

# Audit and Risk Committee Agenda



**26 February 2025 at 7pm**

**Crompton Room, Civic Centre, Chelmsford**

## **Membership**

Councillor N. Walsh (Chair)

## **and Councillors**

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

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 [committees@chelmsford.gov.uk](mailto:committees@chelmsford.gov.uk) or telephone on Chelmsford (01245) 606480

# Audit and Risk Committee

## 26 February 2025

### AGENDA

#### 1. Apologies for Absence and Substitutions

#### 2. Minutes

To consider the minutes of the meeting held on 21 January 2025.

#### 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](mailto: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. Audit Results Report 2023/24

7. Internal Audit Plan 2025 and Internal Audit Charter

8. Internal Audit External Quality Assessment and GIAS Readiness Assessment Update

9. Accounting Policies

10. Work Programme

11. 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 22 January 2025 at 7pm**

Present:

Councillor N. Walsh (Chair)

Councillors, G. Bonnett, H. Clark, N. Dudley, J. Raven and A. Sosin,

Independent Person –  
Ms J Hoeckx

### 1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Whitehead, with Cllr Bonnett acting as their substitute, and Mr Groves.

### 2. Minutes

The minutes of the meeting on 11 December 2024 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 were made.

### 6. Procurement Update

The Committee were presented with a report detailing the recent and ongoing procurement activities and achievements. This includes management of the procurement process for temporary accommodation, a key issue for the authority, in addition to the successful services provided to Uttlesford District Council.

It was confirmed that the Procurement Act 2023 is due to come into effect on 24<sup>th</sup> February 2025. The Committee were reassured that although the changes will have

an impact on the delivery of procurement services within the Council, the team had completed all relevant training and were preparing for the implications, including preparing other service managers.

They were informed of a recent restructure within the procurement team and the forward plan for the team, ensuring that they are appropriately supported.

**RESOLVED** that the report be noted.

(7.03pm to 7.11pm)

## 7. Risk Management Report

The Committee heard that the Council's risk register had been revised to include new risks and update the risk rating of existing matters.

The Committee were reminded that many risks are influenced and increased by external factors and work will remain ongoing to ensure that the Council can respond to them accordingly.

Following the departure of key staff, responsibility for risk management currently falls within the internal audit team. However, it was acknowledged that it would be best practice for the functions to remain separate to ensure impartiality. With this in mind, officers assured members that recruitment to this area was a key priority.

In response to questions, the Committee were reassured that risk management is well embedded in the culture of the Council, with engagement from senior officers.. Members of the Committee shared officer concerns regarding the implications of local government reorganisation and agreed that when further information on the matter is received, the risk rating may be escalated accordingly.

**RESOLVED** that the report be noted.

(7.11pm to 7.26pm)

## 8. Internal Audit Interim Report 2024/25 and Update on Global Internal Audit Standards

The Committee heard an update on the work that internal audit had undertaken between April – December 2024 and the preparation for the new global internal audit standards.

Officers confirmed that they were satisfied that where high priority actions had been identified, actions had been taken by the relevant services and senior officers to implement the recommendations. It was also advised that although some scheduled audit reviews had been postponed, they have been scheduled for a later date. This is to ensure that reviews are scheduled at the right time to ensure that value can be added to the delivery of the service.

The Committee also heard that the new global audit standards due to take effect on 1<sup>st</sup> April 2025, superseding the current framework. The new standards enforce 15 key principles, with some relating to the role of the Audit Committee's role and

functions. Officers reassured the Committee that they are already compliant with most requirements, but they may expect to see some minor adjustments to processes and reporting. They were reassured that no further changes to standards are expected in the near future.

**RESOLVED** that the report be noted.

(7.23pm to 7.36pm)

## 9. Internal Audit Strategy 2025-27

The Committee received a report outlining the internal audit strategy for 2025-27, detailing how the service will be delivered and developed. The strategy seeks to enhance and protect organisational value by engaging key performance indicators and risk-based assurance.

Members of the Committee confirmed that they felt reassured that the future of the service was well-considered and mapped.

It was indicated that it may be beneficial for updates on implementation of audit reviews be reported to each meeting of the committee, rather than the current reporting route. It was agreed that officers would explore how this may be delivered and return a potential framework to the next meeting.

**RESOLVED** that the report be noted and the internal audit strategy for 2025-27 be approved.

(7.36pm to 7.47pm)

## 10. Work Programme

The Committee received an update on the work programme for 2024-25. It was indicated that it would be beneficial for the next meeting, scheduled for March 2025, be brought forward to 26<sup>th</sup> February 2025, to accommodate the external audit update.

Members of the Committee that were yet to complete the training that had been circulated were encouraged to do so.

**RESOLVED** that the work programme of the Committee be noted and the new date be agreed.

(7.47pm to 7.49pm)

## 11. Urgent Business

The Committee were advised that the Council's external auditors had recently confirmed that they would be in a position to report on their findings of what was likely to be a partial audit for 2023/24. The accounts must be authorised by the end of February, giving justification for the rescheduling of the next meeting.

Members of the Committee were also advised to consider the government consultation on local audit reform, seeking to tackle the challenges faced by local authorities within the existing audit system. [The consultation can be accessed online](#) and closes on 29<sup>th</sup> February 2025.

The meeting closed at 8:02 pm.

Chair



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# Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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## **Audit Results Report 2023/24**

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### Report by:

Accountancy Services Manager, Section 151 Officer

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### Officer Contact:

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

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### Purpose

The purpose of this report is to seek Members' approval for the Council's Statement of Accounts for 2023/24 and to draw the Committee's attention to the findings to date of the Council's external auditors, Ernst & Young on those accounts.

### Recommendations

1. Verbal update from the Accountancy Services Manager, Section 151 Officer be noted,
2. The draft Audit Results Report to be noted,
3. Approve the Statement of Accounts 2023/24 (Appendix 2),
4. That authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.



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## 1. Background

- 1.1. The Council published the draft statement of accounts by 31st of May, in accordance with the Council's legal duties under the Accounts and Audit regulations 2015. This includes meeting the requirements for public access to, and inspection of, the accounts.
- 1.2. There is a national backlog of audits caused by various factors including lack of available resources within the audit and local authorities finance sector and increased regulator expectations on auditors.
- 1.3. For financial year 2022/23 just one percent of local bodies published their audited accounts on time.
- 1.4. To address this crisis, the Government has introduced and put into legislation backstop dates for financial years 2023/24 to 2027/28 that represent hard deadline, by which the auditors must issue an opinion on the accounts and the final accounts must be published. For 2023/24 financial year the backstop date is 28 February 2025.
- 1.5. Auditors, if they unable to complete their work on time, can publish a disclaimed audit opinion. This enables the auditor to identify areas of the Council's finances that have been subject to audit and those that have not. It is hoped this will enable auditors to gradually over a number of years return to a full audit.
- 1.6. At Chelmsford, 2021/22 and 2022/23 financial years both received a disclaimer opinion from our previous external auditor, BDO LLP. This means that our new auditors, Ernst & Young (EY) LLP do not have assurance those years are correct. This requires EY to rebuild the assurance of opening balances, which will require additional work loads.

## 2. Accounts Results Report and next steps

### Accounts Results Report

- 2.1. The auditors are still completing partner reviews, so the audit is not yet fully complete. They have prepared a Draft Audit Results Report, attached at Appendix 1, and will notify the committee of any updates at the meeting.
- 2.2. The report includes the external auditor's conclusions to date on the audit of the 2023/24 financial year.
- 2.3. The auditors are unable to complete a full audit and will offer a disclaimed opinion. The report identifies the issues that prevented the completion of the audit, but as previous audits were not completed and this year being the first

year of a new auditor, it was not unexpected that the audit opinion would be anything other than disclaimed.

- 2.4. On the areas of the accounts that have been reviewed by the auditor, no significant weaknesses or material uncorrected errors have been identified at this stage and officers are not expecting any new material issues to arise after publication.
- 2.5. The auditors will provide a separate “value for money” commentary on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. This commentary will be in the Auditor’s Annual Report, which will be brought to the next audit committee meeting.

#### Next steps to Approve Accounts

- 2.6. Following consideration of the auditor’s draft Audit Results Report, the Committee will be asked to approve the Statement of Accounts for publication, alongside the previously approved Annual Governance Statement.
- 2.7. As the audit reviews were still ongoing at the time of this report’s publication, there may be further amendments necessary to the accounts. We will provide an update at the committee meeting.
- 2.8. It is recommended that delegation is made to the Chair of the Audit and Risk Committee, in consultation with the Accountancy Services Manager (s151), to approve amendments following the meeting. Final publication of the Accounts will then take place on receipt of the signed audit opinion.

#### Letter of Representation

- 2.9. It is recommended that delegation is made to the Chair of the Audit and Risk Committee, in consultation with the Accountancy Services Manager (s151), to approve responses to be included in the Letter of Representation, which is requested by the auditors to provide assurance about information contained within the Statement of Accounts, once all the audit work is complete.

#### Future audits

- 2.10. It is apparent that the audit sector will take several years to resolve the backlog. The backlogs arose as auditors were unable to complete normal audit works in a timely manner. The problem is now worse as assurance over opening balances (prior years) will add a significant additional workload, whilst normal audit work must be delivered.
- 2.11. Officers will work closely with the auditors to provide as much assistance as is reasonable. As, EY are a new auditor to the Council, this will include officers reviewing if any changes in the production of working papers is needed to reflect EY’s working practices.
- 2.12. To efficiently return to full audits a robust plan from the auditors will need to be agreed with officers and presented to Committee. Without an agreed plan there is high likelihood that the Council will not be able to provide sufficient resources to respond to the auditors in a timely manner. It must be highlighted

that the relatively small finance team currently has to respond to new and large additional workloads including responding to the audit of multiple prior years, significant changes to Government funding and Local Government Reorganisation.

### 3. Conclusion

3.1. Based on the reported findings of the external auditor, the Council is expected to achieve a disclaimed audit opinion on its Statement of Accounts.

#### List of appendices:

Appendix 1 Ernst & Young – Audit Results Report – Year ended 31 March 2024

Appendix 2 Statement of Accounts 2023/24

Appendix 3 Letter of Representation

#### Background papers:

Nil

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### Corporate Implications

#### Legal/Constitutional:

The Statement of Accounts have been prepared in line with Cipfa's Code of Practice on Local Authority Accounting, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit Regulations 2015, as amended. The Audit Completion Report has been prepared in accordance with the provisions of the International Standard on Auditing (ISA) 260 and the Local Audit and Accountability Act 2014, which requires the Council's External Auditors to report to those charged with governance those relevant matters arising from the audit prior to issuing the Statement of Accounts.

#### Financial:

The Statement of Accounts 2023/24 sets out the financial position of the Council for the year, including key transactions and balances and associated explanatory notes. The Audit Completion Report provides an independent view of the true and fair nature of the accounts. Without a full audit being undertaken, the Council does not independent assurances on its finances.

#### 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:

Consideration of risk is an important part of the management of the Council's financial resources, as well as being a key part of the audit planning process and delivery of the audit opinion.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

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**Consultees:**

N/A

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**Relevant Policies and Strategies:**

The Statement of Accounts are the financial representation of the operation of all of the Council's Policies and Strategies throughout the year. The Accounting Policies which shape the Statements are set out in the notes to the Statement of Accounts. Other key strategies considered as part of the Accounts and auditors' report include:

Medium-Term Financial Strategy

Treasury, Capital and Investment Strategy

Risk Management Strategy

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# Chelmsford City Council Audit Results Report

Year ended 31 March 2024

3 February 2025





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

3 February 2025

Dear Audit and Risk Committee Members

#### 2023/24 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Risk Committee. We will update the Audit and Risk Committee at its meeting scheduled for 26 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Chelmsford City Council's (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise 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. 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.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together 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.



As published on the Council's website on 18 December 2024 in the Notice of Conclusion of Audit, BDO issued a disclaimed audit reports on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date of 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies from 2023/24 - PSAA](#)). 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 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 in accordance with the statement of responsibilities. 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

# Executive Summary

# Executive Summary – Context for the audit

Context for the 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 need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, 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. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As published on the Council's website on 18 December 2024 in the Notice of Conclusion of Audit, BDO issued a disclaimed audit reports on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date of 28 February 2025, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

# Executive Summary

## Expected modification to the audit report

The Council's predecessor auditors (BDO) issued a disclaimed audit report on the Council's 2021/22 and 2022/23 financial statements under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in our 2022/23 Audit Completion Report.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within this report, we have not been able to complete our planned programme of work to obtain reasonable assurance over all closing balances. In a number of areas, we have not been able to obtain sufficient and appropriate evidence to support your financial transactions within necessary timescales. There are insufficient audit resource available to complete the outstanding procedures on your audit before the 2023/24 backstop date.

Nationally, insufficient support to audits has meant that audits have taken significantly longer than should be necessary, is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed for 2023/24.





# Executive Summary

## Scope update

In our Audit Planning Report presented at the 12 June 2024 Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

## Status of the audit

Our audit work in respect of the Council's opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ High level review of the Council's going concern assessment;
- ▶ Final Manager and Partner review of significant accounts and disclosures;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review to the date of the audit report; and
- ▶ Receipt of the signed management representation letter and financial statement

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.



# Executive Summary (cont'd)

## Value for Money

In our Audit Planning Report dated 24 May 2024, we reported that we had not fully completed our detailed value for money (VFM) risk assessment but had identified a risk of significant weakness in relation to the Council's governance arrangements for the Chelmer Waterside Development which was identified from our discussion with management and review of minutes. We have now completed our risk assessment procedures and the work to address the risk related to the Chelmer Waterside Development and confirmed that we have not identified any significant weakness in arrangements. See Section 03 of the report for further details.

## Audit differences

- ▶ At the time of writing this report, we have not identified any adjusted audit difference which impact the primary statements.
- ▶ We have identified one unadjusted difference relating to Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor to bring to your attention. However until our work is fully complete further differences may be identified. We will provide an update to the Committee at its meeting on 26 February.
- ▶ Management have corrected a number of disclosure misstatements.

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts on the completion of our audit. Until the NAO has confirmed whether they require us to undertake any additional procedures we are not able to issue our audit certificate.

# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Planning Report, we identified a number of key areas of focus for our audit of the financial report of Chelmsford City Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below. A number of these areas remain subject to final Manager and Partner review.

### Fraud Risk: Misstatement due to fraud or error

- ▶ Audit procedures on this risk have been completed. We have not identified any evidence that management has overridden controls additions, prepare fraudulent financial statement balances or postings within the financial statements.

### Significant Risk: Inappropriate capitalisation of revenue expenditure

- ▶ We have not been able to complete all our planned audit procedures on this risk. We completed our work on the testing of additions made to property, plant and equipment and investment property during the year and have not identified any evidence of manipulation through inappropriate capitalisation. Initial testing of REFCUS did not identify items which did not meet the statutory definition. However, as this is a fraud risk area, we have to test additional samples to obtain sufficient assurance in this area. Due to the backstop date, we have not been able to undertake further work to conclude on the material accuracy of REFCUS. We will rebuild assurance on this area during 2024/25.

### Significant Risk: Risk of error in valuation of PPE (other land & buildings, surplus assets) and investment property

- ▶ We have not been able to complete all our planned audit procedures on this risk. Our work on valuation of Investment property and surplus assets is complete with no matters to report. In relation to other land and buildings, there were four samples where testing could not be completed within the available timeframes due to the need for additional information to be provided in relation to follow-up queries to support the valuation inputs. As the value of these assets are material, further work would be required to obtain sufficient assurance over the material accuracy of valuations which we were not able to undertake due to the backstop date. We have no matters to report on the rest of the other land and buildings samples tested. We will rebuild assurance on this area during 2024/25.

### Inherent Risk: Pensions liability valuation

- ▶ The work on this area is currently in review at the time of this report. We have received IAS 19 assurance response from the Essex Pension Fund auditors. We also engaged our EY Pensions team to review the IAS 19 reports for 2021/22, 2022/23 and 2023/24 and the asset ceiling calculation. Their work required additional data from the actuary which due to timeframes will not be received before the backstop date and therefore we will rebuild the assurance on this area in 2024/25.

### Inherent Risk: Heritage assets

- ▶ We have not been able to complete all our planned audit procedures on this risk due to timeframes and the level of audit work required due to the nature of asset base. Rebuilding assurance work will be required in 2024/25 to gain assurance over completeness and existence of heritage assets.



# Executive Summary (cont'd)

## Areas of audit focus (continued)

Inherent Risk: Minimum Revenue Provision (MRP) calculation

- ▶ Initial work on MRP are completed with no issues identified.

Area of Focus: IFRS 16 Lease Disclosure

- ▶ Audit procedures on this area of focus has been completed with no issues identified.

We request that you review these, and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Risk Committee.

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.

We did not identify any observations or improvement recommendations in relation to management's financial processes and controls.

## Independence

Please refer to Section 07 for our update on Independence. We have no independence issues to report to you.

A close-up photograph of a person's hand holding a silver stylus, pointing at a tablet. The tablet displays a bar chart with several bars of varying heights and colors (green, yellow, orange, red). The background is dark and out of focus.

## 02 Areas of Audit Focus



# Areas of Audit Focus

Misstatements due to fraud or error

## Fraud Risk

What is the risk, and the key judgements and estimates?

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 are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Our journal testing focused on inappropriate capitalisation of revenue expenditure (fraud risk) did not identify any issues.

The works on these areas are currently subject to review by the Manager and Partner.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which included:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussed 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);
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud;
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Undertook procedures to identify significant unusual transactions;
- ▶ Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

# Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure

## Fraud Risk

What is the risk, and the key judgements and estimates?

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 and incorrect classification of expenditure as revenue expenditure financed from capital under statute (REFCUS).

What are our conclusions?

We have completed our work on capital additions and have not identified any additions that were incorrectly capitalised.

Initial testing of REFCUS did not identify items which did not meet the statutory definition. However, as this is a fraud risk area, we must test additional samples to obtain assurance on the balance. Due to the backstop date, we have not been able to undertake further work to conclude on the material accuracy of REFCUS. We will undertake further work on this area as part of the rebuilding assurance processes in 2024/25.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

The work above are subject to review by the Manager and Partner.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Tested property, plant and equipment (PPE) and investment property (IP) additions by examining invoices, capital expenditure authorisations, leases and other data that support these additions.
- ▶ Assessed 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 by reviewing the samples selected against the definition of capital expenditure in IAS 16.
- ▶ Considered 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.
- ▶ Tested REFCUS, to ensure that the revenue expenditure meets the definition of REFCUS and can therefore be financed from capital resources.
- ▶ Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

# Areas of Audit Focus

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

## Significant Risk

What is the risk, and the key judgements and estimates?

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 are our conclusions

Our testing has provided assurance over the material accuracy of the valuation of investment property and surplus assets as at 31 March 2024 for assets revalue in year. In relation to other land and buildings, there were four samples where testing could not be completed within the available timeframes due to the need for additional information to be provided in relation to the valuation inputs of the sampled properties. We have no matters to report on the other land and buildings samples tested.

We do not have full assurance over the overall value of PPE (other land & buildings and surplus assets) and investment property in the Council's Balance Sheet at 31 March 2024. This is because we do not have assurance over additions, disposals and valuations in 2021/22 and 2022/23 due to the opinion on those years being disclaimed. Therefore, we do not have assurance over the completeness and accuracy of movements in 2021/22, 2022/23 and the resulting asset base for 2023/24.

Our response to the key areas of challenge and professional judgement and our conclusion

- ▶ Considered 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;  
*No matters to report. We deem that the inputs and assumptions used in the valuation are reasonable.*
- ▶ Assessed the classification of assets and the valuation basis that are assigned as a result to confirm they are appropriate;  
*No matters to report.*
- ▶ Grouped the assets revalued during the year into types and selected 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;  
*No matters to report. We deem that the inputs, methodology and assumptions used in the valuation are reasonable.*
- ▶ Engaged our EY valuers to support the audit team in the assessment;  
*No matters to report. EY Real Estates have concluded that the methodologies used in developing the estimate are appropriate and the value used are supportable and within the reasonable range.*
- ▶ Reviewed 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;  
*No matters to report.*
- ▶ Reviewed assets that are not subject to valuation in 2023/24 to confirm the remaining asset base is not materially misstated; and  
*No matters to report.*
- ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements.  
*No matters to report.*

# Other Areas of Audit Focus

## Pension liability valuation

### Inherent Risk

#### What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures with balances, 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 to the key areas of challenge and professional judgement

- Liaised with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assessed 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;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

#### What are our conclusions?

Our conclusions are:

- We have received the IAS 19 assurance response from the Essex Pension Fund auditor. The Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor is £233,990 resulting to understatement of investment assets. This is not material to the Council.
- We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues;
- We were supported by our EY Pensions team to review the IAS19 reports and asset ceiling calculation. Their work required additional data from the actuary which due to timeframes will not be received before the backstop date and therefore we will rebuild the assurance on this area in 2024/25; and
- We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

# Other Areas of Audit Focus

Heritage assets - completeness and existence

## Inherent Risk

What is the risk, and the key judgements and estimates?

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.

What are our conclusions?

We have reconciled the assets listing with the value of heritage assets to the disclosure in the financial statements and have no matters to report.

However, we have not been able to test the existence and completeness of heritage assets due to timeframes and the level of audit work required due to the nature of asset base. It was therefore agreed that we will rebuild the assurance on this area in 2024/25.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Obtained heritage assets listing from the museum with the value of each assets and reconcile this to the disclosures in the financial statements;
- Assessed 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;
- Considered the work performed by the Council's internal and external valuers and the results of their work; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements.

# Other Areas of Audit Focus

Minimum Revenue Provision (MRP) calculation

## Inherent Risk

What is the risk, and the key judgements and estimates?

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 is not material, we have assessed that there may be a risk of material understatement.

What are our conclusions?

We have reviewed the calculation of Capital Financing Requirement and Minimum Revenue Provisions. Based on the information provided to us, we are satisfied that the Council's MRP Policy is compliant with the statutory guidance issued by MHCLG.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

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



# Other Areas of Audit Focus

IFRS 16 Leases disclosures (area of focus)

What is the risk, and the key judgements and estimates?

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
- 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.

# Other Areas of Audit Focus

IFRS 16 Leases disclosures (area of focus)

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Assessed the work that the Council has been doing and evaluate the preparedness and readiness of the Council in the implementation of IFRS 16; and
- Reviewed 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.

What are our conclusions?

We assessed and reviewed the work of the Council in relation to IFRS 16 and we have nothing to report based on the work completed.





# 03 Value for Money

# Value for Money

## The Authority's responsibilities for value for money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

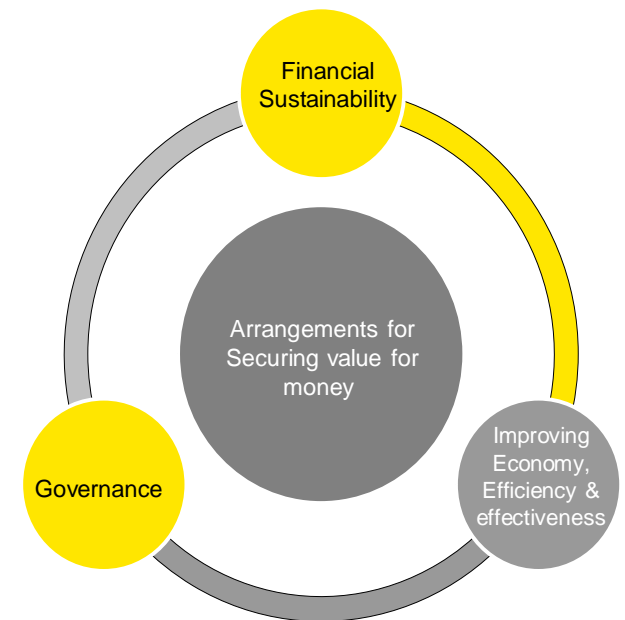
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning 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 draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

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

- ▶ Financial sustainability - How 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.

We have completed our detailed VFM work and identified one risk of significant weakness as documented on the following page.



# Value for Money (cont'd)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p>Council's value for money arrangements on Chelmer Waterside Development, Council's largest development scheme.</p> <p>Chelmer Waterside is a large expanse of land to the east of the Chelmsford city centre. The development of this area is a significant project for the Council.</p> <p>Making properly informed decisions: having arrangements in place to support effective decision making and assessing the scheme's financing requirement and its financial impact on 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>	<ul style="list-style-type: none"> <li>Financial sustainability</li> <li>Governance</li> <li>Improving economy, efficiency and effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed 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;</li> <li>Reviewed the legal and professional advice the Council received, to support its decision-making process in this area;</li> <li>Reviewed how the Council plans and manages the funding in relation to this scheme and its financial impact; and</li> <li>Reviewed how the Council uses information about its costs and performance to improve the way it manages and delivers this scheme.</li> </ul>

## Findings

The Council has a capital monitoring process which covers the Chelmer Waterside Development. This has also been considered when setting the budget during the year.

The project manager submits a monthly report on all the elements of spending which make up the Chelmer Waterside Scheme. The report outlines progress updates, key issues and cost updates which set out the current position as regards forecast cost and spend to date versus budget and funding. Costs presented in the report are consistent with the planned capital expenditure per the budget and the scheme is funded in the current financial planning from grants and CIL. Reductions in the overall capital programme costs have meant that no borrowing has been needed for Chelmer Waterside Development to date. No capital receipts from this scheme have been included in the financial forecasts.

The Council has established a project panel with strategic oversight over the project. The Panel receive regular project updates and make necessary recommendations to Cabinet in relation to any key decisions linked to the project. A Project Team will report to the Chelmer Waterside Project Panel in terms of the day-to-day delivery of the three elements of the project.

A risk management strategy for the Project is in place and monitored by the Project Board. A project manager has been to help the Council in monitoring the progress of the project, identifying key risks and forecasting and managing the costs. The overarching risk management strategy is covered within the progress report submitted by project manager.

The Council had also considered legal and professional advice obtained to support the decision-making process in relation to the development. The Council has undertaken further due diligence to ensure that potential risks have been identified, evaluated, and mitigated.



# Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

## Findings

Regular capital expenditure and resources monitoring is undertaken which includes Chelmer Waterside. This monitoring includes reviewing all the forecast capital spending and funding streams available. This enables judgements to be made as to whether there are enough resources available to fund the capital spend and where there may be requirements for borrowing.

The capital financing requirement is monitored regularly along with prudential indicators, which are reviewed and when necessary, changes approved. The cost of financing the capital spend (MRP and interest) is reported with the revenue budget. The capital expenditure programme is reviewed as part of the monitoring and budget setting. Changes impacting the prudential indicators are reported to Council.

Conclusion: Based on the work performed, the Council had proper arrangements in place in relation to this development scheme, Chelmer Waterside Development in 2023/24. No significant weakness identified.

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report.



# 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

At the time of writing this report, we have not identified any adjusted audit difference which impact the primary statements. However, as our review is not yet complete, further differences may be identified.

We have currently identified one unadjusted difference to bring to your attention.

- This relates to the Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor amounting to £233,990 resulting to understatement of investment assets.

However until our work is fully complete further differences may be identified. We will provide an update to the Committee at its meeting on 26 February.

Management have agreed to correct a number of disclosure misstatements.



05

# Audit Report



## Expected modifications to our audit report

The Council's predecessor auditors (BDO) have issued a disclaimed audit reports on the Council's financial statements for 2021/ 22 and 2022/23 under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

As a result of the 2021/22 and 2022/23 disclaimed audit reports, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within this report, we have also not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances and in year transactions.

There is insufficient resource available to complete the above outstanding procedures on your audit before the 2023/24 backstop date. Nationally, insufficient support to the audit have meant that it takes significantly longer than should be necessary is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The extent of the disclaimed audit report will include the areas of the 2023/24 financial statements where we have not been able to gain sufficient assurance.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

In line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' there is an expected minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements. We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.





06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

At the date of this report, we have not identified any significant deficiencies in internal control.



07

## Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Chelmsford City Council Statement of Accounts 2023/24 with audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Chelmsford City Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We expect a delay in the audit certificate in respect of this work as NAO reserve the right to ask for further assurances. Until we have confirmation from the NAO that no further work is required, we will be unable to issue the audit certificate.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties.



# Other Reporting Issues (cont'd)

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no further matters, other than those already included in this report, to report.

# Other Reporting Issues (cont'd)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that the 2023/23 audit of the financial statements have been disclaimed, we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

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:

- 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:
  - 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.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

### Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has 3 relevant IT applications (OneCouncil, Academy and Civica e-pay) for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application.

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.

We reviewed the following processes for the relevant IT applications:

- Manage vendor supplied changes
- Manage entity programmed changes
- Manage security settings
- Manage user access
- Job scheduling and managing IT process

### Audit findings and conclusions

No significant issues were identified in our review of the processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

The work is subject to review by Manager and Partner.





08

# Independence

# Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence - 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.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements 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.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year 2023/24 Note 1	Prior year 2022/23 Note 2
	£	£
Total Scale Fee - Code Work	166,466	46,985
Other - scale fee variation	TBC	TBC
<b>Total audit</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

Note 1 :The scale fee is impacted by a range of other factors which will result in additional work. The areas where additional audit procedures have been performed are:

- Revisions to ISA (UK) 315
- IFRS 16 disclosures
- Other significant accounts (e.g. issues encountered in the listings to select samples from)
- VFM significant risks

PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2: BDO were the Council's auditors in 2022/23. The fee included above is the PSAA scale fee.





# 09

# Appendices

# Appendix A – Summary of assurances

## Summary of Assurances

As we have set out in the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinions issued on the 2021/22 and 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit. We note that the February 2025 backstop date combined with the prior year disclaimers and the fact that this is an initial audit for EY have impacted on the work we have been able to complete and assurances we have been able to obtain for 2023/24.

We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	<p>We have:</p> <ul style="list-style-type: none"> <li>audited the 31 March 2024 valuation of a sample of assets, testing valuation movements in 2023/24. We will need to rebuild assurance over movements between 2021/22 and 2022/23 in future periods.</li> <li>tested a total of 24 PPE assets (other land and buildings and surplus assets). We completed our testing and gained assurance for 20 of these. For the remaining four, our testing could not be concluded within the available timeframes due to the need for additional information to be provided in relation to follow-up queries to support the valuation inputs. We will rebuild assurance over this balance in 2024/25.</li> <li>tested a sample of 22 additions during 2023/24, all of which have passed. We will test additions and disposals (if material) during 2021/22 and 2022/23 as part of rebuilding the assurance for future years.</li> <li>tested the annual depreciation charge for 2021/22, 2022/23 and 2023/24, with no issues identified.</li> </ul> <p>We have not performed PPE existence and rights and obligations testing due to timeframes and the level of audit work required. We therefore agreed with the Council that we would test this as part of the rebuilding assurances in 2024/25. Until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of PPE additions, disposals and valuations during 2021/22 and 2022/23, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.</p>
Investment Property	Partial	<p>We have:</p> <ul style="list-style-type: none"> <li>audited the 31 March 2024 valuation of a sample of assets, testing valuation movements in 2023/24. We will need to rebuild assurance over movements between 2021/22 and 2022/23 in future periods.</li> <li>tested a total of six investment property valuations, all of which have passed.</li> <li>tested a sample of eight additions during 2023/24, of which all have passed (there were immaterial disposals during 2023/24 therefore we have not tested these). We will still need to test additions and disposals (if material) during 2021/22 and 2022/23 as part of rebuilding the assurance.</li> <li>tested the revaluation movement that flows through the CIES for 2023/24.</li> </ul> <p>We have not performed existence and rights and obligations testing due to time frames and the level of audit work required. We agreed with the Council to test this as part of the rebuilding assurances in 2024/25. Until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of additions, disposals and valuations during 2021/22 and 2022/23, we are unable to obtain full assurance over the completeness and valuation of investment property at 31 March 2024.</p>



# Appendix A – Summary of assurances

Summary of Assurances		
Account area	Assurance rating	Summary of work performed
Heritage assets	Partial	We have not completed our planned audit procedures of heritage assets closing balance at 31 March 2024 due to timeframes and the level of audit work required due to the nature of asset base. It was therefore agreed that we will rebuild the assurance on this area in 2024/25. Other than this, we have reconciled the assets listing with the value of heritage assets to the disclosure in the financial statements.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Partial	We have not completed our planned audit procedures in this area due to the inability to obtain sufficient audit evidence within the timeframes for testing for some of the samples. Therefore, we did not obtain full assurance over the closing balance at 31 March 2024. Other than this, we completed our planned audit procedures on other areas (e.g debtors cut-off testing).
Short Term Borrowings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short and Long term Creditors	Partial	We have not completed our planned audit procedures in this area due to complexity of the creditors listing resulting in difficulties selecting samples. Therefore, we did not obtain full assurance over the closing balance at 31 March 2024. However, we completed our planned procedures on other areas (e.g. unrecorded liabilities and cut-off testing).
Short and Long term Provisions	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Capital Grants Received in Advance	Partial	We have completed our planned audit procedures in this area. However, for some of the samples, due to the timing of the grants receipt which were many years old, bank statements could not be provided to evidence the receipt.
Local Government Pension Scheme Liability	Partial	We have not completed our planned audit procedures in this area due to inability to obtain sufficient audit evidence within the timeframes, in particular the data required by our EY Pensions team from the Council's actuary in their review of the Council's IAS 19 reports for 2021/22, 2022/23 and 2023/24 and the asset ceiling calculation. We will rebuild the assurance on this area in 2024/25.
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, due to the disclaimed opinions in the prior years, we do not have assurance over those prior year movements. Therefore, until we have completed our work to rebuild assurance in this area, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.

# Appendix A – Summary of assurances

## Summary of Assurances

Account area	Assurance rating	Summary of work performed
Comprehensive Income and Expenditure Statement (other operating expenditure)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of other operating expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (taxation & general grants – NNDR income, Government tariff and S31 grants, demand on the collection fund)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of Financing and Investment income and expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (employee expenses)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of employee expenditure during 2023/24.
Comprehensive Income and Expenditure Statement (all other income and expenditure including financing and investment income & expenditure)	Partial	We have not completed all our planned audit procedures in these areas due to inability to obtain sufficient audit evidence within the timeframes for some of the samples selected and errors identified in the testing which would result to extended testing which we do not have sufficient time to perform before the backstop date. Therefore, we only have partial assurance on the transactions during 2023/24. In addition, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the material accuracy of Financing and Investment income and expenditure during 2023/24.

# Appendix B - Required communications with the Audit and Risk Committee

## Required communications with the Audit and Risk Committee

There are certain communications that we must provide to the Audit and Risk Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

### 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.	Audit planning report, 12 June 2024, Audit and Risk Committee
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>The planned scope and timing of the audit</li> <li>Any limitations on the planned work to be undertaken</li> <li>The planned use of internal audit</li> <li>The significant risks identified</li> </ul> <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>	Audit planning report, 12 June 2024, Audit and Risk Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> <li>Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee

# Appendix B - 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"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• 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</li> <li>• Any other matters related to fraud, relevant to Audit and Risk Committee responsibility.</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee

# Appendix B - 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"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
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> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report, 12 June 2024, Audit and Risk Committee</p> <p>Audit results report, 26 February 2025, Audit and Risk Committee</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee



# Appendix B - Required communications with the Audit and Risk Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee

# Appendix B - Required communications with the Audit and Risk Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report, 26 February 2025, Audit and Risk Committee

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ED None

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**CHELMSFORD CITY COUNCIL**

**STATEMENT OF ACCOUNTS**

**2023/24**



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## **2. Introduction to the accounts**

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

### **Introduction by the Leader of the Council and the Chief Executive**

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.**

<b>Chelmsford City Council</b>	<b>Essex County Council</b>
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)
<b>Decrease/(Increase) in General fund (including Earmarked Reserves)</b>			<b>50</b>

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

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

**Pensions**

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

The value of our pension liabilities at the end of the accounting period is dependent on the financial assumption that the actuary makes. As one of the key assumptions to

determine the value of our liabilities, the actuary determines a discount rate to be 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 31<sup>st</sup> 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.

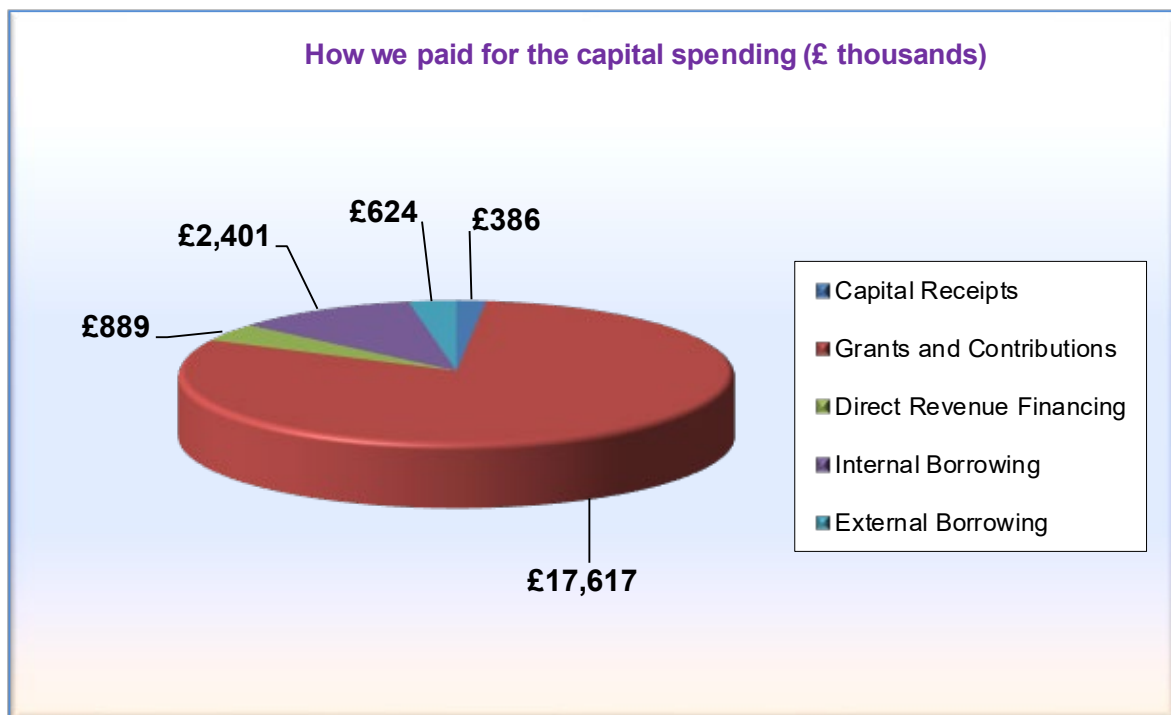
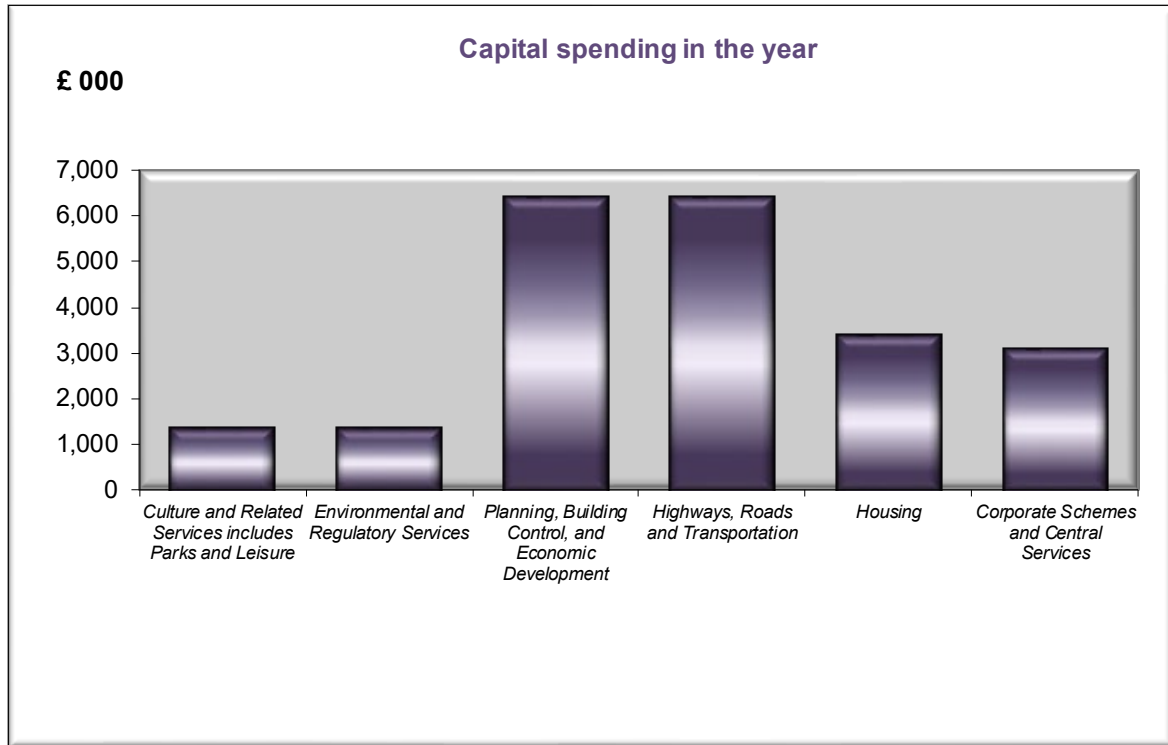
### **Borrowing**

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.

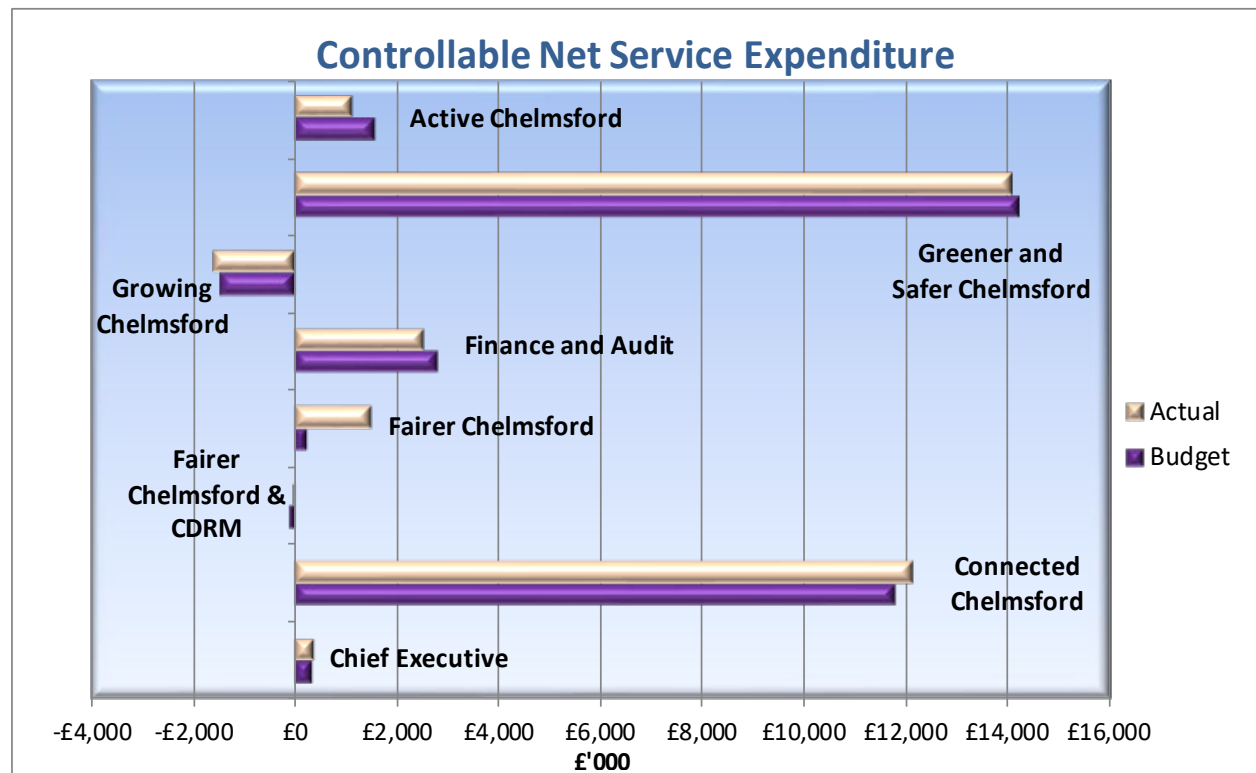
The increased demand for housing and cost of temporary accommodation was behind the largest variation on our service budget. The 2024/25 budget was already realigned to reflect the trend.

The reduced cost of electricity and gas resulted in a favourable 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
<b>Total service variations to latest Approved budget</b>	<b>0.7</b>
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
<b>Total additional service budget added during 2023/24</b>	<b>£2.8m</b>
<b>Total service overspend to original budget</b>	<b>£3.5m</b>

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 – 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 in 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):

<b>Risk event</b>	<b>Likelihood</b>	<b>Comments</b>
<b>Homelessness</b> 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.
<b>Cyber Security</b> 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.
<b>Health and Safety</b> 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.
<b>Chelmer Waterside Development</b> 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.

<b>Risk event</b>	<b>Likelihood</b>	<b>Comments</b>
<b>Budget/Exposure Financial Risk</b> 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.
<b>Local Government Review</b> Unification, Devolution and other significant legislative changes.	Very High	Ensure the MT is monitoring potential changes in government policy.
<b>Governance &amp; Leadership Failure</b> Issues found to be created by poor governance/leadership.	Very High	Management Team considering succession planning and strengthening governance with Statutory Officer Group.
<b>Pandemic</b> Ensuring we are ready for another pandemic.	Very High	Update plans from previous pandemic situation.
<b>Key person/ Succession Planning/ Recruitment and Retention</b>	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.
<b>Asset Management funding and replacement.</b> 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**

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*Chelmsford City Council – 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		-	-	-
<b>124,474</b>	<b>(70,144)</b>	<b>54,330</b>	<b>Spending on current services</b>		<b>127,131</b>	<b>(93,118)</b>	<b>34,013</b>
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)
<b>167,427</b>	<b>(153,825)</b>	<b>13,602</b>	<b>(Surplus) or deficit on Provision of Services</b>		<b>172,308</b>	<b>(171,980)</b>	<b>328</b>
			<b>Items that will not be reclassified to the Total spending on services</b>				
		(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
			<b>Items that may be reclassified to the Total spending on services</b>				
		-	(Surplus) or loss from financial assets				-
		<b>(93,091)</b>	<b>Total income and expenditure</b>	<b>25</b>			<b>53,837</b>



### 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
<b>Balance at 1 April 2022</b>	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
<b>Balance at 31 March 2023</b>	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
<b>Balance at 1 April 2023</b>	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)
<b>Balance at 31 March 2024</b>	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	-
<b>316,189</b>			<b>277,393</b>
	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
<b>64,802</b>			<b>52,216</b>
	Current liabilities		
(29,875)	Short-term creditors	20	(19,804)
-	Short-term borrowing	16	(5,031)
(1,789)	Provisions	21	(1,470)
<b>(31,664)</b>			<b>(26,305)</b>
	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)
<b>(9,252)</b>			<b>(17,066)</b>
<b>340,075</b>	<b>Net assets</b>		<b>286,238</b>

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
<b>340,075</b>	<b>Total reserves</b>		<b>286,238</b>

**Chelmsford City Council – 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
	<b>Operating activities</b>		
13,602	Net (surplus) or deficit on the provision of services		328
	<b>Adjustment for non cash movements</b>		
(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)
	<b>Adjustments for items that are investing and financing activities</b>		
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	<b>Net cash (inflow) or outflow from operating activities</b>	23	13,176
	<b>Investing activities</b>		
	<b>Spending</b>		
27,365	Buying non-current assets		15,970
	<b>Income</b>		
(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)	<b>Net cash (inflow) or outflow from Investing activities</b>		3,263
14,061	<b>Net cash (inflow) or outflow before financing</b>		16,439
	<b>Financing activities</b>		
-	Short-term borrowing		(5,000)
319	Finance lease liability		403
319	<b>Cash flow from financing activities</b>	24	(4,597)
14,380	<b>(Increase) or decrease in cash</b>		11,842
35,074	<b>Cash balance at the beginning of the year</b>		20,694
20,694	<b>Cash balance at the end of the year</b>		8,852

## 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	Expenditure and Funding Analysis	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		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)	Exceptional Item - VAT claim	-	-	-
<b>23,259</b>	<b>31,071</b>	<b>54,330</b>	<b>Spending on current services</b>	<b>29,860</b>	<b>4,153</b>	<b>34,013</b>
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)
<b>3,061</b>	<b>10,541</b>	<b>13,602</b>	<b>Total spending on services</b>	<b>50</b>	<b>278</b>	<b>328</b>

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)
<b>29,718</b>	<b>Closing Balance at 31 March</b>	<b>29,668</b>

## **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.

The Council has plans to hold a minimum level of reserves of £9m as set out by the Section 151 officer in the Medium Term Financial Strategy. The Council had £16.5m in cash and short-term investment balances as at 31 March 2024. We hold a minimum level of liquidity and have access to debt markets and Public Works Loan Board to manage our liquidity.



## **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.

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*Chelmsford City Council – 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, then 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.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if assumptions change</b>
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.



<b>Item</b>	<b>Uncertainties</b>	<b>Effect if assumptions change</b>
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"> <li>Other Land and Buildings £78m</li> <li>Other Land and Buildings DRC £87m</li> <li>Community £5m</li> <li>Surplus £9m</li> <li>Investment £54m</li> </ul> <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>

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if assumptions change</b>
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>

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if assumptions change</b>
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
<b>Chief Executive</b>	-	55	-	55	-	55
<b>Connected Chelmsford</b>	1,144	1,535	-	2,679	25	2,704
<b>Fairer Chelmsford &amp; CDRM</b>	-	-	-	-	-	-
<b>Fairer Chelmsford</b>	6,060	288	-	6,348	2,656	9,004
<b>Finance and Audit</b>	(3)	1	(190)	(192)	-	(192)
<b>Growing Chelmsford</b>	7,434	1,018	-	8,452	(37)	8,415
<b>Greener and Safer Chelmsford</b>	5,317	2,245	-	7,562	(469)	7,093
<b>Active Chelmsford</b>	3,121	877	-	3,998	(6)	3,992
<b>Other Service Income</b>	-	-	-	-	-	-
<b>Exceptional Item - VAT claim</b>	-	-	-	-	-	-
<b>Spending on current services</b>	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)
<b>Total spending on services</b>	4,973	7,680	(2,112)	10,541	-	10,541

**Chelmsford City Council – 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
<b>Chief Executive</b>	-	(11)	-	(11)	-	(11)
<b>Connected Chelmsford</b>	606	(308)	-	298	23	321
<b>Fairer Chelmsford &amp; CDRM</b>	-	-	-	-	-	-
<b>Fairer Chelmsford</b>	(3,084)	(66)	-	(3,150)	2,144	(1,006)
<b>Finance and Audit</b>	(21)	(575)	218	(378)	-	(378)
<b>Growing Chelmsford</b>	1,227	(215)	-	1,012	(27)	985
<b>Greener and Safer Chelmsford</b>	6,669	(450)	-	6,219	380	6,599
<b>Active Chelmsford</b>	(2,165)	(184)	-	(2,349)	(8)	(2,357)
<b>Other Service Income</b>	-	-	-	-	-	-
<b>Exceptional Item - VAT claim</b>	-	-	-	-	-	-
<b>Spending on current services</b>	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)
<b>Total spending on services</b>	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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed. However, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, we do not consider it necessary to make any allowance for the potential impact of the Virgin Media case in our financial statements.

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

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### **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.

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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
<b>Reversal of items included in the Comprehensive income and expenditure statement (CI&amp;ES)</b>						
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	-
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	594	-	-	594	(594)	-
Capital expenditure charged to the General Fund	1,351	-	-	1,351	(1,351)	-
<b>Adjustments involving the capital receipts reserve</b>						
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)	-
<b>Adjustments involving the capital grants unapplied account</b>						
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)	-
<b>Adjustments involving the pension reserve</b>						
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)	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	(228)	-	-	(228)	228	-
Adjustment for Non-domestic rates collection fund income	4,278	-	-	4,278	(4,278)	-
<b>Adjustments involving the accumulating compensated absences adjustment account</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	188	-	-	188	(188)	-
<b>Total adjustments</b>	(10,541)	(554)	(2,881)	(13,976)	13,976	-

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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
<b>Reversal of items included in the Comprehensive income and expenditure account (CI&amp;ES)</b>						
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)	-
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	812	-	-	812	(812)	-
Capital expenditure charged to the General Fund	889	-	-	889	(889)	-
<b>Adjustments involving the capital receipts reserve</b>						
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)	-
<b>Adjustments involving the capital grants unapplied account</b>						
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)	-
<b>Adjustments involving the pension reserve</b>						
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)	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	85	-	-	85	(85)	-
Adjustment for Non-domestic rates collection fund income	(3,242)	-	-	(3,242)	3,242	-
<b>Adjustments involving the accumulating compensated absences adjustment</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(218)	-	-	(218)	218	-
<b>Total adjustments</b>	(278)	(363)	10,908	10,267	(10,267)	-

**Chelmsford City Council – Statement of Accounts 2023/24**

## 10. An assessment of our earmarked reserves

The following table shows details of movements in these reserves.

<b>Earmarked Reserves</b>	<b>Contingency</b>	<b>Business Rates Reserve</b>	<b>Future replacement of assets</b>	<b>Other reserves</b>	<b>Total earmarked reserves</b>
	£ 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 £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000	<b>Other operating expenditure</b>	2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 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		2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 000
			<b>Financing and investments</b>			
-	(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)
<b>11,103</b>	<b>(9,783)</b>	<b>1,320</b>		<b>11,982</b>	<b>(13,046)</b>	<b>(1,064)</b>

## 13. Taxation and non-specific grants

2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000		2023/24 Gross spending £ 000	2023/24 Income £ 000	2023/24 Net spending £ 000
			<b>Taxation &amp; general grants</b>			
-	(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)
<b>28,589</b>	<b>(72,591)</b>	<b>(44,002)</b>		<b>29,566</b>	<b>(65,251)</b>	<b>(35,685)</b>

## 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.

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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 year's 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.

<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	<b>Other land and buildings</b>	<b>Vehicles and equipment</b>	<b>Infra-structure</b>	<b>Community assets</b>	<b>Assets being built</b>	<b>Surplus assets</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Net book value on 1 April 2022 (after depreciation)	171,712	9,268	208	4,823	2,786	7,278	196,075
<b>Total book value on 1 April 2022</b>	<b>172,063</b>	<b>21,012</b>	<b>227</b>	<b>4,823</b>	<b>2,786</b>	<b>7,278</b>	<b>208,189</b>
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)
<b>Total book value on 31 March 2023</b>	<b>171,950</b>	<b>22,509</b>	<b>227</b>	<b>5,217</b>	<b>8,567</b>	<b>8,933</b>	<b>217,403</b>
<b>Depreciation on 1 April 2022</b>	<b>351</b>	<b>11,744</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,114</b>
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
<b>Depreciation on 31 March 2023</b>	<b>516</b>	<b>12,616</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,159</b>
<b>Net book value on 31 March 2023 (after depreciation)</b>	<b>171,434</b>	<b>9,893</b>	<b>200</b>	<b>5,217</b>	<b>8,567</b>	<b>8,933</b>	<b>204,244</b>

<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	<b>Other land and buildings</b>	<b>Vehicles and equipment</b>	<b>Infra-structure</b>	<b>Community assets</b>	<b>Assets being built</b>	<b>Surplus assets</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
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)
<b>Total book value on 31 March 2024</b>	<b>165,537</b>	<b>23,654</b>	<b>227</b>	<b>5,308</b>	<b>19,396</b>	<b>8,793</b>	<b>222,915</b>
<b>Depreciation on 1 April 2023</b>	<b>516</b>	<b>12,616</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,159</b>
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
<b>Net book value on 31 March 2024 (after depreciation)</b>	<b>165,464</b>	<b>9,719</b>	<b>192</b>	<b>5,308</b>	<b>19,396</b>	<b>8,793</b>	<b>208,872</b>



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 )	-	-	-	-	-	-	-
<b>Total</b>	<b>165,537</b>	<b>23,654</b>	<b>227</b>	<b>5,308</b>	<b>19,396</b>	<b>8,793</b>	<b>222,915</b>

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)
<b>Balance on 31 March</b>	<b>1,009</b>	<b>57,899</b>	<b>58,908</b>	<b>-</b>	<b>54,090</b>	<b>54,090</b>

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
<b>Balance on 31 March 2023</b>	<b>57,536</b>	<b>363</b>	<b>57,899</b>

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
<b>Balance on 31 March 2024</b>	<b>53,707</b>	<b>383</b>	<b>54,090</b>

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)
<b>Capital financing requirement at 31 March</b>	<b>35,366</b>	<b>37,579</b>

## 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, botanical 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

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### 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	<b>SHORT-TERM</b>	2023/24 Investments / Borrowing £ 000	2023/24 Cash & cash equivalents £ 000	2023/24 Receivables & payables £ 000
			<b>Financial assets</b>			
-	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	<b>Total financial assets</b>	8,075	8,852	7,528
6,129	20,313	6,603	<b>Total assets</b>	8,075	8,852	7,528
			<b>Financial liabilities</b>			
-	381	(10,839)	Amortised cost	(5,031)	-	(11,301)
-	381	(10,839)	<b>Total financial liabilities</b>	(5,031)	-	(11,301)
-	381	(10,839)	<b>Total liabilities</b>	(5,031)	-	(11,301)

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

<b>Fair Value</b>	Reporting £ 000	Fair value £ 000
<b>Fair Value At 31 March 2023</b>		
<b>Financial assets</b>		
Investments and cash	41,679	41,680
Cash	28	28
Long-term receivables	990	990
<b>Financial liabilities</b>		
Cash	381	381
<b>Fair Value At 31 March 2024</b>		
<b>Financial assets</b>		
Investments and cash	25,754	25,754
Cash	417	417
Long-term receivables	807	807
<b>Financial liabilities</b>		
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
<b>Total</b>			<b>15,265</b>	<b>15,316</b>

### **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, Credit Default 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
<b>Total</b>	<b>26,414</b>	<b>16,510</b>	<b>15,265</b>	<b>9,244</b>

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
<b>6,603</b>		<b>7,528</b>

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
<b>41,679</b>		<b>25,754</b>

### 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 charged 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 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)
<b>37,676</b>		<b>34,948</b>

\* 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	11,829
2,420	NNDR ratepayers	2,557
2,874	Council Tax ratepayers	3,276
2	Money owed by Council's employees	4
<b>16,137</b>		<b>19,012</b>

## 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
<b>20,694</b>		<b>8,852</b>

## 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
<b>29,875</b>		<b>19,804</b>

\* 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
<b>Balance at 31 March 2024</b>	<b>2,033</b>	<b>2,033</b>

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## 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)
<b>157,241</b>	<b>Closing balance</b>	<b>169,830</b>

**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
<b>(1,622)</b>		<b>(2,752)</b>



## 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
	<b>Expenditure</b>	
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	<b>Total Expenditure</b>	180,783
	<b>Income</b>	
(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)	<b>Total Income</b>	(126,946)
(93,091)	<b>Total expenditure and income</b>	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 Gross spending	2022/23 Income	2022/23 Net spending	Trading accounts not shown in Spending on current services	2023/24 Gross spending	2023/24 Income	2023/24 Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			<b>Other operating expenditure</b>			
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)
			<b>Financing and investment</b>			
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)	<b>Total trading activity</b>	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)
<b>Net position</b>	<b>79</b>	<b>558</b>	<b>(300)</b>	<b>(297)</b>

## 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
<b>537</b>	<b>Total we paid in the year</b>	<b>564</b>

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
<b>50,000–54,999</b>	25	26	-	-
<b>55,000–59,999</b>	16	16	-	-
<b>60,000–64,999</b>	7	10	1	-
<b>65,000–69,999</b>	3	5	1	-
<b>70,000–74,999</b>	3	3	-	-
<b>75,000–79,999</b>	2	6	-	-
<b>80,000–84,999</b>	8	1	-	-
<b>85,000–89,999</b>	3	6	-	-
<b>90,000–94,999</b>	3	4	-	-
<b>95,000 – 99,999</b>	1	2	-	-
<b>100,000 - 104,999</b>	-	-	-	-
<b>105,000 – 109,999</b>	-	-	-	-
<b>110,000 - 114,999</b>	-	-	-	-
<b>115,000 – 119,999</b>	-	-	-	-
<b>120,000 - 124,999</b>	-	-	-	-

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.

<b>Chief officers</b>	<b>Salary, fees and allowances</b>	<b>Benefits in kind</b>	<b>Compensation for loss of employment</b>	<b>Employer pension contributions</b>	<b>TOTAL</b>
		***		****	
<b>2022/23</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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

<b>Chief officers</b>	<b>Salary, fees and allowances</b>	<b>Benefits in kind</b>	<b>Compensation for loss of employment</b>	<b>Employer pension contributions</b>	<b>TOTAL</b>
		***		****	
<b>2023/24</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>314</b>	<b>Total spending</b>	<b>147</b>
	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
<b>Total</b>	<b>8</b>	<b>2</b>	<b>314</b>	<b>147</b>

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. Our external auditors were not able to complete the 2021/22 and 2022/23 audits by the Government's proposed hard deadline of 13<sup>th</sup> December 2024. 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 31<sup>st</sup> 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
	<b>Amounts payable for 2023/24 audit not recognised in our accounts, due to audit not taking place by 31st March:</b>	
	Fees payable to the auditor	
-	Basic audit	166
-	Housing Benefits audit	22
	<b>Total fees payable in future years relating to 2023/24</b>	<b>188</b>
	<b>Amounts recognised in our accounts:</b>	
(21)	Government grant for audit fees	-
-	Accrued costs relating to previous year's audit fees no longer expected to be due	(41)
(21)	<b>Total fees recognised in the accounts</b>	<b>(41)</b>

### 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
<b>37,282</b>		<b>39,857</b>

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**

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#### **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.

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### **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
<b>26,100</b>		<b>24,710</b>

## **34. Pensions**

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### **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.

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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	<b>Charges to the Comprehensive income and expenditure account</b>	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)	<b>Total charges to the comprehensive income and expenditure statement</b>	<b>43,690</b>
5,617	Employer's contributions charged to the General fund	6,950

The actuary has 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	<b>Movements on pension fund assets and liabilities</b>	31 March 2024
£ 000		£ 000
	<b>Scheme liabilities</b>	
(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)
	<b>Scheme assets</b>	
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.

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

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
<b>Pension fund balances</b>						
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>	
<b>21.1</b>	Men	<b>20.8</b>
<b>23.5</b>	Women	<b>23.3</b>
	<u>Years we expect to pay pensioners retiring in 20 years</u>	
<b>22.3</b>	Men	<b>22.0</b>
<b>25.0</b>	Women	<b>24.7</b>
<b>%</b>		<b>%</b>
<b>2.90</b>	Rate of inflation – CPI	<b>2.95</b>
<b>3.25</b>	Rate of inflation – RPI	<b>3.25</b>
<b>3.90</b>	Rate of increase in salaries	<b>3.95</b>
<b>2.90</b>	Rate of increase in pensions	<b>2.95</b>
<b>4.80</b>	Discount rate	<b>4.90</b>

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	<b>Cash and cash equivalents</b>	7,834
	<b>Stocks and shares (by type)</b>	
-	UK investments	-
137,447	Overseas investments	148,946
137,447		148,946
	<b>Bonds (by sector)</b>	
-	UK Corporate	-
3,821	UK Government	5,193
3,821		5,193
	<b>Property (by type)</b>	
4,959	Listed	5,190
16,441	Unlisted	15,568
21,400		20,758
13,065	<b>Private equity</b>	11,682
	<b>Other investment funds</b>	
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	<b>Total</b>	292,633

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

### **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
	<b>Grant received in advance</b>	
6,684	Money received as part of planning agreements	7,885
	<b>Capital grants unapplied</b>	
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	<b>Total</b>	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.**

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### **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)	<b>Income</b>			
			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)
			<b>Spending</b>			
			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
			<b>Movements on the Collection Fund</b>			
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

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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
<b>Total</b>	<b>79,348</b>	<b>68,089</b>		<b>70,763</b>

## 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
<b>1,985</b>	<b>(1,990)</b>	<b>(5)</b>		<b>1,327</b>	<b>6,111</b>	<b>7,438</b>

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
	<b>100</b>	<b>611</b>

#### 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**







## 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.

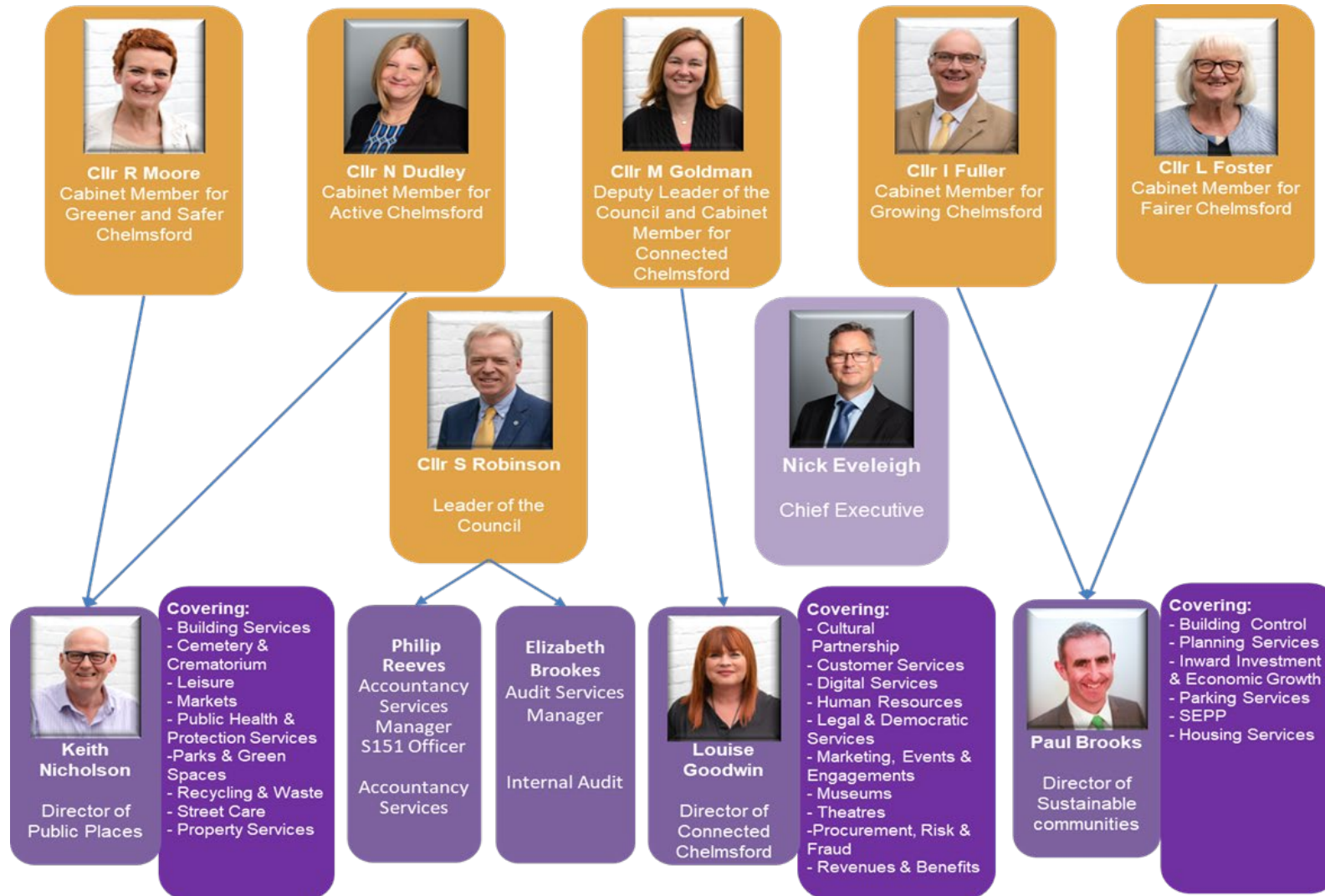
**Trading undertakings**

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**





26 February 2025

Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

Chelmsford City Council  
Duke Street  
Chelmsford  
Essex, CM1 1JE

Tel: 01245 606562  
Email: [phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk)

This letter of representations is provided in connection with your audit of the financial statements of Chelmsford City Council ("the Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Chelmsford City Council as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the identified error is not material and has no impact on the general fund balance.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

**B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the [Council/Authority]'s financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the [Council/Authority]'s activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Audit and Risk Committee, Cabinet and Full Council held through the year to the most recent meeting on the following date: *28 January 2025*.
4. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. We have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to

have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

#### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 35 to the financial statements all guarantees that we have given to third parties.

#### **E. Going Concern**

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **F. Subsequent Events**

1. Other than the events described in Note 8 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

#### **H. Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Council, and reflected in the financial statements.

#### **I. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Council has satisfactory

title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral to the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

#### **J. Use of Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the property, plant and equipment (other land and buildings, surplus assets) and investment property valuation and the pension valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **K. Estimates**

##### ***PPE (other land and buildings, surplus assets) and investment property valuation and pension valuation estimates***

1. We confirm that the significant judgments made in making the PPE (other land and buildings, surplus assets) and investment property valuation and pension valuation have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the PPE (other land and buildings, surplus assets) and investment property valuation and pension liability valuation.
3. We confirm that the significant assumptions used in making the PPE (other land and buildings, surplus assets) and investment property valuation and pension liability valuation appropriately reflect our intent and ability to continue to use the assets in the provision of services or generation of income on behalf of the Council and continue to participate in the Pension Fund, respectively.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates) including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the PPE (other land and buildings, surplus assets) and investment property valuation and pension valuation.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

**M. Retirement Benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**N. Reserves**

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

**O. Contingent Liabilities**

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

*Yours faithfully,*

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Phil Reeves (Section 151 officer)

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Cllr Nora Walsh (Chair of the Audit and Risk Committee)

Communication schedule for uncorrected misstatements

Entity: Chelmsford City Council

Period Ended: 31-Mar-2024

Currency: GBP

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period		
No.	WP ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description )	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
Factual misstatements:												
Projected misstatements:												
Judgmental misstatements:												
1		Chelmsford City Council's share of the differences in the Pension Fund Investment assets work carried out by the Essex Pension Fund Auditors.										
		Investment assets		233,990								
		Remeasurement gain/loss (OCI)						(233,990)				
<b>Total of uncorrected misstatements before income tax</b>			0	233,990	0	0	0	(233,990)	0		0	
<b>Total of uncorrected misstatements</b>			0	233,990	0	0	0	(233,990)	0		0	
Financial statement amounts			52,216,000	277,393,000	(26,305,000)	(17,066,000)	(286,238,000)		53,837,000			
Effect of uncorrected misstatements on F/S amounts			0.0%	0.1%	0.0%	0.0%	0.0%		0.0%		0.0%	
Memo: Total of non-taxable items (marked 'X' above)									0		0	
Uncorrected misstatements before income tax									0.0%	0	0	0
Less: Tax effect of misstatements at current year marginal rate										0	0	0
Uncorrected misstatements in income tax										0	0	0
Cumulative effect of uncorrected misstatements after tax but before turnaround									0.0%	0	0	0
Turnaround effect of prior period uncorrected misstatements												
									After tax	Memo: Before tax		
All factual and projected misstatements:										0	0	
Judgmental misstatements (Note 3):										0	0	
Cumulative effect of uncorrected misstatements, after turnaround effect									0.0%	0	0	
Current year income before tax												
Current year income after tax										53,837,000		





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# Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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## Internal Audit Plan 2025 and Charter

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Report by:

Audit Services Manager

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Officer Contact:

Elizabeth Brooks, Audit Services Manager, [elizabeth.brooks@chelmsford.gov.uk](mailto:elizabeth.brooks@chelmsford.gov.uk)

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### Purpose

This report presents the Internal Audit Plan for 2025 and Internal Audit Charter to Committee.

### Recommendations

Committee are requested to approve the Internal Audit Plan for 2025 and Internal Audit Charter.

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### 1. Introduction

- 1.1. 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, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and

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

- 1.3. In order to achieve this, Internal Audit have developed the attached internal audit plan for 2025 which is based on a 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 discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. As with last year, we have produced a 6-month plan for work from April to September, with suggested areas for October to March that we can be flexible over delivering nearer the time, but equally be in a good place to respond to any higher risks that might emerge in the meantime.

## 2. Internal Audit Budget and Resources

- 2.1. The plan has been drawn up to address the key risks for the Council, taking into account available resources.
- 2.2. In order to ensure Internal Audit have an appropriate range of knowledge, skills, qualifications and experience that is required to deliver the audit plan, the Audit Services Manager will consider the external support required to deliver areas where specialist input would be beneficial, and to provide contingency in the event of any gaps in in-house staffing, alongside in-house delivery (1.5 FTE Senior Auditor).
- 2.3. Changes to the plan may be necessary during the year to reflect changing priorities and risk environment. A contingency has therefore been set aside 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).

## 3. Assurance Levels/Basis of Opinion

- 3.1. Management Team and the Audit & Risk Committee will continue to receive details of critical/high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements, as part of the bi-annual reporting process.
- 3.2. Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
- 3.3. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Services Manager will give due consideration to the appropriateness of undertaking such work.

## 4. Key Financial Systems (KFS)

- 4.1. The audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively.

## 5. Follow Up Audits

- 5.1. Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.
- 5.2. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. A budget for follow ups has been accounted for in the plan.

## 6. Alignment with Counter Fraud and Risk Management

- 6.1. In accordance with the audit plan, auditors will 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.
- 6.2. Internal Audit will also discuss and exchange risk information and any emerging issues which may impact on the Council's wider risk management framework.

## 7. Internal Audit Charter

- 7.1. The Global Internal Audit Standards require the use of an internal audit charter, defined as "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications".

## 8. Conclusion

- 8.1. The Internal Audit Plan 2025 and Internal Audit Charter 2025 is attached for Audit & Risk Committee to approve.

List of appendices: Internal Audit Plan 2025 and Internal Audit Charter 2025

Background papers: None

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## 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).

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 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

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**Consultees:** Agreed by Management Team February 2025

**Relevant Policies and Strategies:** None

## Internal Audit Draft Plan 2025 (April to September)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment <i>(also links to PRR 005 – Fraud)</i>	Indicative Scope <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
XC	Impact of Climate Change	A Safer and Greener Place	PRR 025 - Impact of Climate Change		<i>Review of the Council's measures for responding to the impact of Climate Change and its framework for reporting progress. To include a review of the process for Carbon Footprint monitoring.</i>
XC	Third Sector Partnership Working	Fairer and Inclusive Chelmsford		FRC5 - Decision-making	<i>Review of the Council's arrangements for managing third sector partnership risks to ensure that outcomes are being achieved and effective governance and oversight arrangements are in place.</i>
XC	Fleet Management/Vehicle Maintenance	A Safer and Greener Place		FRC8 Theft	<i>Review of the arrangements in place for the management and maintenance of Council fleet, including Freighter House, Parks/Ground Maintenance as well as SEPP and Car Parks fleet.</i>
CE	Insurance			FRC19 - Insurance claims	<i>Review of the Council's arrangements for demonstrating its compliance with insurance policy requirements.</i>
CE	Budgetary Control		PRR 032 - Budget and Financial Position		<i>Review of the Council's governance arrangements for budgetary control and service financial planning.</i>
CC	Information Governance		PRR 016 - Information Governance	FRC1 - Data theft and other cyber crime	<i>Review of the Council's control environment in relation to information governance.</i>
CC	Cultural Strategy	A more connected Chelmsford			<i>Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress</i>
PP	Community Sports & Wellbeing (incl Playschemes)	A more connected Chelmsford	PRR 015 - Safeguarding	FRC11 - Income Collection	<i>Review of operational and financial arrangements.</i>
PP	Markets			FRC12 - Income Collection	<i>Review of operational and financial arrangements.</i>
SC	Temporary Accommodation	Fairer and Inclusive Chelmsford	PRR 006 - Homelessness; PRR 028 - Impact of Cost of Living Crisis	FRC3 Social Housing and Tenancy; FRC12 No Recourse to Public Funds; FRC5 - Decision-making	<i>Review of the Council's arrangements for Temporary Accommodation, including procurement and monitoring of providers</i>
SC	Garden Communities (Local Plan)	Fairer and Inclusive Chelmsford	PRR 012 - Chelmer Waterside Dev; PRR 036 - A12 Widening		<i>Scope TBC</i>

## Proposed Audit Areas (October to March 2026)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
XC	Performance Management	ALL		FRC10 - Manipulation of Data
XC	Driving Policy		PRR 014 - Health and Safety	
CE	Key Financial Systems (specific areas TBC)		PRR 032 - Budget and Financial Position	FRC11 - Income Collection; FRC8 Theft; FRC6 Mandate Fraud
CC	Cyber Security (specific areas TBC)		PRR001 – Cyber Security; PRR 016 - Information Governance	FRC1 - Data theft and other cyber crime
PP	Housing Standards & Housing Grants and Loans	Fairer and Inclusive Chelmsford		FRC18 - Grants Received and Payable
PP	Leisure Centres	A more connected Chelmsford	PRR 015 - Safeguarding	FRC11 - Income Collection; FRC8 Theft; FRC7 - Payroll and expenses
SC	Landlord Rent Deposit Scheme		PRR 006 - Homelessness; PRR 028 - Impact of Cost of Living Crisis	FRC3 Social Housing and Tenancy; FRC12 No Recourse to Public Funds
SC	Car Park Strategy	Fairer and Inclusive Chelmsford		FRC12 - Income Collection; FRC7 - Payroll and expenses
SC	Affordable Accommodation (Local Plan)	Fairer and Inclusive Chelmsford	PRR 012 - Chelmer Waterside Development; PRR 036 - A12 Widening	
XC	Performance Management	ALL		FRC10 - Manipulation of Data
SC	Housing Rents		PRR 006 - Homelessness	FRC 23_03 - Social housing & tenancy

# Internal Audit Charter for Chelmsford City Council

## Purpose

The purpose of the internal audit function is to strengthen Chelmsford City Council's ability to create, protect, and sustain value by providing the Audit and Risk Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Chelmsford City Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Chelmsford City Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit and Risk Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

## Commitment to Adhering to the Global Internal Audit Standards

Chelmsford City Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Audit Services Manager will report annually to Audit and Risk Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## Mandate

### Authority

Chelmsford City Council's internal audit function mandate is found in: the Accounts and Audit Regulations 2015 which states: *Internal Audit: 5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. (2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit— (a) make available such documents and records; and (b) supply such information and explanations; as are considered necessary by those conducting the internal audit. (3) In this regulation "documents and records" includes information recorded in an electronic form.*

Also in the Local Government Measure 2011 as amended by the Local Government and Elections (Wales) Act 2021 (extract)) which states: *81. Local authorities to appoint governance and audit committees: (1) A local authority must appoint a committee (a "governance and audit committee") to— ... (e) oversee the authority's internal and external audit arrangements.*



The internal audit function's authority is created by its direct reporting relationship to the Audit and Risk Committee. Such authority allows for unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Chelmsford City Council and other specialised services from within or outside Chelmsford City Council to complete internal audit services.

### ***Independence, Organisational Position, and Reporting Relationships***

The Audit Services Manager will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The Audit Services Manager will report functionally to the Audit and Risk Committee and administratively (for example, day-to-day operations) to the Chief Executive. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Risk Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Audit Services Manager will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Audit Services Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The Audit Services Manager will disclose to the Audit and Risk Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Audit Services Manager, Audit and Risk Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Audit Services Manager, Audit and Risk Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## Audit and Risk Committee Oversight

To establish, maintain, and ensure that Chelmsford City Council's internal audit function has sufficient authority to fulfill its duties, the Audit and Risk Committee will:

- Discuss with the Audit Services Manager and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Audit Services Manager has unrestricted access to, and communicates and interacts directly with, the Audit and Risk Committee, including in private meetings without senior management present.
- Discuss with the Audit Services Manager and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Audit Services Manager and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the Audit Services Manager to consider changes affecting the organisation, such as the employment of a new Audit Services Manager or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Advocate to senior management, which submits budgetary requests to Full Council, for sufficient budget and resources allowing the internal audit function to fulfill its mandate and accomplish its audit plan.
- Provide input to senior management on the appointment and removal of the Audit Services Manager, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Receive communications from the Audit Services Manager about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Audit Services Manager to determine whether scope or resource limitations are inappropriate.

## Audit Services Manager Roles and Responsibilities

### *Ethics and Professionalism*

The Audit Services Manager will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### *Objectivity*

The Audit Services Manager will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Audit Services Manager determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Chelmsford City Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Chelmsford City Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Audit Services Manager, Audit and Risk Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Audit Services Manager – Other Areas of Responsibility***

The Audit Services Manager has strategic responsibility for Counter Fraud and Risk Management and since this role may involve establishing and maintaining the control environment, the appropriate measures and safeguards will be put in place to preserve independence and objectivity, such as:

- The work being managed and led by a Senior Auditor, independently from the Audit Services Manager
- Utilising Internal Audit's external co-sourced provider
- Conclusions being reported directly to the Council's Chief Executive

### ***Managing the Internal Audit Function***

The Audit Services Manager has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit and Risk Committee and senior management. Discuss the plan with the Audit and Risk Committee and senior management and submit the plan to the Audit and Risk Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Risk Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Chelmsford City Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Risk Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Risk Committee and senior management and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues and communicate to the Audit and Risk Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the audit function.
- Ensure adherence to Chelmsford City Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Risk Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Audit Services Manager cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Risk Committee.

### ***Communication with the Audit and Risk Committee and Senior Management***

The Audit Services Manager will report at least annually to the Audit and Risk Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Risk Committee that could interfere with the achievement of Chelmsford City Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Chelmsford City Council's risk appetite.

### ***Quality Assurance and Improvement Program***

The Audit Services Manager will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Audit Services Manager will communicate with the Audit and Risk Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Chelmsford City Council.

### ***Scope and Types of Internal Audit Services***

The scope of internal audit services covers the entire breadth of the organisation, including all of Chelmsford City Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Risk Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Chelmsford City Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Chelmsford City Council’s strategic objectives are appropriately identified and managed.
- The actions of Chelmsford City Council’s officers, directors, management, employees, and contractors or other relevant parties comply with Chelmsford City Council’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively, efficiently and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Chelmsford City Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**Approved by the Audit and Risk Committee at its meeting on [date].**

**Acknowledgments/Signatures:**

\_\_\_\_\_  
Audit Services Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Audit and Risk Committee Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Nick Eveleigh, Chief Executive

\_\_\_\_\_  
Date



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## Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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### **Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness Assessment Update**

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Report by:

Audit Services Manager

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Officer Contact:

Elizabeth Brooks, Audit Services Manager [elizabeth.brooks@chelmsford.gov.uk](mailto:elizabeth.brooks@chelmsford.gov.uk)

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#### Purpose

This report shares the outcome of Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards.

#### Recommendations

Committee are requested to note the contents of this report.

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#### 1. Introduction

- 1.1. This document shares the outcome of the recent External Quality Assessment for Internal Audit and an update on Internal Audit's readiness for the new Global Internal Audit Standards which come into effect on 1<sup>st</sup> April 2025.

#### 2. Internal Audit External Quality Assessment (EQA)

- 2.1. Public Sector Internal Audit Standards requires an external quality assessment (EQA) to be undertaken to provide the Council with an independent opinion about internal audit's conformance with the Standards and Code of Ethics.



- 2.2. It also requires the assessment to be undertaken by a qualified, independent assessor from outside the organisation. Across London, the London Audit Group has organised a system of independent externally validated self-assessments against the standards by suitably qualified individuals. To this end, the review of Chelmsford’s internal audit’s performance was undertaken by Christopher Martin who is the Head of Assurance for London Borough of Barking and Dagenham. The review took place in December 2024.
- 2.3. Based on the self-assessment, supporting evidence and independent validation, it is the view of the lead assessor that the Internal Audit service for Chelmsford City Council **generally conforms with the Public Sector Internal Audit Standards**.

<b>Generally Conforms</b>	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service’s effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

## 2.4. Action Plan

Out of the 130+ standard categories that PSIAS incorporates, three areas for minor improvement were identified, with four recommendations made to address these:

No.	Finding	Recommendation	Management response	Priority
1.	The Audit Services Manager has operational responsibility for Counter Fraud and Risk Management, but no specific safeguards are in place to ensure independence in the event that Internal Audit activity takes place in this area.	The Audit Charter should be updated with specific arrangements that would apply to ensure independence when areas that fall under the operational control of the Audit Services Manager are audited.	Agreed. This will be reflected in the updated Audit Charter due to be presented to Audit and Risk Committee in March 2025.	Low

No.	Finding	Recommendation	Management response	Priority
2.	In common with many local authority audit services, there has been an extended gap since the last external review because of uncertainty over the timing of the new global standards.	<p>External Assessments should be carried out every five years.</p> <p>The findings of internal and external assessments should be communicated to the Audit &amp; Risk Committee.</p>	<p>Agreed. The EQA report will be presented to Audit and Risk Committee in March 2025. Future annual internal assessments will be appended to the Internal Audit Annual Report.</p> <p>The next external assessment will be due in 2029 and scheduled accordingly for that year.</p>	Low
3.	There are no improvement actions set out in the current Quality Assurance and Improvement Plan (QAIP).	Consideration should be given to including an improvement plan in the QAIP to include any agreed actions from this report, and any other improvement measures that the Audit Services Manager identifies.	<p>Any improvement actions required (based on ongoing service review, feedback and/or KPI results) are considered and actioned accordingly.</p> <p>Going forward these actions will be additionally recorded as part of the QAIP.</p>	Low
4.	There is currently no consideration in audit planning or reporting of the assurance provided by external bodies such as the RSPCA, Visit England and the Civic Trust (Purple Flag).	Consideration should be given to a degree of reliance being placed on the work of external assurance providers in developing the Internal Audit plan and Annual Opinion.	Agreed. These additional external providers of assurance will be considered in developing the plan and opinion.	Low

2.5. The Full Report is attached containing more detail.

### 3. GIAS Readiness Assessment Update

- 3.1. From 1st April 2025, the current framework for Public Sector Internal Audit Standards will be superseded by new Global Internal Audit Standards (GIAS), supported by a new CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government and Local Government Application Note.
- 3.2. The new Standards Framework therefore encompasses: 51 Standards + 8 Local Government Application Notes + 9 Code of Practice Elements = 68 requirements in total
- 3.3. The positive outcome of the EQA provides a robust foundation for compliance with the new Standards. A GIAS readiness assessment has also been completed and it was found that as at January 2025, the service is 78% compliant with the full new suite of requirements.
- 3.4. The remaining 22% will be covered by some updates to Internal Audit practices and documenting these in an updated Audit Methodology, as well as the introduction of the annual Internal Quality Assessment report which will be appended to the Annual Report in June 2025. This will also formally set out any improvement actions identified.
- 3.5. Furthermore, the introduction of a new action tracker will ensure compliance with the new standards, and the outcome of this will be reported to Senior Management and Audit Committee as part of the Internal Audit Annual Report in June 2025.

### 4. Conclusion

- 4.1. This report shares the outcome of Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards.

List of appendices: Final External Quality Assessment Report

Background papers: None

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### 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).

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 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

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**Consultees:** Management Team February 2025

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**Relevant Policies and Strategies:** None

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# **Chelmsford City Council**

## **Final Report: Internal Audit Performance External Quality Assessment**

Date: 29<sup>th</sup> January 2025

Report Author:

Christopher Martin  
Head of Assurance  
London Borough of Barking & Dagenham

## Introduction

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The Public Sector Internal Audit Standards (PSIAS) require an external quality assessment be undertaken at least every five years. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

Standard 1312 states:

*External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.*

The standards and interpreting guidance go on to clarify that the external assessor must conclude as to conformance with the Code of Ethics and the Standards. The lead assessor must demonstrate competence in the professional practice of internal auditing and the external assessment process. Neither the lead assessor or any members of the assessment team should have an actual or perceived conflict of interest and they must not be a part of, or under the control of, the organisation to which the internal audit activity belongs. The scope of the assessment must be agreed with an appropriate sponsor, such as the Director of Finance or the Chair of the Audit Committee.

Across London and the Home Counties, the London Audit Group has organised a system of independently validated assessments. It has been agreed that self-assessments will be completed and that these will be validated by suitably qualified individuals or teams from other members of the group.

This review of Internal Audit's performance at Chelmsford City Council has been led by Christopher Martin, Head of Assurance at the London Borough of Barking & Dagenham, who is appropriately qualified, independent and has no actual or perceived conflicts of interest. The terms of reference for this assessment were discussed and agreed with Elizabeth Brooks, Audit Services Manager at Chelmsford City Council.

## Conclusion

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Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the Internal Audit service for Chelmsford City Council **generally conforms with the Public Sector Internal Audit Standards**. Definitions of all the ratings are detailed in Appendix A.

<b>Generally Conforms</b>	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
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## **Key Observations**

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This assessment has identified some areas where the PSIAS requirements are not met in full, the priority rating to address each item has been rated as low and the cumulative effect of these observations is that the service overall is considered in my opinion to be generally conforming with the standards.

It is also my opinion that the observations set out here are relatively straightforward to address, and the identification of 3 areas for minor improvement with 4 recommendations should be viewed in the context of the 130+ standard categories that PSIAS incorporates.

### **1130 Impairment to Independence or Objectivity**

Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the Internal Audit activity.

The Internal Audit Charter makes it clear that where the Audit Services Manager has, or is expected to have, roles and/or responsibilities that fall outside of Internal Audit, safeguards will be established to limit impairments to independence or objectivity. It doesn't however make clear that her job description already gives her operational responsibility for both Counter Fraud and Risk Management or provide any detail as to what the safeguards are should any Internal Audit activity be undertaken in these areas.

### **1300 Quality Assurance & Improvement Programme**

Ongoing internal performance monitoring of the Internal Audit function is required to enable an assessment against the PSIAS standards and also identify any areas for improvement. In addition, an external assessment should take place every 5 years.

In common with the majority of local authority audit services, there has been an extended gap since the last external review of the Chelmsford City Council Internal Audit service because of uncertainty over the timing of the new global standards. Measures are in place to ensure that the service is delivered in a way that recognises the required standards, for example, there is an Internal Audit methodology which provides guidance on how assignments should be carried out, this had been updated within the last year. An internal assessment had also been undertaken recently ahead of this review.

A Quality Assurance and Improvement Plan (QAIP) is in place which sets out the controls that are in place to provide assurance that the service remains at a high level of quality, although it does not refer to an improvement plan. The inclusion of an improvement plan would ensure that management action to further improve the service is targeted at the areas which will have the most benefit and help to ensure that any work is prioritised.



## **2050 Coordination**

The Chief Audit Executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

The Corporate Governance Group has undertaken a mapping exercise that covers key governance assurance across the Council and this is reflected in the Internal Audit plan. There has also been a degree of liaison with the external auditors as far as their operational engagement has allowed. There does not however appear to be any consideration in the formulation of either the Internal Audit plan or the Annual Opinion of the work of any other assurance provider. External assurance bodies such as the RSPCA, Visit England and the Civic Trust (Purple Flag) have all provided degrees of assurance over levels of service provision and standards at Chelmsford City Council over recent months and consideration of these may reduce duplication of effort.

## Summary Assessment

Statement	Generally Conforms	Partially Conforms	Does not Conform
<b>Mission of Internal Audit</b>			
Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	✓		
<b>Definition of Internal Auditing</b>			
Is the internal audit activity independent and objective?	✓		
Does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓		
<b>Core Principles</b>			
Does the internal audit activity conform with the PSIAS by demonstrating integrity?	✓		
Does the internal audit activity conform with the PSIAS by demonstrating competence and due professional care?	✓		
Does the internal audit activity fully conform with the PSIAS by being objective and free from undue influence (independent)?	✓		
Does the internal audit activity fully conform with the PSIAS by being aligned with the strategies, objectives, and risks of the organisation?	✓		
Is the internal audit activity appropriately positioned and adequately resourced?	✓		
Does the internal audit activity demonstrate quality and continuous improvement?	✓		
Does the internal audit activity communicate effectively?	✓		
Does the internal audit activity provide risk-based assurance, based on adequate risk assessment?	✓		
Is the internal audit activity insightful, proactive, and future-focused?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the internal audit activity promote organisational improvement?	✓		
<b>Code of Ethics</b>			
Do internal auditors display integrity?	✓		
Do internal auditors display objectivity?	✓		
Do internal auditors display due respect and care by maintaining confidentiality?	✓		
Do internal auditors display competency?	✓		
Do internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓		
<b>Attribute Standards</b>			
Does the internal audit charter conform with the PSIAS by including a formal definition of the purpose, authority and responsibility of the internal audit activity?	✓		
Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?	✓		
Internal Audit Charter.	✓		
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?	✓		
Does the CAE have direct and unrestricted access to senior management and the board?	✓		
Are threats to objectivity identified and managed?	✓		
Does the CAE report to an organisational level equal or higher to the corporate management team? Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓		
Does the CAE's position in the management structure: Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? Ensure that he or she is sufficiently senior and independent to be able to provide a credibly constructive challenge to senior management?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	✓		
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?	✓		
Does the CAE communicate and interact directly with the board?	✓		
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity? Does the board periodically review these safeguards?	✓		
Do internal auditors have an impartial, unbiased attitude?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓		
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties?	✓		
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	✓		
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?		✓	
Is the risk of over-familiarity or complacency managed effectively?	✓		
Have internal auditors declared interests in accordance with organisational requirements?	✓		
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties has this been declared and investigated fully?	✓		
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	✓		
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓		
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓		
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?	✓		
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓		
Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓		
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓		
Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓		
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓		
Do internal auditors exercise due professional care?	✓		
Do internal auditors exercise due professional care during a consulting engagement?	✓		
Has the CAE defined the skills and competencies for each level of auditor? Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓		
Do internal auditors undertake a programme of continuing professional development?	✓		
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		✓	
Does the QAIP include both internal and external assessments?	✓		
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal assessments include ongoing monitoring of the internal audit activity?	✓		
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	✓		
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	✓		
Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓		
Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?		✓	
Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	✓		
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	✓		
Has the CAE reported the results of the QAIP to senior management and the board?	✓		
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓		
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓		
Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓		
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓		
<b>Performance Standards</b>			
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓		
Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the risk-based plan set out the: Audit work to be carried out?	✓		
Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓		
Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓		
In developing the risk-based plan, has the CAE also given sufficient consideration to: Any declarations of interest (for the avoidance for conflicts of interest)? The requirement to use specialists, eg IT or contract and procurement auditors? Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓		
In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	✓		
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓		
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval? Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓		
Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓		
Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓		
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	✓		
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	✓		
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓		



Statement	Generally Conforms	Partially Conforms	Does not Conform
Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?		✓	
Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓		
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	✓		
Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes?	✓		
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓		
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓		
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes?	✓		
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems?	✓		
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓		
Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓		
Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓		
Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems	✓		
Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Do internal auditors develop and document a plan for each engagement?	✓		
Do internal auditors consider the following in planning an engagement, and is this documented: objectives, controls, risks, resources, operations, risk mitigation, adequacy, effectiveness, improvements?	✓		
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party?	✓		
For consulting engagements, have internal auditors established an understanding with the engagement clients	✓		
Have objectives been agreed for each engagement?	✓		
Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	✓		
Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓		
Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	✓		
Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓		
For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	✓		
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement	✓		
Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓		
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?	✓		
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: Intentional wrongdoing? Errors and omissions? Poor value for money? Failure to comply with management policy? Conflicts of interest?	✓		
Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓		
Does the CAE control access to engagement records?	✓		
Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓		
Do the communications of engagement results include the following: The engagement's objectives? The scope of the engagement? Applicable conclusions? Recommendations and action plans, if appropriate?	✓		
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓		
If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓		
Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	✓		
Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓		
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓		
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	✓		
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓		
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓		
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? The reason(s) for non-conformance? The impact of non-conformance on the engagement and the engagement results?	✓		
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓		
Has the CAE communicated engagement results to all appropriate parties?	✓		
Before releasing engagement results to parties outside the organisation, did the CAE: Assess the potential risk to the organisation? Consult with senior management and/or legal counsel as appropriate? Control dissemination by restricting the use of the results?	✓		
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓		
Has the CAE delivered an annual internal audit opinion?	✓		
Does the communication identify the following: The scope of the opinion, including the time period to which the opinion relates? Any scope limitations? The consideration of all related projects including the reliance on other assurance providers? The risk or control framework or other criteria used as a basis for the overall opinion?	✓		
Does the annual report incorporate the following: annual opinion, summary of work, qualifications, impairments, comparisons, conformance with PSIAIS, results of the QAIP, progress against improvement plans, summary of performance?	✓		
Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	✓		
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓		

Statement	Generally Conforms	Partially Conforms	Does not Conform
If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓		

## Appendix A – Definitions

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Generally Conforms	The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and practice statements within the section or sub-sections. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the Audit Committee.

## Appendix B – Action Plan

No.	Finding	Recommendation	Management response	Priority rating
1.	The Audit Services Manager has operational responsibility for Counter Fraud and Risk Management but no specific safeguards are in place to ensure independence in the event that Internal Audit activity takes place in this area.	The Audit Charter should be updated with specific arrangements that would apply to ensure independence when areas that fall under the operational control of the Audit Services Manager are audited.	Agreed. This will be reflected in the updated Audit Charter due to be presented to Audit and Risk Committee in March 2025.	Low
2.	In common with many local authority audit services, there has been an extended gap since the last external review because of uncertainty over the timing of the new global standards.	External Assessments should be carried out every five years.  The findings of internal and external assessments should be communicated to the Audit & Risk Committee.	Agreed. The EQA report will be presented to Audit and Risk Committee in March 2025. Future annual internal assessments will be appended to the Internal Audit Annual Report (June Committee). The next external assessment will be due in 2029 and scheduled accordingly for that year.	Low
3.	There are no improvement actions set out in the current Quality Assurance and Improvement Plan (QAIP).	Consideration should be given to including an improvement plan in the QAIP to include any agreed actions from this report, and any	Any improvement actions required (based on ongoing service review, feedback and/or KPI results) are considered and actioned	Low



		other improvement measures that the Audit Services Manager identifies.	accordingly. Going forward these actions will be additionally recorded as part of the QAIP.	
4.	There is currently no consideration in audit planning or reporting of the assurance provided by external bodies such as the RSPCA, Visit England and the Civic Trust (Purple Flag).	Consideration should be given to a degree of reliance being placed on the work of external assurance providers in developing the Internal Audit plan and Annual Opinion.	Agreed. These additional external providers of assurance will be considered in developing the plan and opinion.	Low



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## Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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### **Accounting Policies for the 2024/25 Statement of Accounts**

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#### Report by:

Accountancy Services Manager (Section 151 officer)

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#### Officer Contact:

Zuzana Clarke, Principal accountant, Email: [zuzana.clarke@chelmsford.gov.uk](mailto:zuzana.clarke@chelmsford.gov.uk), Tel: (01245) 606324

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#### Purpose

This report requires Members to consider the accounting policies which will be used in the preparation of the 2024/25 accounts.

#### Recommendations

1. That the Audit & Risk Committee considers and approves the accounting policies to be used in the preparation of the accounts and delegates to Accountancy Services Manger authority to make amendments.
  2. That Audit & Risk Committee note the proposed new national publication deadlines for the Statement of Accounts and their Audit.
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## 1. Introduction

- 1.1. The Council's accounting policies represent specific principles that are applied in the production of the annual Statement of Accounts. We are required to disclose these policies in the notes to the accounts. The policies are required by regulation to be aligned to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.2. It is considered best practice that Members consider the accounting policies prior to a meeting at which the Statement of accounts will be approved.

## 2. Updates to Accounting Policies

2.1. The accounting policies were reviewed to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) and are set out in **Appendix A**.

2.2. There are two key changes to the accounting policies:

Valuations of Council's property and land values

2.3. The valuation process will be simplified by making less frequent valuations from 2024/25, except for investment properties and surplus assets, for which annual valuations are required by the accounting standards.

The Council will use indexation to adjust for changes in asset values where possible and appropriate. We will still revalue any assets where there is a known material change to the asset, or the economic/market conditions change sufficiently to require us to do so.

2.4. The reduction in the number of valuations should reduce workloads for both the Council's finance team and external auditor.

2.5. Further changes to valuations policies will likely arise for 2025/26, as CIPFA/LASAAAC's, body responsible for updating the Code, consultation on future changes to the code suggests less use of annual revaluations will be expected in future.

Accounting for leases (IFRS16)

2.6. 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 is where rentals are included in the service expenditure of the revenue budget (Comprehensive income and expenditure statement). Operational leases will no longer exist from a lessee's perspective. The change results 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.

2.7. 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.

2.8. 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.

2.9. Exceptions will be granted for leases of low 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.

2.10. The above changes both significantly alter the way we produce the accounts for those areas. Delegation is sought in the report recommendations for the Accountancy Services Manager to amend the accounting policies, should the need arise during the close of accounts work. Any significant changes will be communicated to this Committee when the statement of accounts is presented.

Other changes to the accounting policies

2.11. The officers have reviewed the existing policies and made small alterations where necessary to make them clearer to the reader of the accounts.

2.12. New policies for minimum revenue provision and financial liabilities were added to the accounting policies, as the amounts in the accounts for these two areas are expected to be of material value in the future. The method to calculate MRP remains unchanged.

3. Proposed publication deadlines

3.1. The Government (MHCLG) have now put into legislation backstop dates for publishing the draft and final statement of accounts for years up to 2027/28.

3.2. Local Authority Publication Deadlines

- The deadline for preparing and publishing draft accounts changed from 31 May to 30 June for 2024/25 to 2027/28 financial years.
- Auditor Deadlines

Due to audit delays in recent years many local authorities were not able meet the deadlines to publish their audited accounts. In order to aid the sector to catch up with audits, the Government have now put in a legislation backstop dates by which the accounts must be published. If the auditors are not able to complete the audit in time for the backstop date, they must provide an opinion that will disclaim the parts of the accounts they were unable to audit.

The backstop dates are as follows:

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

List of appendices:

Appendix A – The Council’s accounting policies

Background papers:

Nil

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Corporate Implications

Legal/Constitutional:

The report needs to be presented to comply with the Accounts and Audit Regulations 2015, as amended.

Financial:

Determines how the Council records transactions in statement of accounts.

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

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Consultees:

None

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Relevant Policies and Strategies:

None directly relevant.

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## **APPENDIX A**

### **Accounting policies used in the preparation of the accounts**

#### 1 Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2024/25 and our position at the year-end, 31 March 2025. 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, as amended. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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.

#### **Cash and cash equivalents**

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.

#### **Changes to accounting policies and estimates**

We only change accounting policies when the accounting standards require us to do so, or when we think a change in policy will improve the presentation of the accounts and the way we manage our finances. When we do change a policy and this results in a material change, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared. If we have made a material error in an amount we estimated in previous years, we will correct this by restating the previous year's amount.

#### **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.

#### **Contingent assets**

A contingent asset arises where an event gives rise to a possible asset that will only be confirmed by a possible future event outside our control.

Contingent assets are not recorded in the Balance sheet but are instead recognised in a note to the accounts.

### **Contingent liabilities**

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.

### **Council Tax and Non-domestic Rates**

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.

### **Employee benefits**

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.

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.

### **Exceptional item**

Where an exceptional item is material, we will show it separately in the Comprehensive income and expenditure statement. If it is not material, we will show it in a note to 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.

## **Financial instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance sheet when the Council becomes party to the contractual provision of a financial instrument and are initially measured at fair value and are carried at their amortised costs. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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.

### Financial Asset

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measure at

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

Examples of these are main classes are shown below

- 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.
- 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.

### **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.

### **Grants and other contributions**

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.

## **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 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, botanical and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office

The Council will review its Heritage assets as follows:-

Statues will be based on historical cost allowing for indexation.

Other categories are based on the service held valuations. These valuations have been made using a range of methods; external valuers, previous in house experts, indexation and average valuations for groups of items.

The Council can add to its collection. 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 if significant.

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, on loan to the Council. An agreement is currently in the process of being re-negotiated. These assets will be included on our Balance sheet under right of use assets due to the IFRS 16 standard.

## **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
- Swords

## **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.

## **Joint projects**

We are holding money as the main authority for a joint project with several other local authorities to improve houses in Essex and Hertfordshire. Until the money is used, we show it as 'not spent' in our Balance sheet. As the money is spent this amount gets smaller. If we spend our share of the money in the Chelmsford area, we show the amount spent in our Comprehensive income and expenditure statement. The amounts other authorities spend are not shown in our Comprehensive income and expenditure statement because it is not our money.

## **Leases we get from other organisations**

We have adopted IFRS16 (Leases) with effect from 1 April 2024. The adoption of the new standard brings on to the balance sheet the right-of-use assets and related lease liability in relation to former operating leases.

Contracts are reviewed to determine whether they give the right to control the use of an identified asset. The asset is controlled through rights to receive substantially all the economic benefits or service from that asset and to decide on its use during the contract period.

We recognise the right to use the property, plant or equipment as an asset in the balance sheet and a liability for the obligation to pay the lessor for the right. The lease liability is initially measured at the present value of the payments to be made after the start date. The cost of the right-of-use asset is considered to be the initial liability plus the costs of obtaining the lease and any payments made before the start date.

Payments are apportioned between:

- a charge for the acquisition of the right-of-use asset – applied to reduce the lease liability
- financing charges (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

We will not apply the transition to right-of-use assets to low value assets (below £10,000 when new) and to short-term leases i.e. existing leases that expire on or before 31 March 2025, and new leases with a duration of less than 12 months. The lease payments associated with these leases are treated as an expense on a straight-line basis over the lease term and are accounted for by charging payments to the relevant service line in our comprehensive income and expenditure statement.

Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date. The incremental borrowing rate used to discount liabilities was the Public Works Loan Board (PWLB) interest rate available on the 2<sup>nd</sup> April 2024 (first available rate after transition).

New leases following transition will be measured at the present value of the lease discounted by the implicit borrowing rate within the lease where available, otherwise PWLB rates will be used.

The code allows for a practical expedient for a portfolio of leases to be assessed together where the leases have similar characteristics and the Council will apply this where appropriate for the application of IFRS 16.

For peppercorn rent 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).

### **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.

### **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.

### **Property, plant and equipment**

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 and are depreciated over their life on a straight line basis.
- 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 (EUV). Where there is no market-based evidence because the asset is so specialised they are valued at depreciated replacement cost (DRC).
- 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 and Surplus assets will be re-valued annually.

Other Land and Building assets will be valued at least every 5 years with annual reviews to ensure valuations remain accurate. If there is a material change identified in the asset (e.g. capital expenditure) then the need for an updated valuation will be reviewed.

Within the 5-year revaluation cycle, indexation rather than seeking a new valuation will be used in following circumstances;

- Buildings previously valued using Depreciated Replacement Cost, that have not been valued in year will be indexed using advice from the Council's valuer.
- Assets valued using the Existing Use Value method will be reviewed annually and if considered necessary a new valuation will be made. If not revalued, indexation will be applied where there is a material change in the wider market that would apply to Council owned assets.

The valuation date for 2024/25 is 31<sup>st</sup> December.

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.

### **Minimum Revenue Provision (MRP)**

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). This charge ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis up to a period of 50 years. For those short-term assets with a life of less than 10 years an average life year rate will be applied. Interest will be charged based on an average PWLB annuity rate for a loan with a term equivalent to the life of the asset. For assets acquired under leases, the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. This policy does not prevent the Council from making early or one-off repayments of debt from capital receipts or from revenue provisions.

For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

MRP is charged in the year following the one in which the expenditure is incurred or the first year following the one in which the asset becomes operational.

### **Provisions**

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.

### **Impairment provisions for financial 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 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.

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

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.

## Reserves

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.

### **Restatements and prior period adjustments**

Where our accounting policies change, or the rules we use to prepare these accounts change, or we have made a material error in a previous year's set of accounts, we either show any changes to last year's figures in the Restatements section or clearly explain any changes to the prior year's figures in the appropriate notes.

### **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.

## **2. Critical judgements in applying accounting policies**

In applying its accounting policies, the Council is required to make certain judgements about complex transactions or those involving uncertainty about future events. Where such judgements are significant, they must be disclosed within the accounts.

### **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.

The impact of changes in valuation are on the Council's Balance sheet and do not have a financial impact on service delivery.

All Investment and Surplus assets will be re-valued annually as at 31<sup>st</sup> December. The valuations will be kept under review until 31 March 2025 and if appropriate indexations provided by the valuer will be applied to provide an up to date year end valuation.

Other Land and Building assets will be valued at least every 5 years unless there is a material change identified in the asset or market that would materially impact the value of the asset.

In addition to the 5 year valuations, DRC Buildings will be indexed annually using an indexation provided by the valuer unless a new valuation is needed.

The carrying value of these assets as at 31/03/2024 is as follows: -

Other Land and Buildings £79m  
Other Land and Buildings DRC £87m  
Surplus £9m  
Investment £54m.

A 1% change in the valuation of these categories would be £2.3m

### **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.

### **IFRS 16 Private Sector Landlord (PSL) Lease Term**

The code requires a lease term to be established based on the period of the lease that is non-cancellable plus any periods covered by an option to extend or cancel where reasonably certain to exercise. The Council has some leases that require the lease term to be assessed as they tend to go beyond the lease term. The Council has a number of Private Sector Landlord (PSL) leases where the properties are likely to be leased longer than the agreed contract term and the likely extension to the term is included in the liability.



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# Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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## **Audit and Risk Committee Work Programme**

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Report by:

Audit Services Manager

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Officer Contact:

Elizabeth Brooks, Audit Services Manager [elizabeth.brooks@chelmsford.gov.uk](mailto:elizabeth.brooks@chelmsford.gov.uk)

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Purpose

This report updates the rolling programme of work for this Committee.

Recommendations

That the rolling programme of work for the Committee is agreed.

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### 1. Introduction

- 1.1. 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. Compliance with CIPFA Position Statement on Audit Committees

#### 2.1. Committee Training

- 2.1.1. An Introduction to Audit Committees E-Learning Module by the LGA was rolled out in November 2024. The module gives an overview of the purpose of the Audit Committee and how it goes about its function. It is ideal for Councillors who sit on an Audit Committee and for new members to learn how this part of the Council operates. When all sections of the module have been completed, you will obtain a certificate of completion which needs to be sent to Kerry Knowles in HR who will update your learning record accordingly.

If you have not yet received an email from the LGA with instructions on how to register onto the course, please advise Elizabeth Brooks straightaway.

- 2.1.2. An LGA Councillor Workbook on Bribery and Fraud Prevention is also being sent out to all Councillors to help recognise what constitutes bribery and corruption and whistleblowing, understand why it is important that organisations prevent bribery and corruption and understand your responsibility as a Member and how to report concerns.

- 2.2. **Committee self-assessment** – a self-assessment will be circulated by the Audit Services Manager to Committee Members for Committee to evaluate its impact and identify any further areas of improvement in March 2025.

### 3. 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.

**11<sup>th</sup> 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	Accountancy Services Manager (S151)
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	
Audit & Risk Committee Work Programme	Audit Services Manager

**17th September 2025**

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan to March 2026	Audit Services Manager

Risk Management Report	TBC
Audit & Risk Committee Work Programme	Audit Services Manager

**10<sup>th</sup> December 2025**

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Internal Audit Interim Report	Audit Services Manager
Counter Fraud Strategy 2026	Audit Services Manager
Procurement Update	Procurement Manager
Audit & Risk Committee Work Programme	Audit Services Manager

**18<sup>th</sup> March 2026**

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Internal Audit Plan 2026 + Internal Audit Charter	Audit Services Manager
Risk Management Report	TBC
Accounting Policies	Accountancy Services Manager (S151)
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 frameworks also emphasise the importance of the audit committee, including:

- Delivering Good Governance in Local Government
- Global Internal Audit Standards
- 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

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