

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

| <b>A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from<br/>1 April 2023 to 31 March 2024</b> | <b>Gross Expenditure<br/>£ 000</b> | <b>Income<br/>£ 000</b> | <b>Net Expenditure<br/>£ 000</b> |
|--|------------------------------------|-------------------------|----------------------------------|
| 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> |
|  |                |
| <b>Our reserves</b>                                | 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.

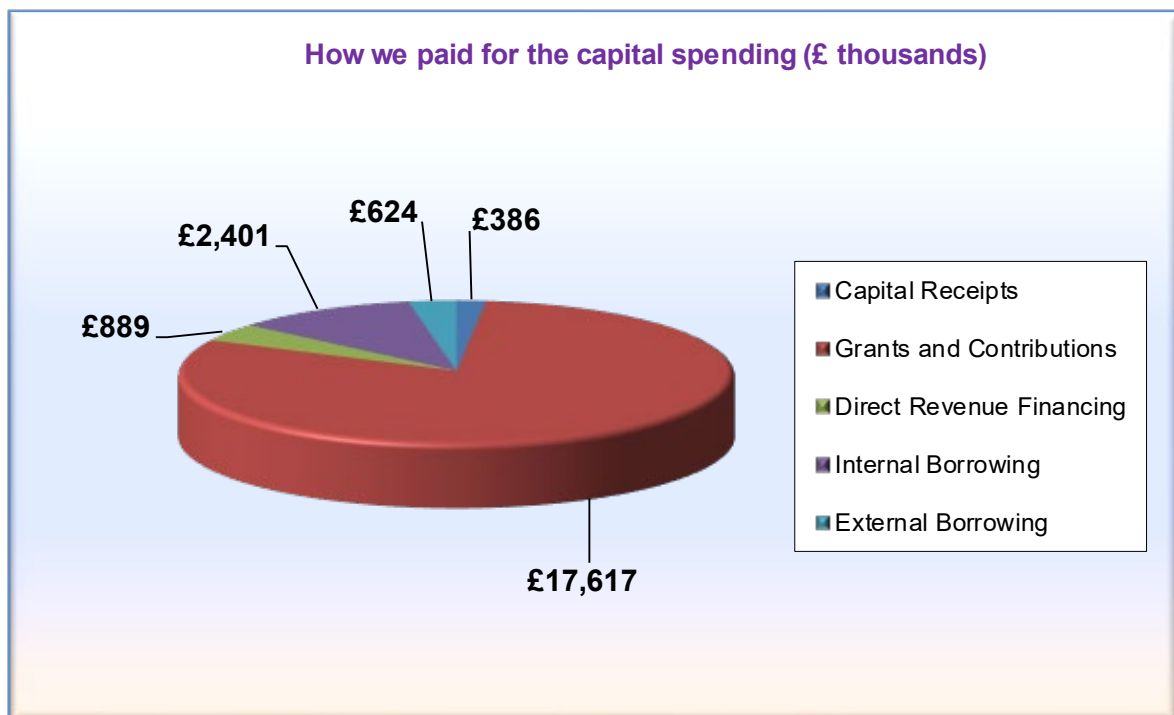
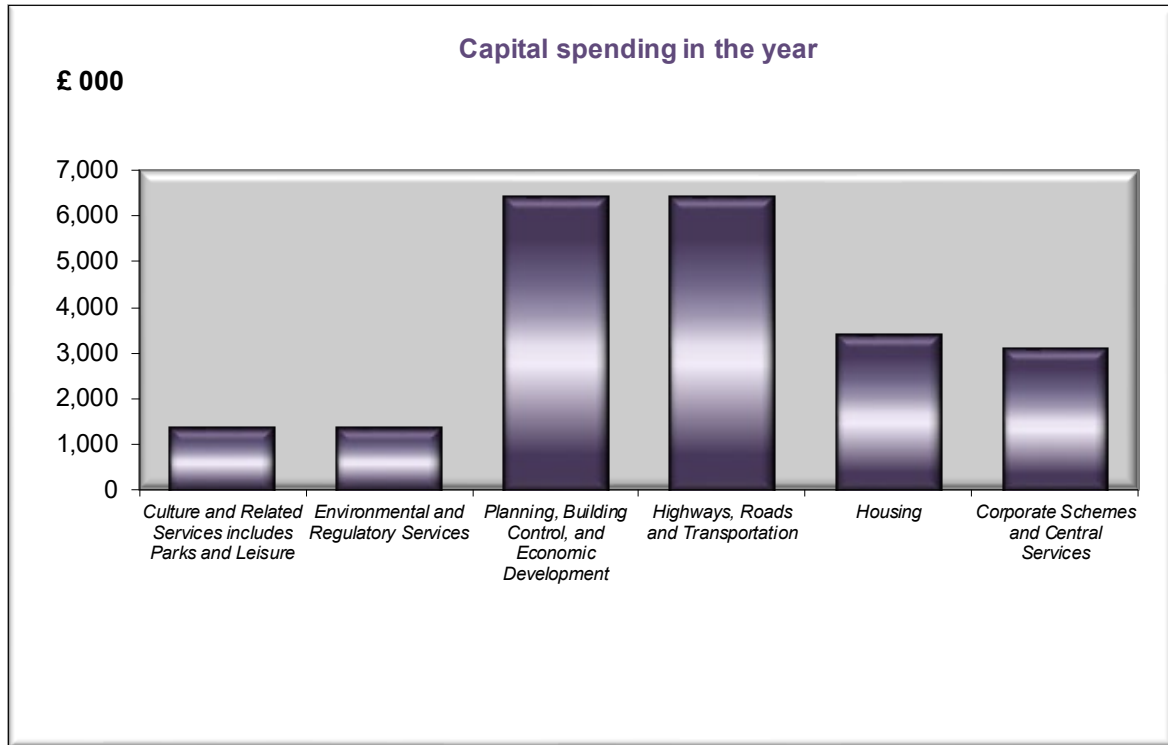
### **Borrowing**

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.

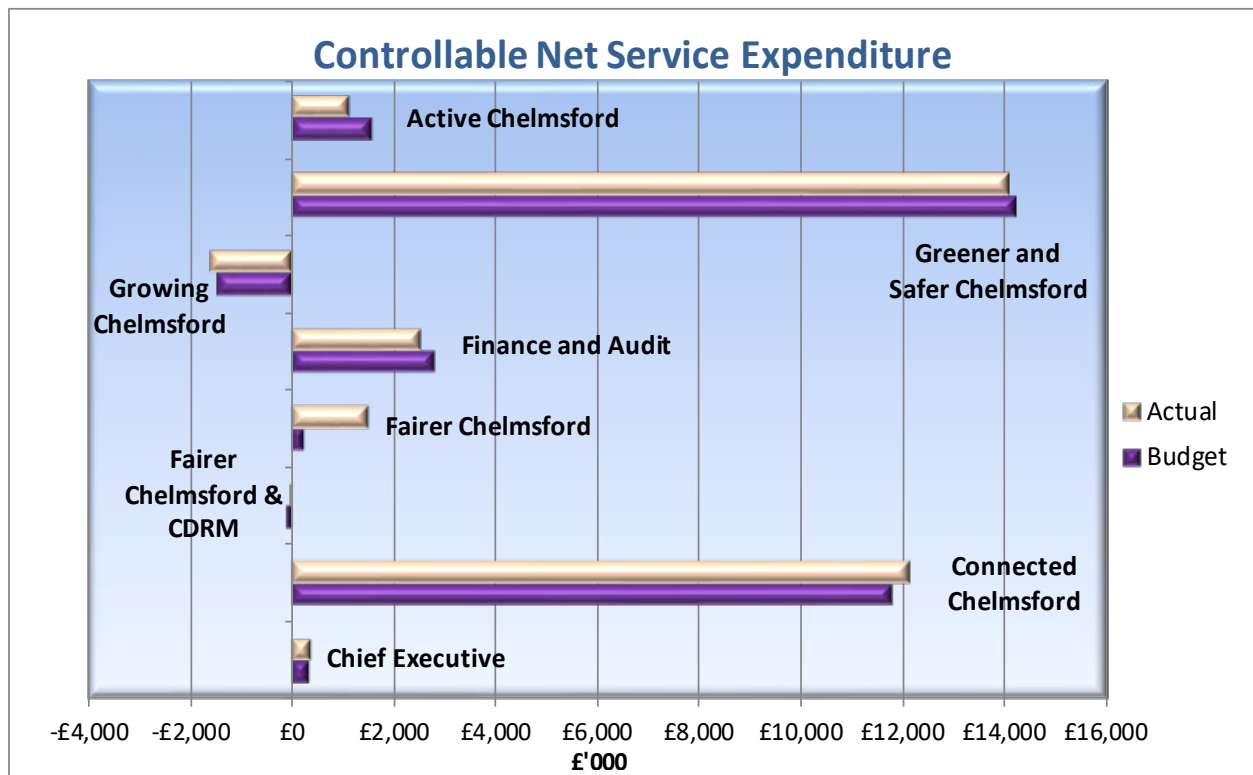
The increased demand for housing and cost of temporary accommodation was behind the largest variation on our service budget. The 2024/25 budget was already realigned to reflect the trend.

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<br>+over/<br>-under<br>£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.



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### 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><br>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><br>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><br>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><br>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><br>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><br>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><br>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><br>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><br>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**



## 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<br>Restated<br>Gross<br>spending<br>£ 000 | 2022/23<br>Restated<br>Income<br>£ 000 | 2022/23<br>Restated<br>Net<br>spending<br>£ 000 | Money spent on services direct to the public                                 | Notes     | 2023/24<br>Gross<br>spending<br>£ 000 | 2023/24<br>Income<br>£ 000 | 2023/24<br>Net spending<br>£ 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<br>Restated | Capital<br>receipts<br>reserve | Capital<br>grants<br>unapplied<br>(note 36) | Total<br>usable<br>reserves | Unusable<br>reserves<br>(note 22)<br>Restated | Total<br>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<br>receipts<br>reserve | Capital<br>grants<br>unapplied<br>(note 36) | Total usable<br>reserves | Unusable<br>reserves<br>(note 22) | Total<br>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> |

## 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<br>Restated<br>£ 000 | Cash Flow  | Notes | 2023/24<br>£ 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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## **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<br>Restated  | Adjustments<br>for Capital<br>Charges | Net change<br>for the<br>Pensions<br>Adjustment | Other<br>Statutory<br>Adjustments | Total Statutory<br>Adjustments | Other (Non-<br>statutory)<br>Adjustments<br>Restated | Adjustments<br>between the<br>Funding and<br>Accounting<br>bases |
|--|---------------------------------------|---|-----------------------------------|--------------------------------|--|--|
| Analysis of adjustments made to arrive at<br>the Comprehensive Income and<br>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<br>Restated | Capital<br>receipts<br>reserve | Capital<br>grants<br>unapplied | Total usable<br>reserves | Unusable<br>reserves<br>Restated | Total<br>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>  | <b>(10,541)</b>          | <b>(554)</b>                   | <b>(2,881)</b>                 | <b>(13,976)</b>          | <b>13,976</b>                    | <b>-</b>          |

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

| Movements in 2023/24  | General fund | Capital receipts reserve | Capital grants unapplied | Total usable reserves | Unusable reserves | Total reserves |
|---|--------------|--------------------------|--------------------------|-----------------------|-------------------|----------------|
|   | £ 000        | £ 000                    | £ 000                    | £ 000                 | £ 000             | £ 000          |
| <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>  | <b>(278)</b> | <b>(363)</b>             | <b>10,908</b>            | <b>10,267</b>         | <b>(10,267)</b>   | <b>-</b>       |



## 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<br>Gross<br>spending<br>£ 000 | 2022/23<br>Income<br>£ 000 | 2022/23<br>Net<br>spending<br>£ 000 | <b>Other operating expenditure</b>                 | 2023/24<br>Gross<br>spending<br>£ 000 | 2023/24<br>Income<br>£ 000 | 2023/24<br>Net<br>spending<br>£ 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<br>Gross<br>spending<br>Restated<br>£ 000 | 2022/23<br>Income<br>£ 000 | 2022/23<br>Net<br>spending<br>£ 000 |   | 2023/24<br>Gross<br>spending<br>£ 000 | 2023/24<br>Income<br>£ 000 | 2023/24<br>Net<br>spending<br>£ 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<br>Gross<br>spending<br>£ 000 | 2022/23<br>Income<br>£ 000 | 2022/23<br>Net<br>spending<br>£ 000 |   | 2023/24<br>Gross<br>spending<br>£ 000 | 2023/24<br>Income<br>£ 000 | 2023/24<br>Net<br>spending<br>£ 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          |
| <b>Depreciation on 31 March 2024</b>                        | <b>73</b>                       | <b>13,935</b>                 | <b>35</b>              | <b>-</b>                | <b>-</b>                  | <b>-</b>              | <b>14,043</b>  |
| <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<br>Investments<br>£ 000 | 2022/23<br>Cash & cash<br>equivalents<br>£ 000 | 2022/23<br>Receivables &<br>payables<br>Restated<br>£ 000 | <b>SHORT-TERM</b>                  | 2023/24<br>Investments<br>/ Borrowing<br>£ 000 | 2023/24<br>Cash & cash<br>equivalents<br>£ 000 | 2023/24<br>Receivables<br>& payables<br>£ 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<br>Investments | 2022/23<br>Receivables &<br>payables | <b>LONG-TERM</b>                   |  | 2023/24<br>Investments | 2023/24<br>Receivables<br>& 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<br>£ 000 | Fair value<br>£ 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<br>£ 000 | 31st March 2024<br>£ 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<br>£ 000 | Short term<br>£ 000 | Long term<br>£ 000 | Long term<br>£ 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<br>£ 000 | Age of debt            | 2023/24<br>£ 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<br>£ 000 | Financial assets returned to the Council           | 2023/24<br>£ 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<br>£ 000 | Capital adjustment account<br>£ 000 | Pension reserve (note 33)<br>£ 000 | Collection fund adjustment account<br>£ 000 | Other unusable reserves<br>£ 000 | Total unusable reserves<br>£ 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<br>£ 000 | Revaluation Reserve  | 2023/24<br>£ 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 | Changes which are not financing |                                | 2023/24  |
|   | 1st April | flows          | cash flows                      |                                | 31 March |
|   |           |                | Acquisitions                    | Other non-financing cash flows |          |
|   | £ 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             |
| <b>(33,524)</b> | <b>Total included in Comprehensive Income and Expenditure Statement</b> | <b>(40,798)</b> |

## 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<br>Gross<br>spending | 2022/23<br>Income | 2022/23<br>Net<br>spending | Trading accounts not shown in<br>Spending on current services | 2023/24<br>Gross<br>spending | 2023/24<br>Income | 2023/24<br>Net<br>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)                       |
| <b>4,272</b>                 | <b>(3,688)</b>    | <b>584</b>                 |   | <b>3,979</b>                 | <b>(4,245)</b>    | <b>(266)</b>               |
|                              |                   |                            | <b>Financing and investment</b>                               |                              |                   |                            |
| 1,475                        | (4,228)           | (2,753)                    | Investment properties   | 1,947                        | (4,193)           | (2,246)                    |
| <b>1,475</b>                 | <b>(4,228)</b>    | <b>(2,753)</b>             |   | <b>1,947</b>                 | <b>(4,193)</b>    | <b>(2,246)</b>             |
| <b>5,747</b>                 | <b>(7,916)</b>    | <b>(2,169)</b>             | <b>Total trading activity</b>                                 | <b>5,926</b>                 | <b>(8,438)</b>    | <b>(2,512)</b>             |

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<br>SEPP<br>£ 000 | 2023/24<br>SEPP<br>£ 000 | 2022/23<br>Chelmsford<br>£ 000 | 2023/24<br>Chelmsford<br>£ 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<br>£ 000 | Councillors allowances                      | 2023/24<br>£ 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.

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

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

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

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



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

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

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

| 2022/23    | Termination benefits             | 2023/24    |
|------------|----------------------------------|------------|
| £ 000      |                                  | £ 000      |
|            | Termination benefits             |            |
| 174        | Redundancy costs                 | 5          |
| 140        | Additional pension costs         | -          |
| -          | Other Termination Costs          | 142        |
| <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  |
| 26,100  |   | 24,710  |

### **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        | <b>Net pension (liability)/surplus</b>                  | 60,593        |

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

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

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



| Asset ceiling                          | 31 March 2024 |
|--|---------------|
|  | £ 000         |
| <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.

| Pension fund balances   | 2018/19   | 2019/20   | 2020/21   | 2021/22   | 2022/23   | 2023/24   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | £ 000     | £ 000     | £ 000     | £ 000     | £ 000     | £ 000     |
| 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<br>+ 1 Year | Decrease in assumption<br>- 1 Year |
|---|------------------------------------|------------------------------------|
|   | £'000                              | £'000                              |
| Present value of total obligation                                 | 9,961                              | (9,495)                            |

| Sensitivity analysis of adjustment to:     | Increase in assumption<br>+0.5% | Increase in assumption<br>+0.1% | Decrease in assumption<br>-0.1% | Decrease in assumption<br>-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<br>£ 000 | Scheme assets                      | 31 March 2024<br>£ 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 |   | 2023/24 |
|---------|---|---------|
| £ 000   | <b>Grants and contributions</b>               | £ 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 |  | 2023/24 |
|---------|--|---------|
| £ 000   | <b>Long-term Creditors</b>                 | £ 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.

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| 2022/23<br>Council Tax<br>£ 000 | 2022/23<br>Non-Domestic<br>Rates<br>£ 000 | 2022/23<br>Total<br>£ 000 | Collection Fund  | 2023/24<br>Council Tax<br>£ 000 | 2023/24<br>Non-Domestic<br>Rates<br>£ 000 | 2023/24<br>Total<br>£ 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**

