to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally.

The 2022 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategy are set out in a corresponding action plan, which included updating the Council's Fraud Risk Register and Anti-bribery and corruption risk register, development of new Fraud Response Plan and plans for developing and rolling out Council wide counter fraud training. The risk of fraud is also monitored via the Council's Principal Risk Register.

Other processes which assist Internal Audit in detecting potential fraudulent activity include:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are aligned to the Council's Fraud Risk Register to independently assess anti-fraud controls in place.
- Data Analytics have been used in 2023/24 to detect any anomalies with Accounts Payable with a specific focus on anti-fraud tests.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

The Council also participates in mandatory NFI exercises.

A whistleblowing policy is also available to staff, key stakeholders and the general public via the Council's website.

A separate Counter Fraud Annual Report 2023/24 has also been produced.

4. Summary of Findings

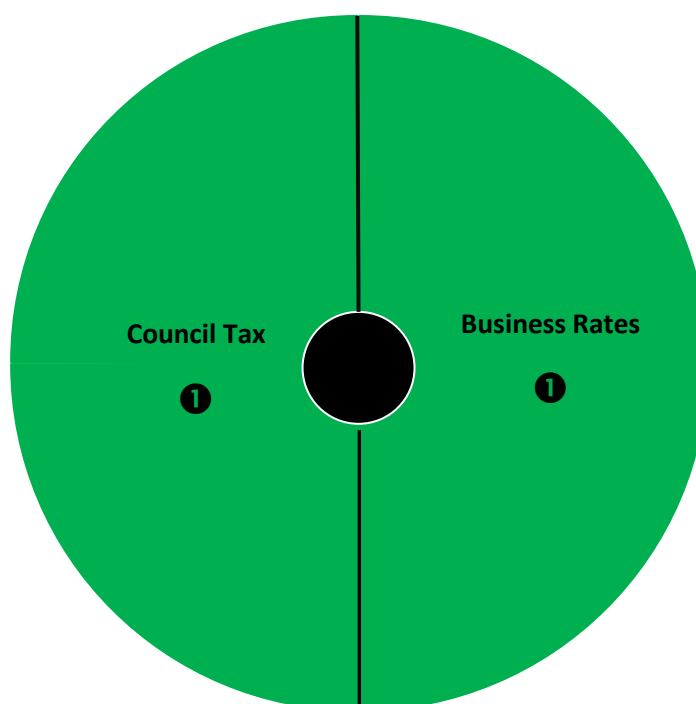
4.1. High Priority Findings

Report Title	Key Issues Arising
Museum <i>(Limited Assurance)</i>	High priority findings were identified relating to records management. A full and detailed action plan has been produced by the Museum to assist with the implementation of recommendations made. Progress will be monitored by Internal Audit through 2024/25.
Housing Rents <i>(Management Letter)</i>	High priority findings were identified relating to arrears, records management and KPI reporting. Matters arising were discussed and agreed with management, and agreed actions were provided. It was noted that a number of significant initiatives were in progress during the review and therefore Internal Audit will conduct an extended follow up in Q4 2024/2 to assess the implementation of recommendations.

4.2. Key Financial Systems (KFS)

The KFS programme is a key indicator of the overall strength of the underlying control environment and each year Internal Audit carries out reviews of the Council’s fundamental financial systems.

In 2023/24, this included a key control review of Business Rates and Council Tax, the overall opinion for which was substantial assurance. There was one low priority finding relation to business rate reconciliations. A finding relating to declarations of interest has been superseded by a wider cross-cutting audit review of Conflicts of Interests being undertaken during 2024. The wheel below summarises the number and priority of findings:



Data Analytics (AP)

Expenditure systems (AP) seek to ensure that all spending made by the Council is valid and that payments are made in line with the Council’s obligations and Financial Regulations. Using Data Analytics for this purpose allowed testing 100% of data to provide assurance in the AP financial process and provides risk-based insights, with a specific focus on anti-fraud controls.

In 2023/24, Data Analytic tests relating to Purchase Orders, Goods Receipting, Payments, Separation of Duties etc. were completed by PWC.

Access to a PowerBI dashboard was provided which included all the potential exceptions related to the tests in scope and any other relatable AP insights. This has then formed the basis for testing for 2024/25 KFS Internal Audit work currently in progress.

4.3. Results of Individual Assignments (listed in order of priority of findings)

Report Title	Assurance Rating	High	Med	Low
Chelmsford Museum	Limited	3	4	0
Housing Rents	n/a – management letter	3	1	0
Theatres - Box Office Income/Food & Beverages	Moderate	0	4	1
Members Allowances and Expenses	Moderate	0	2	1
Safer Recruitment and Payroll	Moderate	0	2	0
Council Surveillance	Substantial	0	1	2
Parks and Open Spaces - Income/Hire including Allotments	Substantial	0	1	0
UK Shared Prosperity Fund (Economic Development)	Substantial	0	1	0
Council Tax and Housing Benefit (KFS)	Substantial	0	0	1

Reviews of Overtime, Use of Agency Staff and Licensing rolled over to 2024 and the outcomes will be reported in the Internal Audit Interim Report in December 2024.

Internal Audit have also continued to provide ad hoc advice and guidance during 2023/24.

4.4. Management's Response to Implementing Audit Recommendations

A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. Performance relating to the implementation of recommendations during 2023/24 is tabled below.

Audit Title	Original Assurance Rating	Key Findings
Rent Deposit Scheme	Limited	<p>In the previous report, four recommendations (two high and two medium priority) were made. Based on the evidence presented, our follow up audit revealed that two recommendations (one high and one medium) have been implemented and two recommendations (one high and one medium) have not been implemented. The outstanding high priority recommendation relates to some validity checks which may potentially increase the risk of exposure to fraud.</p> <p>The findings from the original audit were indicative of a 'limited' assurance opinion. As two recommendations (including one high priority) have not been implemented, the assurance level therefore remains at 'Limited'.</p>
Purchase Cards	Limited	<p>In the previous report, seven recommendations (three high and four medium priority) were made. Based on the evidence presented, our follow up audit confirmed that all recommendations have been implemented.</p> <p>The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the high rate of implementation of recommendations and positive action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.</p>
Leisure Centres	Moderate	<p>In the previous report, two recommendations (one high, one medium priority) were made. Based on the evidence presented, our follow up audit revealed that the medium priority recommendation had been implemented, however, the high priority recommendation relating to improving the income reconciliation has not yet been implemented due to unsuccessful attempts to automate the process. The existing process will therefore be reviewed by Finance, with a target date for completion of September 2024.</p>

Audit Title	Original Assurance Rating	Key Findings
Car Parks	Moderate	In the previous report, five recommendations (three medium and two low priority) were made. Based on the evidence presented, our follow up audit confirmed that four recommendations have been fully implemented and one low risk recommendation relating to the Car Park Strategy is currently work in progress.
On street parking and enforcement	Moderate	In the previous report, five recommendations (four medium and one low priority) were made. Based on the evidence presented, our follow up audit confirmed that four recommendations (three medium and one low priority) have been implemented. The remaining outstanding medium recommendation relates to the inclusion of the Bribery Act in staff training and awareness (see below).
Environmental Health	Substantial	In the previous report, four recommendations (two medium and two low priority) were made. Based on the evidence presented, our follow up audit confirmed that three recommendations (one medium and two low priority) have been implemented. The remaining outstanding medium recommendation relates to the inclusion of the Bribery Act in staff training and awareness (see below).
Council Tax Base	Substantial	In the previous report, one medium recommendation was made. Based on the evidence presented, our follow up audit revealed that this recommendation has been fully implemented.

The recommendation of including awareness of the Bribery Act in staff training and awareness made in audit reviews of Planning, Waste and Recycling, Environmental Health and On Street Parking will be implemented when planned wider corporate anti-bribery training is rolled out during 2024.

The follow up for Procurement will be undertaken as a test review for the new Lighthouse module in 2024.

5. Review of the Effectiveness of Internal Audit

5.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2023/24 is shown in the table below. The results were significantly affected in 2023/24 due to the team being diverted to unexpected higher priority work during the year.

KPI	Target	Result 2023/24
Audit Plan delivered to Draft Report Stage by 31st March	90%	67%
Audit Plan delivered to final report stage by 31st May	100%	67% <i>(NB 100% of the drafts issued by 31st March were issued as final by 31st May)</i>
Overall customer satisfaction score for the year to meet or exceed acceptable level (i.e. very good or good) for at least 90% of completed surveys	90%	100%

6. Update on Progress of Internal Audit Strategy 2023-24

The Internal Audit Strategy 2023-24 was approved by Audit and Risk Committee in December 2022. Progress is documented below.

Original Strategy Goal	2023/24 Progress
Develop an agile planning process which identifies the Council's most significant internal and external risks and deliver an Annual Internal Audit Plan focussing on these key risks, and which meets stakeholder needs.	The 2023/24 Internal Audit Plan was developed using a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks. The plan was discussed and agreed by Senior Managers, Management Team and Audit and Risk Committee. Where previously a full twelve months had been planned upfront, this created some limitations, so for 2023, a 6-month plan was produced for work from April to September, with suggested areas for October to March so that delivery could be flexible. A contingency was also included in the plan to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

Original Strategy Goal	2023/24 Progress
<p>To contribute to the Council's delivery of its governance and assurance framework.</p>	<p>Risk and Internal Audit discuss and exchange risk information. Risk consequence criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments. Internal Audit will bring any serious, emerging issues to the attention of Risk.</p> <p>Internal Audit also remain a key contributor to the Corporate Governance Group. The purpose of the CGG is to oversee, co-ordinate and advise on the effective development and consistent operation of corporate governance arrangements in the Council.</p>
<p>To be a trusted advisor to Senior Managers and the Audit and Risk Committee</p>	<p>As demonstrated through the Internal Audit Annual Report and organisation feedback.</p>
<p>To monitor the critical skills and resource blend required to ensure Internal Audit deliver their mission and objectives.</p>	<p>In-house team training needs are monitored and co-sourced arrangement utilised with an external provider where alternative delivery/additional skills are required. In 2023, this was utilised for technical data analytic work.</p>

A new Internal Audit Strategy for 2024 - 26 will be presented to Audit and Risk Committee in December.

7. Quality assurance and improvement programme

PSIAS require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. Periodic reviews of the quality of internal audit work completed internally and the Audit Services Manger reviews all draft and final reports. Planning and delivery of the Service (including this Annual Report) has been done in conformance with the requirements of the PSIAS.

Appendix A

Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Services Manager will apply their judgement when determining the appropriate annual opinion, so the guide given below is indicative rather definitive.

Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> • Generally, only low risk rated weaknesses found in individual assignments; and • None of the individual assignment report have an overall report classification of either high or critical risk
Moderate	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk
Limited	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and • <i>A minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
No	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or • <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.

Appendix B

Key to Assurance Levels in Individual Reports

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

Key to Risk Ratings for Individual Findings in Reports

Critical	Financial: Severe financial loss; Operational: Cessation of core activities; People: Life threatening or multiple serious injuries to staff or service users or prolonged workplace stress. Severe impact on morale & service performance. Mass strike actions etc; Reputational: Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV; Legal and Regulatory: Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences; Projects: Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
High	Financial: Major financial loss. Service budgets exceeded; Operational: Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties; People: Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff; Reputational: Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion; Legal and Regulatory: Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies; Projects: Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
Medium	Financial: Moderate financial loss. Handled within the team; Operational: Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required; People: Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance of staff; Reputational: Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage; Legal and Regulatory: Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation; Projects: Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
Low	Financial: Minor financial loss; Operational: Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users; People: Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale; Reputational: Minor impact on the reputation of the organisation; Legal and Regulatory: Minor breach in laws and regulations with limited consequences; Projects: Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.

Limitations and Responsibilities

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Risk Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate



Chelmsford City Council Audit and Risk Committee

18th September 2024

Counter Fraud Annual Report 2023/24

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work the Counter Fraud work undertaken by Internal Audit during 2023 to date.

Recommendations

Committee are requested to note the content of the 2023/24 Counter Fraud Annual Report.

1. Introduction

- 1.1. The Council's approach to counter-fraud was revised and refreshed in 2022, with responsibility moving to the Audit Services Manager, including the production of a new Counter Fraud Strategy to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally.
- 1.2. This report summarises the work the Counter Fraud work undertaken by Internal Audit during 2023 to date to deliver this strategy and manage the Council's risk of fraud.

2. Conclusion

The Counter Fraud Annual Report 2023/24 is attached for Audit & Risk Committee to note.

List of appendices: Counter Fraud Annual Report 2023/24

Background papers: None

Corporate Implications:

Legal/Constitutional: Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. Under the Accounts and Audit (England) Regulations 2015, the Council's accounting control systems must include measures to enable the prevention and detection of fraud. The Council's Monitoring Officer is responsible under Section 5 of the Local Government and Housing Act 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs. The Bribery Act 2010 sets out the offence which can be committed by organisations which fail to prevent persons associated with them from committing bribery on their behalf. The Economic Crime and Transparency Act 2023 sets out the 'Failure to Prevent Fraud' offence.

Financial: Failure to have appropriate arrangements to prevent and detect fraud and manage the Council's risk of fraud puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: Fraud has been identified as a Principal Risk. The FRCA is consistent with the wider corporate risk management framework.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Counter Fraud Annual Report in September 2024.

Relevant Policies and Strategies: None

Internal Audit Counter Fraud Annual Report 2023-24

1. Purpose of this report

1.1. This report summarises the Counter Fraud work undertaken during 2023 to date.

2. Delivering the Council's Counter Fraud Strategy

2.1. The Council's approach to counter-fraud was revised and refreshed in 2022, with responsibility moving to the Audit Services Manager, including the production of a new Counter Fraud Strategy to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally.

2.2. The 2022 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategy are set out in a corresponding action plan.

2.3. Actions Completed to date:

a) **Updating the Council's Fraud Risk Register and undertaking a role-based Bribery and Corruption risk assessment**

The Council has already identified Fraud as a risk in its Principal Risk Register (PRR 005) and has developed a detailed Fraud Risk and Control Assessment (FRCA), breaking down the Council's overall fraud risk into 20 risk areas/categories (see Appendix A). These are defined predominantly by considering CIPFA's annual Counter Fraud and Corruption Tracker Survey (CFACT) and Fighting Fraud and Corruption Locally (FFCL), and then adapted to suit the Council's circumstances.

The existing anti-fraud controls in place against each risk have been re-assessed in order to provide a current and more accurate risk rating, taking into account the independent assurance provided by relevant Internal Audit assignments mapped against the controls identified.

The assessment also considers new and emerging fraud risks and has informed the Internal Audit planning process, ensuring that Internal Audit efforts in assessing anti-fraud controls and/or proactive anti-fraud reviews are directed to the highest risk areas.

In addition, a separate Anti-Bribery and Corruption role-based risk assessment has been developed to identify the roles in the Council most at risk of bribery and corruption by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties (e.g., access to information and data, influence over policy decisions etc.). These roles can be monitored to ensure transparency over decisions, and any conflicts or failures to disclose are managed appropriately (which will be independently assessed by an Internal Audit review of Conflict of Interests in 2024) and also appropriate training can be directed/targeted according to the level of risk.

b) **Producing a revised Fraud Response Plan aligned to the new Counter Fraud and Corruption Strategy**

The Council's refreshed Fraud Response Plan outlines how allegations of fraud/wrongdoing should be handled, however they are raised. The Fraud Response Plan sets out the framework for escalation, investigation and reporting outcomes to ensure that issues raised are handled consistently.

A separate Prevention of Money Laundering Policy is also included within the Fraud Response Plan as Anti-Money Laundering legislation has its own specific procedural and reporting requirements.

In addition, the audit team plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.

c) Reviewing the Council's Whistleblowing Policy

The Council's Whistleblowing Policy is in place to enable concerns to be reported that relate to any unethical or unprofessional behaviour within the Council or by its contractors and suppliers. The Council has appointed The Director of Corporate Services as its designated Whistleblowing Officer. The Legal and Democratic Services Manager and the HR Service Manager are responsible for dealing with reported cases in the first instance as deputies.

The Legal and Democratic Services Manager undertook a review of the Whistleblowing Policy in 2023 and reported the outcome to Governance Committee to establish whether changes are necessary to ensure the Whistleblowing Policy is compliant with legal requirements. It was reported that some minor updates are necessary but otherwise the current policy is compliant and goes further than minimum legal requirements. There is potential for further legislative changes to be made in this area and the policy would be further reviewed at that stage.

d) Developing and refreshing training and awareness activities for staff and Members to underpin an understanding of anti-fraud and corruption responsibilities.

A training and awareness programme covering Whistleblowing and Anti-bribery and Corruption is currently being rolled out across the Council with all PC based staff expected to complete the modules by November 2024. These training modules will provide a good basis of understanding and a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents and remind all staff of their role and responsibility in preventing, detecting and reporting any suspected theft, fraud, bribery or corruption, which forms a key part of the Council's Counter Fraud and Corruption Strategy. This will also be extended to Councillors and non PC-based staff during 2024. Going forward, the programme will be used for all new starters and Members as part of their mandatory induction training.

e) Complying with NFI and Transparency Code

The National Fraud Initiative (NFI) is a bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data to National Fraud Initiative on a regular basis. The next major exercise is due to take place in October 2024.

A NFI Protocol has been developed to ensure we are maximising the benefits of the exercises and participating in the most efficient manner.

The Council also participates in the Pan Essex Counter Fraud Data Matching System. This Counter Fraud Matching System is primarily used to identify Council Tax related fraud across Essex, which is investigated by Compliance Officers within the Revenue Service.

In addition, fraud data which is required to be published annually in line with the Transparency Code has been updated and published on the Council's website.

3. Managing the Risk of Fraud

3.1. The risk of fraud is monitored via the Council's Principal Risk Register.

3.2. Several processes also assist Internal Audit in detecting potential fraudulent activity including:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are aligned to the Council's Fraud Risk Register to independently assess anti-fraud controls in place.
- Data Analytics were used in 2023/24 to detect any anomalies with Accounts Payable with a specific focus on anti-fraud tests.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

3.3. Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

4. Number and Types of Investigations

	No.	Notes
New allegations to IA:		
2022/23	4	
2023/24	10	
No. of cases subsequently closed	10	9 related to Housing allegations – all closed with no further action required. 1 alerted via NFI – investigation identified no fraud.
Fraud/Irregularity identified	4	Incidents related to Bank Details and Housing (as reported in detail to Audit and Risk Committee December 2022) and Theft and False Representation (see below)

4.1. The investigation and advisory activity completed by Internal Audit in relation to the identified fraud incidents above is summarised as follows:

- **Theft** - as reported in detail to Audit and Risk Committee in December 2023. Additionally, a wider review of the current control framework was undertaken by Internal Audit.
- **False Representation** – referred to relevant authorities, including Action Fraud. An audit review of Safer Recruitment was completed in 2023/24 to assess the controls in place for the Council's pre-employment vetting procedures. No monetary loss.

Due to the confidential nature of these type of referrals, it is not appropriate to provide further details of the allegations in this report.

Extract from Fraud Risk Register:

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC 23_01	Data theft and other cyber crime	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g., theft of personal data to perpetrate identify fraud.	18	Very High
FRC 23_02	Corporate property	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	16	High
FRC 23_03	Social housing & tenancy	False applications, misallocation for personal gain, illegal subletting, secondary home use/abandonment, Right to Buy (indirect risk impacting local housing supply)	16	High
FRC 23_04	Procurement and contracting	Collusion to distort fair an open competition, collusion between bidders, submission of false documents for payment, split contracts, collusion with contractors, post-award contract management etc.	14	High
FRC 23_05	Decision-making	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information to sway decisions or affect outcome	14	High
FRC 23_06	Payment fraud	Diversion of payments, internally or following false requests (often cyber-enabled)	14	High
FRC 23_07	Payroll and expenses	False entries (e.g., ghost employees), inflation of payments, false claims for expenses and overtime, abuse of absence policies, IR35	14	High
FRC 23_08	Theft	Cash and equivalents e.g. funds via procurement cards and other assets for resale or personal use, including IT equipment, stores, fuel	14	High
FRC 23_09	Recruitment	False applications and identity fraud	14	High
FRC 23_010	Manipulation of data/ false accounting	Omitting or making misleading, false or deceptive entries (e.g. performance, financial data etc.)	13	High
FRC 23_011	Income collection fraud – other	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds or write offs; fraudulently avoiding payment of debts	9	Medium
FRC 23_012	No recourse to public funds	False eligibility for housing allocation, homelessness support, housing benefit, council tax support	9	Medium
FRC 23_013	Money laundering	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	9	Medium
FRC 23_014	Misuse of Council assets	Use of Council assets for personal gain at detriment to the Council (e.g. vehicles, buildings, parking spaces)	9	Medium
FRC 23_015	Housing Benefit	False applications, including undeclared income or partners	7	Medium
FRC 23_016	Non-domestic rates	Abuse of exemptions, discounts and reliefs, unlisted, vacant, extended premises, refund scams	7	Medium

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC 23_017	Council tax	Abuse of local council tax reduction support, single person and other discounts, refund scams, failure to register (Rising 18's)	7	Medium
FRC 23_018	Grants Received and Payable	False claims to secure a grant or demonstrate terms may have been met, diversion of funds, abuse of position to award grants	7	Medium
FRC 23_019	Insurance claims	False or exaggerated claims (esp. personal injury)	7	Medium
FRC 23_020	Voting fraud	Fraudulent acts by voters, canvassers, poll clerks and officers, and/or count staff	3	Low

Counter Fraud Strategy Action Plan

COMPLETED ACTIONS

Area	Action Ref	Actions	Status
Fraud Risk Register/ABC Assessment	G2/A1	Assess Fraud and Corruption Risks.	Done - ongoing
CF Annual Report	G3	Present a regular report to Management Team and Audit & Risk Committee to compare the Council's progress against FFCL and Counter Fraud and Corruption Strategy	Done
CF Annual Report	G4	Management Team and Audit & Risk Committee review regular reports to ensure that the Counter Fraud and Corruption Strategy is appropriate in terms of its fraud risk and resources.	Done
Reporting	G5	Scrutinise weaknesses revealed by instances of proven fraud and corruption and feed back to departments to fraud proof systems.	Ongoing
Fraud Risk Register/ABC Assessment	PRE1.2	The roles within the Council most at risk of bribery and corruption will be identified and risk assessed by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties.	Done
Reporting	PRE1.6	Independent assurance on the effectiveness of the governance, risk management and control environment relating to fraud and corruption to be provided by Internal Audit.	Ongoing
Other	PRE2.1	Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks.	Done
Other	PRE2.3	Written agreements and contracts will provide references to the Bribery Act 2010 and the Council's Counter Fraud and Corruption Strategy and the expectation that they will operate at all times in accordance with such policy.	Done
Fraud Response Plan/WB	PRE3	Ensure that there is a zero-tolerance approach to fraud and corruption and independent whistle-blowing policy	Done
Fraud Response Plan/WB	PRE5	Ensure the fraud response plan covers all areas of counter fraud work.	Done
NFI	PRE6.1	Produce NFI Operations Protocol.	Done
CF Annual Report	PU1	Transparency Code and NFI statistics will be collated annually and reported to Management Team and Audit & Risk Committee	Done
Pro-active Fraud Plan	PU2.1	Internal Audit will align their Internal Audit Plan with Fraud Risk Assessment	Done
Pro-active Fraud Plan	PU2.2	Individual audit scopes will consider the Fraud Risk assessment and consider the prevention and detection of fraud.	Done
Skills and Resource Analysis	PU3	Collaborating with other Council services and external enforcement agencies, encouraging a corporate approach and co-location of enforcement activity	Done

Area	Action Ref	Actions	Status
Data Analytics	PU4	Internal Audit to consider use of data analytics in its key financial systems review and other counter fraud work where applicable.	Done
Training and Awareness	PU5	Ensure that there are professionally trained and accredited staff for counter fraud work, with adequate knowledge in all areas of the Council and the counter fraud team has access to specialist staff for surveillance, computer forensics, asset recovery and financial investigations where required.	Done
Skills and Resource Analysis	PRO1	Assess fraud resources proportionately to the risk the Council faces and are adequately resourced.	Done
Pro-active Fraud Plan	PRO2	Develop a fraud plan which is agreed by Management Team and Audit & Risk Committee, reflecting resources mapped to risks and arrangements for reporting outcomes (included within Audit Plan).	Done

TO DO

Area	Action Ref	Actions	Status	Timeframe
CF Strategy Comms to include:	G1	Publish Counter Fraud Strategy on Internet and Intranet	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE1.1	Remind all staff and Members of their role and responsibility in preventing and detecting fraud through promotion of the Counter Fraud and Corruption Strategy.	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE1.3	Remind service managers of their responsibility in monitoring these roles to ensure transparency over decision, and any conflicts or failures to disclose are managed appropriately.	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE1.5	Remind service managers of their responsibility for establishing and supporting an anti-fraud culture in their services, ensuring all their team members are aware of relevant policies and procedures relating to anti-fraud and bribery, code of conduct etc and adopting a robust control environment, including ensuring any internal audit recommendations are implemented promptly through inclusion in service plans to be monitored and actions reported locally.	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE2.2	Remind service managers of their responsibility for undertaking due diligence to evaluate the background, experience and reputation of business partners.	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE3.4	Promote awareness of new Policy internally and externally.	To do	September 2024 (to coincide with

Area	Action Ref	Actions	Status	Timeframe
				wider training rollout)
CF Strategy Comms to include:	PRE4	Remind service managers that new policies, procedures, strategies etc that may be connected to a fraud and/or corruption risk should be reviewed by the CGG for comments/amendments and to inform the Counter Fraud Risk Register.	To do	September 2024 (to coincide with wider training rollout)
CF Strategy Comms to include:	PRE5.4	Promote awareness of new Fraud Response Plan internally and externally.	To do	September 2024 (to coincide with wider training rollout)
Training and Awareness	PRE1.4	Develop training and awareness activities for new staff and Members (through induction) and existing staff and Members (through refresher training) to underpin understanding of anti-fraud and corruption responsibilities.	To do	WIP – due to be completed December 2024
Training and Awareness	PRE3.5	Align training to Counter Fraud Strategy/WB Policy/Fraud Response Plan and promote refresher training	To do	WIP – due to be completed December 2024
Training and Awareness	PU5.2	Training undertaken as required or identified skills gap to be considered for inclusion in the fraud risk assessment.	To do	WIP. Monitor training take-up
NFI	PRE6.2	Review NFI outcomes 2024 and update Fraud RR	To do	Q4 2024-25



Chelmsford City Council Audit and Risk Committee

18th September 2024

Audit and Risk Committee Annual Report 2023/24

Report by:

Chair of Audit and Risk Committee

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2023/24 in line with CIPFA's Position Statement for Audit Committees.

Recommendations

The Council is requested to note the content of the 2023/24 Annual Report of the Committee.

1. Introduction

- 1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 1.2. In Chelmsford, the Audit and Risk Committee has been delegated governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 1.3. The CIPFA Position Statement for Audit Committees outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.

2. Conclusion

The Audit and Risk Committee Annual Report 2023/24 is attached for Council to note.

List of appendices: Audit and Risk Committee Annual Report 2023/24

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Various guidance emphasises the importance of the Audit Committee, including:

- Delivering Good Governance in Local Government: Framework
- Public Sector Internal Audit Standards
- the Code of Practice on Managing the Risk of Fraud and Corruption.

Financial: Failure to have appropriate risk management arrangements puts the Council financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The role of the Audit and Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Councillor Walsh, Chair of the Audit and Risk Committee

Relevant Policies and Strategies: None

Audit and Risk Committee Annual Report 2023-24

Introduction from the Chair of Audit and Risk Committee

I am pleased to present the Annual Report of the Audit and Risk Committee which outlines the Committee's work and achievements for 2023/24.

I hope that this Annual Report helps to demonstrate to the City's residents and the Council's other stakeholders the role that is carried out by the Audit and Risk Committee and the contribution that it makes to the Council's overall governance. All meetings are open to members of the public.

To provide ongoing assurance over the Council's risk management, governance and internal control arrangements, the Committee has been supported during 2023/24 by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as service representatives on request.

I would like to express my thanks to those officers and Members who have supported the work of this Committee by presenting and discussing reports.

Cllr Nora Walsh

June 2024

1. Overview

1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

1.2. In Chelmsford, the Audit and Risk Committee has been delegated some governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

1.3. As outlined in CIPFA Position Statement for Audit Committees, the core functions of the Audit Committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

1.4. The specific responsibilities include:

- **Maintenance of governance, risk and control arrangements**

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

- **Financial and governance reporting**

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

- **Establishing appropriate and effective arrangements for audit and assurance**

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
 - Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
 - Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.
- 1.5. In addition to the CIPFA Position Statement for Audit Committees, various associated guidance also emphasises the importance of the Audit Committee, including:
- CIPFA's Delivering Good Governance in Local Government Framework
 - The Public Sector Internal Audit Standards (PSIAS)
 - CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption

2. Membership and Committee Administration

- 2.1. There were four meetings of the Committee during 2023/24 (June 2023, September 2023, December 2023 and March 2024). Membership of the Committee for 2023/24 is attached at Appendix A.
- 2.2. The work programme is based around the Committee's Terms of Reference (see Appendix C), along with items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee during 2023/24 is attached at Appendix B to the report.
- 2.3. The Committee was supported by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as service representatives on request.
- 2.4. In June 2023, the Committee received a report outlining the revised Terms of Reference for Audit & Risk Committee and actions to be considered to ensure that the Committee was operating in line with the recently published CIPFA Audit Committees Position Statement. The notable changes included considering reports on the effectiveness of financial management arrangements in compliance to the CIPFA's Financial Management Code (see 3.5 below), providing free and unfettered access to the audit committee chair for the external auditors which was noted has always been available, and for a conclusion on the compliance with the CIPFA Position Statement to be included in the annual report (see 2.6).
- 2.5. Other best practice actions recommended included:
- Recruitment of co-opted Independent Members to gain independent support and expertise. To this end, Audit and Risk Committee recruited two external members acting in an independent capacity during 2023/24.
 - Consideration of training to fulfil their role in the Committee, which was facilitated by circulation of a training needs self-assessment during 2023. Officers are now progressing options for training provision.
 - Undertaking an effectiveness self-assessment which will be issued to Members by Officers in 2024.
- 2.6. The Committee operated under its Terms of Reference in line with the CIPFA Position Statement. The agendas for the Committee's meetings are published on

the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings can be accessed from: [Committees and Panels - Chelmsford City Council](#).

3. Governance Risk and Control

Risk Management

- 3.1. In June 2023, Audit and Risk Committee received the Spring/Summer 2023 Risk Management Report. The report summarised the current position for the Council's Principal Risks, reviewed risk management activity for 2022/23, and outlined immediate priorities for the risk management function.
- 3.2. In March 2024, the Committee received a further Risk Management Report, which summarised the current position for the Council's Principal Risks and outlined proposed risk management activity for 2024/25. Members were given an overview of the work in the last year including identifying and managing risks to achieve certain objectives. The Committee were also shown a demonstration of the Council's Lighthouse module.

Countering Fraud and Corruption

- 3.3. In September 2023, the Committee received a report updating them on the Counter Fraud Action Plan with the work undertaken since the last update in March 2023 including:
 - Undertaking a role-based Bribery and Corruption risk assessment to help develop training and awareness activities for new and existing staff and Members to underpin understanding of anti-fraud and corruption responsibilities.
 - The plans for rolling out the new training modules which will also provide a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents and remind all Members and Officers of their role and responsibility in preventing, detecting and reporting any suspected theft, fraud, bribery or corruption, which forms a key part of the Council's Counter Fraud and Corruption Strategy.
 - The development of an NFI operations protocol outlining the roles and responsibilities across services for partaking in NFI exercises and investigating matches.
 - Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks.
- 3.4. Committee also received detailed confidential updates during the year regarding a recent audit investigation.

CIPFA Financial Management Code Assessment

- 3.5. In December 2023, the Committee received a report regarding an update of the CIPFA Financial Management Code (FM Code) and the Council's self-assessment since September 2022. It was found that the Council was compliant with the FM Code and that the improvement process would remain continuous. Members were also informed of the underlying principles of the code including accountability and transparency. They were also reminded of the areas covered by the standards. Members heard that there would always be room to improve financial

management and there were three reassessment points to be considered which were the capital projects; counter-fraud work; and the capital revenue processes.

4. Financial and Governance Reporting

- 4.1. The Audit and Risk Committee received a report from the Accountancy Services Manager in June 2023 on the provisional revenue outturn position for 2022/23. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. For each affected service, action or variance, the report identified associated risks. Committee also received a report which detailed the capital expenditure incurred in 2022/23, updated the Committee on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.
- 4.2. The Council's Annual Governance Statement (AGS) forms part of the Council's Statement of Accounts and its purpose is to provide assurance regarding the Council's governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance. The Audit and Risk Committee reviewed the Annual Governance Statement for 2022/23 jointly with Governance Committee in June 2023. Progress on outstanding governance issues from 2022/23 were noted along with areas identified for 2023/24, such as Counter Fraud, Cyber Security, Records Management and Constitution/Policy Alignment.
- 4.3. In September 2023, the Committee received a presentation from officers on the Unaudited Accounts for 2022/23. It was noted that these had been published in July 2023 and the presentation covered the role of the Committee in reviewing the accounts, the core statements and some of the key items for consideration, including the role of the Audit and Risk Committee, deadlines for the year, what determines the format of the accounts, the statutory entries, the main chapters in the accounts, S151 officer's key messages and key risks.
- 4.4. In March 2024, Committee approved the Accounting Policies which would be used in completing the 2023/24 Statement of Accounts in line with Code of Practice on Local Authority Accounting in the United Kingdom.

5. Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

- 5.1. The original audit plan for 2023/24 was approved by Audit and Risk Committee in March 2023. A change of approach was adopted in 2023 where instead of a full twelve-month plan, a 6-month rolling plan is now produced to ensure Internal Audit continue to be aligned to reviewing the highest risks in the Council. The updated plan outlining the suggested areas for review from October to March 2024 was therefore presented to Committee in September 2023.
- 5.2. During 2022/23, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included:
 - Internal Audit Annual Report 2022/23 which provided an overall annual opinion of "moderate" assurance (June 2023)
 - Interim Annual Report 2023/24 (December 2023)
- 5.3. In line with Public Sector Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Charter in March 2024.

- 5.4. Committee also received detailed confidential updates during the year regarding a recent audit investigation.

External Audit

- 5.5. In June 2023, Committee received a report from the S151 officer regarding an update on the backlog of external audit assessments nationally and at the Council, and BDO's assurance that the delays are not due to any failing of the Council. The Committee were informed that there are national discussions on how to tackle this issue, however, there was no certainty on when the accounts for 2021/22 or 2022/23 would be completed. The report noted that the Council is to have a new auditor Ernst and Young for 2023/24.
- 5.6. In September 2023, the Committee received and noted the letter from the Parliamentary Under-Secretary of State, Lee Rowley MP. The officers identified key positive actions to be developed by Government to ensure audit delays were managed effectively, which included that the accounts to be more focused on local government risks; change statutory deadlines for publication; allowing Auditors the option not to audit sections of account; produce Value for Money assessments for outstanding years; Financial Reporting Council to increase emphasis on the timelines, and; improve external auditor capacity. It was however noted that as the audits were delayed by so much, they would be limited in the value they could add.
- 5.7. In December 2023, the Committee were advised of the continuing delays regarding external audits with only 1% of the audits for 2022/23 being completed nationally. It was reiterated that the reasons given by external auditors for not meeting the deadlines were audit-firms problems with resourcing and capacity. It was also advised that there are ongoing discussions in Government to provide a complete reset of the whole system nationally. It was perceived that the accounts from the previous years could be disregarded, effectively enabling some years accounts never to be audited.
- 5.8. In March 2024, the Committee heard details on a report containing the Government's proposals to clear the nationwide backlog of external audits. Members were advised that as per December 2023, there were 771 overdue external audits, representing in most cases 2 years of accounts remaining unaudited. The Council's audits of 2021/22 and 2022/23 by BDO have not yet started. It was emphasised that this was not a reflection of the Council's financial management. Members were advised that backstops would be put in place by legalisation, requiring auditors to offer an opinion by set date on accounts each year, even if the auditor had not completed the audit. There are different types of audit opinions that could arise as external auditors would be required by statute to report no matter the progress. This included disclaimed; partially disclaimed; complete; and, qualified. It was also advised that BDO would sign off the rest of their audits by September 2024 on the basis of a disclaimed opinion reflecting they would undertake no in-depth audit work in the remaining period of their contract. EY was anticipated to sign off the 2023/24 accounts by the end of May 2025 on a partially disclaimed basis, due to the lack of audit work by BDO. The Council welcomed the proposed changes and consultation from the government as there was a realistic view of the time it would take to clear the national backlog (2028). However, there were some concerns, including the matter of the pension funds and the wording of the disclaimer. There were also changes to the Value for Money assessments that officers welcomed, including that it would become a higher priority for the Auditor, and it would be more focused on the health of the Council's finances.

Additional Governance and Assurance Reports to Committee

- 5.9. **Corporate Health and Safety Annual Report** – In September 2023, the Committee received a report updating them on Health and Safety in 2022/23. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.
- 5.10. **Procurement Update** – in December 2023, the Committee received the annual procurement report summarising the procurement & sourcing activities as a scheduled report on the delivery of procurement services in line with the work programme. The report also provided an overview of the changes on the new Procurement Bill that would have on procurement activity.

Membership of Audit and Risk Committee 2023/24

Councillor Nora Walsh – Chair
Councillor Ian Grundy – Vice Chair
Councillor Nicola Bugbee
Councillor Dan Clark
Councillor Natacha Dudley
Councillor Keiron Franks
Councillor Barry Knight (to June 2023)
Councillor James Raven
Councillor Andrew Sosin
Councillor Roy Whitehead (from September 2023)

Independent Persons

Chris Groves (from September 2023)
Jeannine Hoeckx (from December 2023)

June 2023

- **Joint with Governance Committee**
 - Review of the Local Code of Corporate Governance and Annual Governance Statement 2022/23

- **Audit & Risk Committee**
 - External Audit Update
 - Revenue Monitoring Report
 - Capital Monitoring Report
 - Risk Management Report
 - Internal Audit Annual Report 2022/23
 - Audit and Risk Committee Annual Report 2022/23
 - Audit and Risk Committee Terms of Reference and Compliance with new CIPFA Audit Committees Position Statement

September 2023

- External Audit Update
- Draft 2022/23 Statement of Accounts
- Health and Safety Annual Report 2022/23
- Internal Audit Plan September 2023 to March 2024
- Counter Fraud Strategy Action Plan Update

December 2023

- External Audit Update
- CIPFA Financial Management Code Assessment
- Internal Audit Interim Report 2023/24
- Procurement Update
- Confidential Audit Investigation Update

March 2024

- External Audit Update
- Risk Management Report
- Internal Audit Plan 2024 and Charter
- Account Policies for the 2023/24 Statement of Accounts
- Confidential Audit Investigation Update

Audit and Risk Committee

Terms of Reference

Statement of Purpose

Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To monitor the effective development and operation of risk management in the council.
3. To monitor progress in addressing risk-related issues reported to the committee.
4. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
5. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
8. To monitor the counter fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.

Governance reporting

10. To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
11. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

12. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
13. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the council.

14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

15. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

16. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
17. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To consider additional commissions of work from external audit.
21. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
22. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

23. To approve the internal audit charter.
24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
25. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
26. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
27. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
28. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
29. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP

- reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.

30. To consider the head of internal audit's annual report, including:

- the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
- the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).

31. To consider summaries of specific internal audit reports as requested.

32. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

33. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.

34. To consider a report on the effectiveness of internal audit to support the AGS as required to do so by the accounts and audit regulations.

35. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

36. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

37. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

38. To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.



Chelmsford City Council Audit and Risk Committee

18th September 2024

Audit and Risk Committee Work Programme

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager elizabeth.brooks@chelmsford.gov.uk

Purpose

This report updates the rolling programme of work for this Committee.

Recommendations

That the rolling programme of work for the Committee is agreed.

1. Introduction

The Audit & Risk Committee works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable.

2. Rolling Programme of Work

Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

11th December 2024

Agenda Item	Report Owner
External Audit Update	TBC
Risk Management Report	TBC
Internal Audit Interim Report 2024/25 including IA Plan to March 2025	Audit Services Manager
Internal Audit Strategy 2025	Audit Services Manager
Procurement Update	TBC
Audit & Risk Committee Work Programme	Audit Services Manager

19th March 2025

Agenda Item	Report Owner
External Audit Update	TBC
Internal Audit Plan 2025 + Internal Audit Charter	Audit Services Manager
Accounting Policies	Accountancy Services Manager (S151)
Audit & Risk Committee Work Programme	Audit Services Manager

TBC June 2025**(Joint meeting with Governance Committee)**

Agenda Item	Report Owner
Review of the Local Code of Corporate Governance	Legal and Democratic Services Manager
Annual Governance Statement	Legal and Democratic Services Manager

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit Update	TBC
Revenue (Outturn)	Accountancy Services Manager (S151)
Capital Monitoring (Outturn)	
Internal Audit Annual Report	Audit Services Manager
Counter Fraud Annual Report	
Audit & Risk Committee Annual Report & Review of TOR	

Agenda Item	Report Owner
Risk Management Report	TBC
Audit & Risk Committee Work Programme	Audit Services Manager

TBC September 2025

Agenda Item	Report Owner
External Audit Update	TBC
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan to March 2026	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Numerous legislation also emphasises the importance of the audit committee, including:

- Delivering Good Governance in Local Government: Framework
- PSIAS
- the Code of Practice on Managing the Risk of Fraud and Corruption

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The role of the Audit & Risk Committee in relation to risk management covers: assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks; keeping up to date with the risk profile and the effectiveness of risk management actions and; monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None