

# Audit and Risk Committee Agenda

**15 June 2022 at 7.15pm (or upon the rising  
of the joint meeting with the Governance  
Committee, whichever is the later)  
Marconi Room, Civic Centre, Chelmsford**

## **Membership**

Councillor N.M. Walsh (Chair)

## **and Councillors**

D.J.R. Clark, W.A. Daden, N.A. Dudley, G.B.R. Knight, J.M.C.  
Raven, E.J. Sampson, M. Sismey and A.B. Sosin

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. To find out more about attending please email [daniel.bird@chelmsford.gov.uk](mailto:daniel.bird@chelmsford.gov.uk) or telephone on Chelmsford (01245) 606523

# Audit and Risk Committee

15 June 2022

## AGENDA

1. Apologies for Absence and Substitutions
2. Election of Vice Chair
3. Minutes

To consider the minutes of the meeting held on 27 April 2022

4. Declaration of Interests

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

5. Public Question Time

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

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

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

6. Announcements
7. External Audit Update (verbal update)
8. Provisional Revenue Outturn Report for 2021/22
9. Capital Programme Update and Provisional Outturn 2021/22
10. Internal Audit Annual Report 2021/22
11. Risk Management Report – Spring/Summer 2022
12. Audit and Risk Committee Annual Report 2021/22 & Terms of Reference
13. Work Programme
14. Urgent Business

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

**MINUTES OF THE  
AUDIT AND RISK COMMITTEE**  
held on 27 April 2022 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, N.A. Dudley, J.M.C. Raven, E.J. Sampson, A.B. Sosin and  
A. Thorpe-Apps

### 1. Attendance and Apologies for Absence

Apologies for absence were received from Councillor Galley.

### 2. Minutes

The minutes of the meeting on 16 March 2022 were confirmed as a correct record.

### 3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting, if they had not been previously notified.

### 4. Public Questions

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

### 5. Announcements

No announcements were made.

### 6. Statement of Accounts 2020/21 Progress report

The Chair accepted this item as one of urgent business. This was due to it not being available in full for five clear working days before the meeting.

The Committee considered a report seeking their approval for the Council's Statement of Accounts for 2020/21. The report also highlighted to the Committee the external auditor's findings in carrying out their audit work to date in relation to the 2020/21 financial year.

The Committee received a verbal update from the Section 151 Officer in relation to the 2020/21 accounts. The Committee heard that the Council had published their accounts on time in July 2021 but were subject to external auditors (BDO) completing their work. The Government target for external auditors to publish their opinions for local authority accounts for 2020/21 was the end of September 2020. The locally agreed target for the audit was December 2020. It was noted that nationally at the time of the committee their remained a large backlog of uncompleted for audits for 2020/21. The Council's external auditor, had since December set a number of completion dates but these had been repeatedly missed. It was noted that this meeting had been established as the final target for sign off but again it had not been met by BDO. Therefore, the Committee were being asked to approve an officer delegation to sign the accounts off when the audit was finalised.

The Committee heard from officers that financial reporting is weakened when audits are delayed, and this led to various risks. Including that the budget and planning of future reserve levels had been set on unaudited accounts. It was noted that any error in the accounts identified by BDO was taken seriously by the Council, but the majority of errors were non material, that is, they did not affect a reader's understanding of the accounts. The Committee also noted generally the material errors identified were matters that could only be known due to lateness of the audit. Officers would not have had this information when completing the accounts, and if the external audit had been completed on time, then the errors would not have been identified.

The Committee heard from BDO and were informed of the national difficulties experienced by BDO and other local authority audit firms. The Committee noted that only 9% of local authority audits had not been completed on time. The Committee heard there had been staff retention and recruitment issues nationally in external audit firms. Additionally, the external audit regulator increased the scope of work in response to failures in the audits of private sector companies. BDO took a strategic decision to catch up by not doing an interim audit and just completing the audit in one visit, however hindsight showed this had led to more delays. BDO also stated that the pandemic and enforced remote working had led to reduced one-on-one training for new staff. BDO informed the committee that that more time was required before the audit could be completed. The value for money audit could not start until after the initial opinion was finalised.

The external auditors took the Committee through their report at appendix 1 and this detailed the various areas of work and provided more detailed information for the Committee.

Members of the Committee and the Deputy Leader of the Council who was also in attendance, raised the following points in relation to the report and the reasons for the delays detailed by the external auditors;

- The high workloads had been known about for a while, why had more staff not been recruited?
- The residents of Chelmsford had been adversely impacted by the delays to the external audit. More officer time had been required due to the significant delay.
- It had been simply unacceptable to miss three separate agreed dates to complete the audit, including for this meeting which had been called specially to finalise the accounts.
- There had appeared to be major lack of ability to predict future issues in workload or staffing by the external auditors, which was seen as ironic.
- Officers time was being wasted due to the delays and the longer delays last, the greater hindsight BDO have, therefore picking up on issues which were impossible for officers to see when completing the accounts.
- Instead of repeated deadlines failing to be met, the Council would appreciate some honesty and realistic deadlines to be set by the external auditors.
- What was or would be put in place to prevent this happening again, as it has in the last few years?
- The process appeared to have been mismanaged and not properly resourced by BDO.
- Why had there not been a succession plan in place for senior staff leaving?
- Could a date for the set of accounts being completed be provided?

In response to the points raised by the Committee and the Deputy Leader, the external auditors stated that;

- The global pandemic had meant everything took longer and providing staff training remotely had been an issue.
- The quality of work from junior members of staff had not been up to the usual standard. Due to pandemic weakening the ability of BDO to train staff.
- The new auditing standards required BDO to look into areas in greater detail than in previous years, leading to longer timescales.
- A phasing plan of when audits take place would be used in the future.
- New schedules would be planned and agreed with Council officers.
- The hybrid approach going forward would lead to previous efficiencies being reached.
- The PSAA set the fees paid to external auditors and agreed the contracts.
- BDO had provided a good quality product with a robust audit process.
- The delays had not been specific to Chelmsford and had been nationwide across the sector.
- The 2020-21 audit should be completed by the end of May.

A member of the Committee raised that the delegation proposed in the report should not be utilised as they did not believe the auditors would complete their work before the budget setting process. The other members of the Committee disagreed however and agreed this would cause a higher workload for officers. Officers also confirmed that from their point of view, the delegation would allow them to plan their workloads more efficiently.

RESOLVED that

1. the verbal update from the Accountancy Services Manager, Section 151 Officer be noted and;
2. the draft Audit Completion Report – ISA 260 (Appendix 1) be noted,
3. the Statement of Accounts 2020/21 (Appendix 2) be approved and that the subsequent material changes identified to date as stated in the report, should be made by the Section 151 Officer after the meeting and;
4. authority be delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any additional amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final statement along-side the audit opinion.

(7.03pm to 8.15pm)

## 7. Statement of Accounts 2021/22 Progress update

The Committee received a verbal update from officers regarding the 2021/22 statement of accounts. The Committee heard that staff were currently working on the 21/22 accounts as well as the 20/21 audit and this was causing additional workload. It was noted that there was a risk going forward of still being audited whilst closing the accounts and this could lead to a higher risk of errors being made due to the increased workloads. Without action by the external auditor to reduce the length of the audit there was a risk the Council would require additional finance staff. It was also noted that the PSAA contract was up for renewal next year, which may lead to a change in auditor and as a result, further work in preparing to work with a new auditor.

RESOLVED that the update be noted.

(8.15pm to 8.25pm)

## 8. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.25pm

Chair



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## Chelmsford City Council Audit and Risk Committee

**15<sup>th</sup> June 2022**

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### **Provisional Revenue Outturn Report for 2021/22**

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**Report by:**

Accountancy Services Manager (Section 151 Officer)

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**Officer Contact:**

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

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**Purpose**

This report is for noting and informs Members of the revenue outturn position for 2021/22.

**Recommendations**

1. It is recommended that the revenue outturn position for 2021/22 and actions arising be noted.
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**1. Introduction**

- 1.1. This report sets out the provisional outturn position in respect of revenue expenditure, income, and reserves for the financial year 2021/22.



Revenue transactions are the day-to-day expenditure and income resulting from running a business, which are chargeable in our case to the General Fund. The expenditure and income must be charged to the financial year it is incurred. Officers as part of the preparation of the accounts continue test transactions to ensure that they have been included in the correct period. Therefore, it is possible, after publication of this provisional outturn report, that further adjustments between years can take place, though these are unlikely to be significant to the scale of the Council's finances.

1.2. The presentation of the Provisional Revenue Outturn is part of the financial management process. Broadly the process is:

- Cabinet in January and then Council in February receive budget recommendations for approval for the forthcoming financial year (starting 1<sup>st</sup> April).
- Informal monitoring of the budget takes place and is reported to Cabinet Members every two months or so.
- In July, Cabinet and Council receive a Medium-Term Financial Strategy which includes a budget forecast for the next five years and identifies any shortfalls and associated risks.
- Cabinet receives a high-level report in November which projects the expected level of expenditure and income by the Council for the current year. It identifies actions to address overspends where possible. Cabinet is not asked to approve budget changes but consider the actions relating to the budget variance which for instance could include changes to service provision.
- Audit and Risk Committee receive the provisional Revenue Outturn report to review the key variances and actions identified. This will provide information on financial risks moving forward.

## 2. Provisional Revenue Outturn 2021/22

2.1. The Council finances continued to be affected by Covid during 2021/22. Allowance was made in budgets but given the unpredictability of covid and lockdown measures there are large number of variances of actual income and expenditure versus budgets (both higher and lower). This does make it difficult to report explanations of 2021/22 finances and identify ongoing trends.

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

- Income and expenditure cut-offs. As stated earlier, determining what financial period a transaction belongs to can be difficult. Officers continue to test transactions to ensure the correct accounting has been achieved up to the point of publication of accounts. Large numbers of transaction are then tested by external audit. It is not possible for finances officers to test every transaction undertaken in services, so errors will emerge.
- Business Rates and Business Rate Retention. At the time of publishing, the figures for the Essex pool are not available. An estimate of £0.8m additional income has been included.
- The outturn includes £1.8m of grant income from the Government funding some of the Council's net Covid losses of Sales, Fees and Charges. The guidance for such claims is weak and requires significant local judgement which may be subject to later challenge.

- At time of publishing this report, the 2020/21 Audit has not yet been completed. For members and the finance team alike, external audit provides assurance that processes work correctly. No changes are expected to arise from the audit, but the late audit is a matter of concern, as previously reported.

2.3. Appendix 1 contains a Revenue Monitoring report, showing variations, recommended actions, and potential risks. The outturn is compared to a 'live' budget which is the Original 2021/22 Budget plus approved supplementary estimates (additional funding added during the year under delegations). The contents of Appendix 1 are:

- Page 1 contains a diagram identifying whether the services' net expenditure varies compared to the budget. The overall provisional net service outturn is £0.7m or £3.38% under budget.
- Page 2 shows a list of key material variations. The notes show the amount and the cause of each variation. Actions and risks are also identified. A number of services were unable to fully undertake activities and so did not spend their budgets. Currently, analysis is being undertaken to determine if the budget for some initiatives needs to be carried forward to 2022/23 and this will be reported in the Medium-Term Financial Strategy report to July Cabinet if required.

The key projected service variations are below, including a comparison to the Revenue Outturn forecast reported to November 2021 Cabinet:

| Narration of Approved Spend/Funding   | Outturn +/- under budget £ms | Change to Projection over-spend reported to Cabinet November* 2021 £ms                         |
|---|------------------------------|--|
| Income Losses caused by Covid-19  | 1.9                          | Better -0.5  |
| Loss of Car parking Income  | 0.7                          | Better -0.1  |
| Grant to Cover Sales Fees and Charges Net Losses  | -1.1                         | No change  |
| Software Licences   | -0.2                         | Better -0.2  |
| Net Additional Income (income recovery faster than expected, one off, etc)                | -2.1                         | Better -1.4  |
| Net Staffing Costs – vacant posts in part caused by Covid reducing demand                 | -0.2                         | Better -0.2  |
| Flood defence scheme costs written back to revenue (funded from infrastructure reserve) # | +0.7                         | Worse +0.7, however, a reserve was established to fund this type of cost on a contingent basis |
| Other Items (not shown in appendix)   | -0.4                         | Better -0.4  |
| <b>Total Service Variation</b>  | <b>-£0.7m</b>                | <b>-£2.1</b>   |

\*Restated to move *One-off Covid Expenditure Grant* into “other grants” shown in Other General Fund Items of Income and Expenditure below

# The Council committed to contributing to a flood defence scheme proposed and to be undertaken by the Environment Agency (EA). The scheme was to be funded by EA, European Union, and a fixed capital contribution from Chelmsford. Some £1m was contributed by the City for the design, allowing for EU funding. The EA has changed its approach to managing the flood risks and the design work will not lead to a capital asset. The costs of the design-works under accounting practice have to be re-classified as revenue expenditure. The capital resource previously used by the Council to fund the scheme has therefore been unapplied, some £0.74m.

- Page 3 contains details on Council budgets that are not managed by services but are centralised corporate costs or income. For each variance, actions and risks are again identified. The variations are:

| Narration of Approved Spend/Funding  | Outturn<br>+over /-<br>under<br>budget £ms | Reported<br>November*<br>Cabinet<br>£ms |
|--|--|---|
| Interest Earnings more than budgeted   | -0.3                                       | Better -0.1                             |
| MRP (debt charges higher due to lower revenue contributions to capital)          | -0.3                                       | Unchanged                               |
| Capital Contribution from revenue (funding discussed in reserves section below)  | -1.1                                       | Better -1.1                             |
| Other Grants*. The additional income is the Government's Covid Expenditure Grant | -0.3                                       | Better -0.2                             |
| Business Rate Retention (net)  | -2.0                                       | Better -1.4                             |
| <b>Total Projected Variation</b>   | <b>-£4.0</b>                               | <b>-£2.8</b>                            |

\*Restated to move *One-off Covid Expenditure Grant* into “other grants” shown in Other General Fund Items of Income and Expenditure

The additional business rate income mostly arises from lower than estimated appeals against valuations. It can take many years for a valuation challenge by business to fail or succeed, so estimating for losses is not robust. The business rate retention income assumes £0.8m gain from the Essex Pool; this an estimated figure, as the pool has not yet reported its final figure. The Government has committed to reset the business rate retention scheme in 2023/24. The outcome is expected to be a fall in retained income until further business rate growth has occurred in Chelmsford.

The underspend on the Capital Contribution (from revenue) is actually deferral of expenditure until 2022/23. The underspend will be carried forward in the Chelmsford Development Reserve. By delaying the contribution to capital, the Council can choose to fund the capital programme in the most effective way to keep MRP costs lower for a longer period of time.

- The Original budget assumed a contribution to unearmarked (general) reserves of £197k; the ‘live’ budget assumed a contribution but reduced to £37k contribution after allowing for funding the supplementary estimates (see paragraph 2.6). The provisional outturn shows a £1.8m variation (increase) to the contribution to unearmarked reserves which in broad terms results from:

- Chelmsford development reserve. The Medium-Term Financial Strategy committed to using surplus underspends (unearmarked reserves) to reducing internal borrowing; the amount was to be determined under a delegation. The outturn figures included in the report assume an extra £1m contribution to Chelmsford development reserve to fund capital expenditure in 2022/23. The contribution to the reserve is therefore £1.1m from the underspend of revenue to capital contribution plus £1m additional sum giving a variation £2.1m (increase).
- The Council's reserves include an Infrastructure provision to fund any capital costs that have to be written back to revenue. This is most likely to happen when, after undertaking design works, a scheme is found not to be viable or the best solution. Some £0.7m of the infrastructure reserve will be used to fund the charge to revenue of the Council's share of the EA's flood defence scheme design costs.
- There are a number of minor variations in reserve use, reflecting variations in service spend (which were due to be funded from reserves)

| <b>Usable Reserves (provisional outturn)</b>  |                               |  |              |                 |                        |  |                    |                 |                              |
|---|-------------------------------|--|--------------|-----------------|------------------------|--|--------------------|-----------------|------------------------------|
|   | <b>2021/22 Final Forecast</b> |  |              |                 | <b>2021/22 Actual</b>  |  |                    |                 |                              |
|   | Provisional Opening Balance   | Budgeted (use of) / contribution to reserves | Transfers    | Closing Balance | Actual Opening Balance | Actual (use of) / contribution to reserves | Budgeted Transfers | Closing Balance | Variation to Closing Balance |
| <b>Earmarked</b>  | £000s                         | £000s  |              | £000s           | £000s                  | £000s                                      |                    | £000s           |                              |
| Cultural Support 'Fund'   | 159                           | -35  |              | 124             | 159                    | -27  |                    | 132             | 7                            |
| Chelmsford development  | 0                             |  |              | 0               | 0                      | 2,156                                      |                    | 2,156           | 2,156                        |
| Infrastructure Provision  | 0                             |  | 2,000        | 2,000           | 0                      | -742                                       | 2,000              | 1,258           | -742                         |
| Growth fund   | 69                            |  |              | 69              | 69                     |  |                    | 69              | 0                            |
| Insurance   | 1,049                         | -150   |              | 899             | 1,049                  | -139                                       |                    | 910             | 11                           |
| Local Development Framework   | 570                           | -190   | 300          | 680             | 570                    | -51  | 300                | 819             | 139                          |
| Pension deficiency  | 1,116                         | 717  |              | 1,833           | 1,116                  | 717  |                    | 1,833           | 0                            |
| Park and Ride   | 184                           | -100   |              | 84              | 184                    | -8   |                    | 176             | 92                           |
| Hylands House Reserve   | 3                             |  |              | 3               | 3                      |  |                    | 3               | 0                            |
| Housing Initiatives   | 150                           |  |              | 150             | 150                    |  |                    | 150             | 0                            |
| DPO Reserve   | 310                           | -163   |              | 147             | 311                    | -232                                       |                    | 79              | -68                          |
| Project Evaluation Resrve   | 390                           | -42  |              | 348             | 390                    | -42  |                    | 348             | 0                            |
| Master Plan Income  | 0                             |  |              | 0               | 0                      | 65   |                    | 65              | 65                           |
| Carry forwards & Supplementary estimate Reserve   | 272                           | -87  |              | 186             | 0                      | 15   | 272                | 287             | 101                          |
| <b>Total Earmarked Reserves</b>   | <b>4,272</b>                  | <b>-50</b>                                   | <b>2,300</b> | <b>6,522</b>    | <b>4,000</b>           | <b>1,712</b>                               | <b>2,572</b>       | <b>8,283</b>    | <b>1,761</b>                 |
| <b>Unearmarked</b>  |                               |  |              |                 |                        |  |                    |                 |                              |
| General Fund & Contingency  | 16,545                        | -2,037                                       | -2,300       | 12,208          | 16,817                 | 943  | -2,572             | 15,188          | 2,979                        |
|   | 16,545                        | -2,037                                       | -2,300       | 12,208          | 16,817                 | 943  | -2,572             | 15,188          |                              |
| <b>Total other reserves</b>   | <b>20,817</b>                 | <b>-2,086</b>                                | <b>0</b>     | <b>18,731</b>   | <b>20,817</b>          | <b>2,655</b>                               | <b>0</b>           | <b>23,471</b>   | <b>4,741</b>                 |
| <b>Not Available to Support Spend, until financial year end when the actual position is determined.</b> |                               |  |              |                 |                        |  |                    |                 |                              |
| Business Retention reserve  | 17,856                        | -12,197                                      |              | 5,659           | 17,857                 | -13,222                                    |                    | 4,635           | -1,024                       |
| <b>Totals</b>   |                               |  |              | <b>24,390</b>   | <b>38,674</b>          | <b>-10,568</b>                             | <b>0</b>           | <b>28,106</b>   | <b>3,716</b>                 |

2.5. The Unearmarked Reserve has declined but is around £3m higher than would be expected based on the 2021/22 budget assumptions. The Medium-Term Financial Strategy report to July will identify how this funding is recommended to be used.

Currently, the Section 151 Officer believes the recommendation may include its use in dealing with temporary inflationary costs.

2.6. Please note the live budget includes approvals made, under delegations, for:

| Directorate                | Department                       | Amount          | Description   | Funding From               |
|----------------------------|----------------------------------|-----------------|---|----------------------------|
| Chief Executive            | DPO                              | £82,600         | Consultancy and Software for Building Control Project | DPO Reserve                |
| Chief Executive            | DPO                              | £28,600         | Video Conferencing Spend for Meeting Rooms            | General Fund               |
| Connected Chelmsford       | Digital Services                 | £8,800          | Digital Signatures Software Licences                  | General Fund               |
| Connected Chelmsford       | Culture                          | £20,000         | British Science Festival Expenditure                  | Cultural Support Fund      |
| Connected Chelmsford       | Procurement                      | £8,000          | Delta Software Extension                              | Carry Forward              |
| Connected Chelmsford       | Legal & Democratic               | £44,800         | Community Governance Review                           | General Fund/Carry Forward |
| Connected Chelmsford       | Museum                           | £7,500          | One-off exhibition purchase for Museum                | Cultural Support Fund      |
| Connected Chelmsford       | Culture                          | £7,800          | Cultural Development Trust SLA                        | Cultural Support Fund      |
| Connected Chelmsford       | Marketing and Communications     | £8,600          | Additional Communications Officer                     | General Fund               |
| Fairer Chelmsford          | Property Services                | £42,400         | Feasibility Studies for Car Parks                     | Project Evaluation Reserve |
| Sustainable Development    | Economic Development             | £50,000         | Chelmer Waterside Project                             | Carry Forward              |
| Greener & Safer Chelmsford | Parks                            | £18,500         | Springfield Green tree planting                       | General Fund               |
| Greener & Safer Chelmsford | Leisure                          | £12,700         | Active Chelmsford Grant                               | Carry Forward              |
| Greener & Safer Chelmsford | Recycling, Waste and Street Care | £32,000         | Bay Repairs at the Depot                              | General Fund               |
| Greener & Safer Chelmsford | Parks                            | £67,100         | Tree Spend transferred from Capital                   | Capital                    |
| Council Wide               | Council-wide                     | £523,000        | Pay Award   | General Fund               |
|                            |                                  |                 |   |                            |
| <b>Total</b>               |                                  | <b>£962,400</b> |   |                            |

### 3. Implications for Financial Planning

- 3.1. Prior to the pandemic, a key action following the financial year-end would be a review of the last three years' actuals compared to the next year's original budget. This would determine where budgets need to be realigned nearer to actual spend. Given the very unusual financial position in 2021/22, we expect to identify only a limited number of ongoing adjustments. It may take two or more years for settled pattern of income and expenditure to emerge sufficiently to allow budgets to more accurately align.
- 3.2. The better-than-expected outturn position is unlikely to alter-significantly the projections of future Council budget deficits as:
  - the windfall gain from Business Rate Retention income is expected to disappear when the Government resets local authority funding arrangements in 2022/23
  - The services' expenditure and income for 2021/22 are not good guides for future budgets.
- 3.3. This will be a matter for the refreshed Medium Term Financial Strategy being taken to July Cabinet and Council.

### 4. Conclusion

- 4.1. The Budget is not sufficiently aligned to actual financial spend and income. This is a result of Covid. It is likely to take several years to get sufficient alignment between budgets and new activity levels.
- 4.2. The level of Unearmarked Reserves is some £3m higher than would have been expected based on the 2021/22 budget.
- 4.3. The level of Reserves will be addressed in the Medium-Term Financial Strategy Report to July Cabinet and Council.

#### List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position for 2021/22

#### Background papers:

Nil

#### Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

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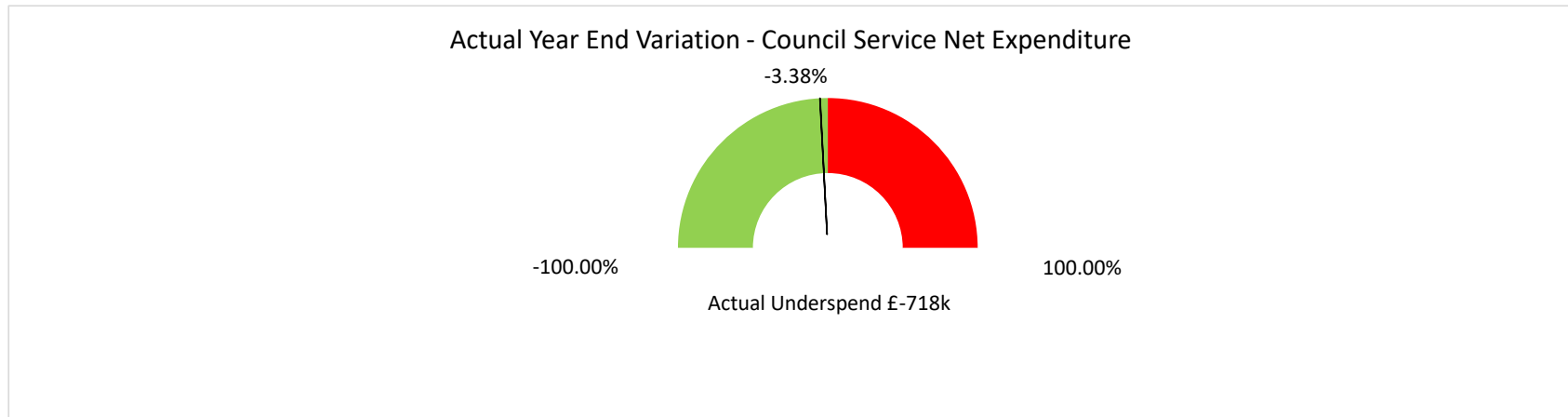
Consultees:

None

Relevant Policies and Strategies:

Medium-Term Financial Strategy.

## Chelmsford City Council Outturn Variances - Actual to Final Estimates 21/22

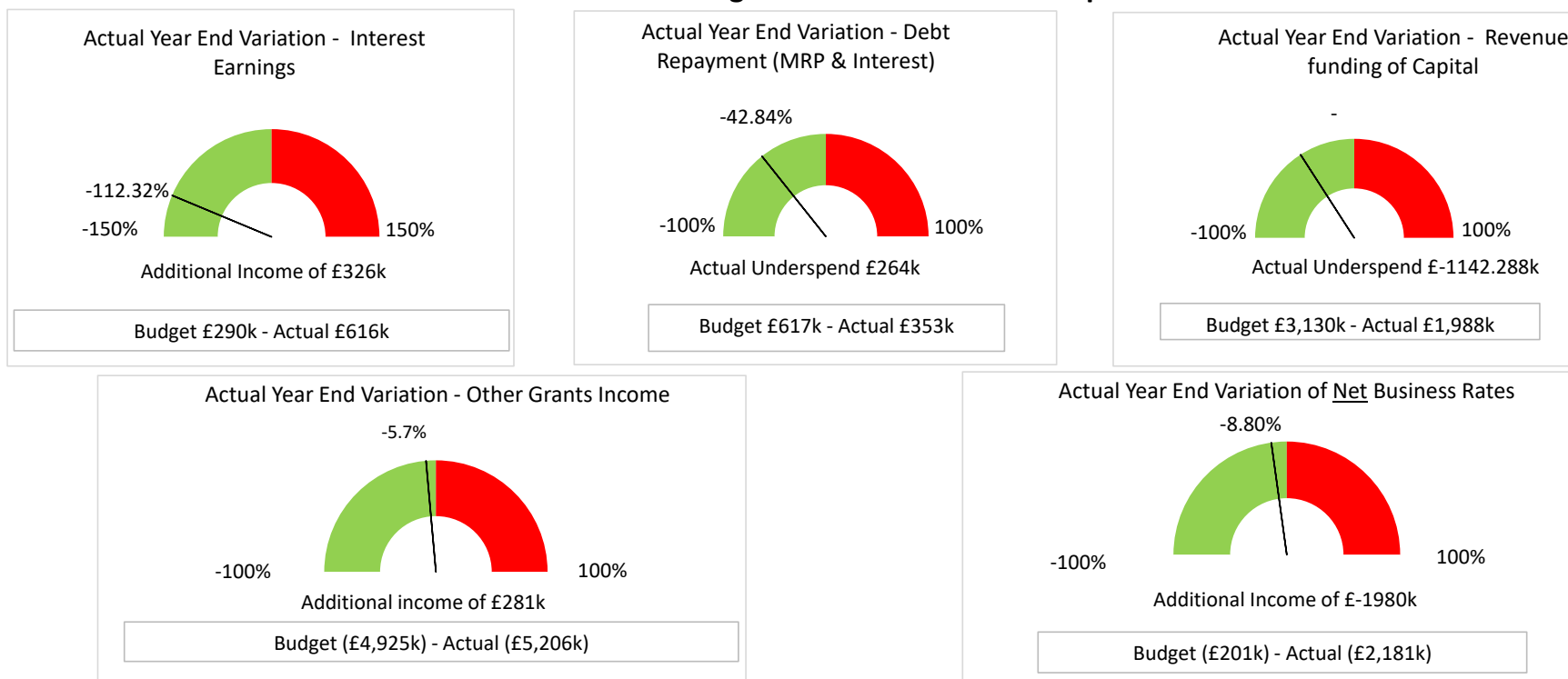


These figures are provisional and as the completion of the statement of accounts takes place further reviews of transactions are undertaken, which may identify changes are necessary to the reported position. Should changes be identified these will be reported to September Audit & Risk Committee.



| Note | Key Variations   | Actions   | Risks   | Change Since Last Reported  |
|------|--|---|---|---|
| 1)   | <b>Reduced income of £1,928k due to Covid-19.</b> This relates to Leisure (£637k), Events (£342k), Cem & Crem (£189k), Theatres (£164k), Trade Waste (£139k), Rize (£134k), Hylands (£126k), Parks (£95k), the Market (£52k) and Meeting Rooms (£50k)<br>This is offset by <b>reduced expenditure due to Covid-19 of £291k</b> Events (£265k), Theatres (£26k)   | Several services started 21/22 either closed to the public or at heavily reduced capacity beyond that expected in the budget . A large proportion of the lost income is not expected to continue in future years, but some loss of income may be ongoing due to changing customer trends and working practices as a result of the pandemic.   | Income does not recover to pre-Covid levels due to changing customer trends and confidence.   | Better (£681k)  |
| 2)   | <b>£1,143k additional income</b> over budget from the Sales, Fees and Charges Compensation scheme  | This income was shown in other grants below in previous reports, but is accounted for in the service level income and expenditure. The budget of £700k has now also been moved to the service level, so the total compensation received was £1,843k in 21/22  | One-off in nature and subject to audit  | No Change (projected in other grants previously)                          |
| 3)   | <b>£700k loss in car parks income</b> against the budget. The average occupancy level throughout the year was 80% for short stay car parks and 58% for long stay.  | Monitor car parking income in 22/23 to assess whether long stay trends in particular are here to stay, or whether levels of income will return to pre-pandemic levels.  | Income doesn't return to pre-pandemic levels  | Better (£200k)  |
| 4)   | <b>£150k underspent on software licences within Digital Services</b>   | Review as part of the MTFs as to whether this is slippage or ongoing underspends  | Renewal prices of software contracts result in these underspends not being ongoing  | Better (£68k)   |
| 5)   | <b>A net £201k underspend on employee costs</b> made up of a <b>£758k net underspend due to vacancies and restructures (including casuals)</b> (Parks (£132k), PHPS (£72k), Revs and Bens (£67k), Theatres (£149k), Customer Services (£51k), Digital (£224k), other (£63k) offset by <b>employee leaving costs of £557k</b>   | All leaving costs have been funded by the Services for 21/22 rather than from the Pension Reserve due to the underspend at service level. Approximately £100k of the variation for staffing is ongoing and has been taken from the proposed budget put forward for 22/23 (Customer Services, Revs & Bens, Insurance) . In certain areas (such as Digital Services) it has proved difficult to recruit staff and so several of the variations are not ongoing. | Leaving Costs are not met with an ongoing saving from service efficiencies or restructures. Where staff cannot be recruited, service provision and delivery may be impeded. | Worse (£388k) (Includes element of the 2% pay award split out previously) |
| 6)   | <b>£2,083k additional net income</b> from various initiatives and Council services - (Additional Income of - High Chelmer Shopping Centre (£346k), Recycling Sales & Credits (£604k), New Burdens for admin of Business Grant Schemes (£473k), Court Cost Income (£163k), Garden Communities Programme (£149k), Planning Income (£242k), Hylands Events (£106k), Housing Standards (£61k) and Other Property Rents (£33k) offset by <b>Reduced Income from - Hylands Car Parking (£29k), Meadows Shopping Centre (£98k), CIL Admin Fee (£140k)</b> | High Chelmer, Hylands Car Parking, Meadows Shopping Centre and the CIL Admin fee have all had budgets changed for 22/23 to reflect ongoing trends. All other budgets mentioned are expected to be one-off gains in 21/22 so will be reviewed again in 22/23   | Income does not recover to pre pandemic levels.   | Better (£539k)  |
| 7)   | <b>£741k overspent</b> on a one-off exceptional item due to an aborted Environment Agency flood defence scheme   | This is now funded by the Infrastructure Provision Reserve in the use of Earmarked Reserves section below   | None, the cost was funded from capital grant but now is funded from revenue. The net impact on the council financially is nil.  | Worse (£741k)   |

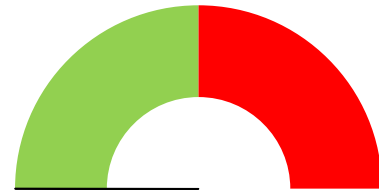
## Other General Fund Budget Items of Income and Expenditure



| Note | Key Variations   | Actions  | Risks  | Change Since Last Reported   |
|------|--|--|--|------------------------------|
| 1)   | £326k additional interest earnings. The Bank of England raised the Base Rate to 0.75% by the end of 21/22 which increased earnings near the end of the year. | Continue to actively manage the Council's cash in order to generate returns for the Council, whilst prioritising security and liquidity  | Capital values are at risk with some investments   | Better (£96k)                |
| 2)   | Business Rates - additional income of £1,980k  | We are waiting for information from the Essex wide pool which may change the figures.  | The information from the Essex wide pool alters the figures.   | Better (£1,380k)             |
| 3)   | £264k underspend on MRP - slippage of capital programme expenditure in 2020/21 (due to Covid) means a temporary saving on MRP.                               | The MRP charge forecast is being reviewed as part of the budget.   | Reductions in MRP generally tend to be just a delay to later year.   | Worse (£28k)                 |
| 4)   | £1,142k underspend on Revenue Funding of Capital   | The lower level of funding of capital is as a result of carrying additional revenue reserves for funding capital spending in later years. This result is the most cost effective borrowing profile over the medium term. | Additional contributions to capital from the overall revenue underspend are to be held in reserves circa £1m. This reduces ongoing funding costs, so mitigates future risks. | Lower £1,142k, resource CFWD |

## Use of Reserves

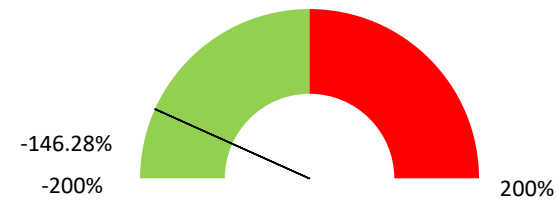
Actual Year End Variation - Contribution/Use of Earmarked reserves



Additional Contribution of £1.761m

Changes in the use of earmarked reserves are often offset by changes in the expenditure in the service accounts. The significant contribution in 2021/22 is to enable increased revenue funding of the capital programme in later years. The budget for 21/22 was a contribution to Earmarked Reserves of £37k.

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



Reduced Use of £2.979m

The budget (after approved adjustments) for 21/22 was a £2.0m use of the General Fund Balance. The total contribution to the General Fund Balance for 21/22 is £0.94m, so an improvement of some £3m. This is before further transfers are made between reserves that do not form a part of outturn.

### SUMMARY

The Council's net service expenditure for 2021/22 was £1.2m less than the final approved budget. After taking into account other items of income and expenditure; the variation on use of the General Fund was £3m for 21/22 and results in a contribution to the General Fund of £0.8m.

The key variations that make up the overall improvement are as follows:

- £1.98m additional Business Rates retention income (against a £201k budget)
- £1.14m additional income from the Sales, Fees and Charges compensation scheme (above a £700k budget)
- £2.6m reduced income due to Covid-19 across the Council (Car Parks, Leisure, Theatres etc)
- £2.1m additional net income across the Council (largely one-off)
- £0.2m net underspend on employee costs across the Council due to vacancies not being filled
- £1.0m additional transfer to capital reserves to reduce internal debt going forward. This is in line with MTFs approach to reduce capital financing costs.
- £0.9m underspent/additional income on other non-service level budgets (MRP - £264k, Interest - £326k, Other Grant Income - £281k)

Ongoing trends will need to be monitored and where possible will be reflected in the Medium Term Financial Strategy report. A significant proportion of the income and expenditure in 21/22 was one-off due to Covid-19 and so there are budget pressures to be worked through for 22/23 onwards.



## Chelmsford City Council Audit and Risk Committee

15<sup>th</sup> June 2022

### Capital Programme Update and Provisional Outturn 2021/22

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#### Report by:

Accountancy Services Manager (S151 Officer)

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#### Officer Contact:

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#### Purpose

- a) To report the capital expenditure incurred in 2021/22.
- b) To provide an update on the approved Capital Schemes and variations in cost which have been identified at outturn and to date.
- c) To provide an update on the approved Asset Replacement Programme for 2021/22 and 2022/23 for variations in cost and timing which have been identified at outturn and to date. Those schemes requiring approval will be taken forward to July Cabinet.

#### Recommendations

It is recommended that

1. The report be noted, and
  2. Any comments be passed on to Cabinet.
-

## 1. Background

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

## 2. Introduction

There are two types of expenditure, capital and revenue.

Capital expenditure relates to the acquisition or enhancement of assets, which have a useful life in excess of 12 months and are charged to the Council's balance sheet and shown as fixed assets (a fixed asset being an item that can be in use for more than one year). To be an enhancement, the expenditure on the asset must lengthen substantially the useful life of the asset, increase substantially the open market value or increase substantially the extent to which the Council can use the asset.

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

## 3. Capital Programme

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

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

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

## 4. Capital Resources

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

When capital resources are spent, the amount available to invest is reduced and therefore the amount of interest income received is reduced, which in turn affects the revenue budgets available.

## 5 Capital Reporting

A 'Capital Programme Update' report is taken to Cabinet in January and a 'Capital Programme Update and Outturn' report is taken to Cabinet/Council in July each year. A further 'Capital Programme Monitoring and Update' report is taken to Cabinet in November.

It is important to closely monitor capital expenditure as this allows judgements to be made for the Council's cash investments. If a large scheme is likely to be

delayed this will provide an opportunity to invest the money until it is required, therefore increasing interest earnings.

## 6. Methods of Approval

New schemes submitted by services are recommended by Cabinet in January and approved by Council in February each year.

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

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

## 7. Capital Schemes

### 7.1 Monitoring Against Latest Approved Budgets

**Appendix 1** gives the overall capital outturn information for the completed Capital Schemes at the end of March 2022 and the latest forecast expenditure for the ongoing scheme costs. It identifies the anticipated variances in total individual scheme costs.

7.2 **Appendix 1** shows that the proposed cost of the Capital Schemes has increased by a net £1.002m against the latest approved budget of £149.505m, or 0.67% of the overall Capital Schemes' costs.

|   |                  |
|---|------------------|
| Approved Budget   | £149.505m        |
| Proposed Reductions in Scheme Costs – see <b>Appendix 1</b>   |                  |
| Scheme number 34 - Mass Tree planting and Woodland Creation. Spend transferred to revenue not reduction in planting   | -£0.069m         |
| Proposed Increases in Scheme Cost Requires Approval – see <b>Appendix 1</b> .   |                  |
| Scheme number 5 – Enabling Lockside Growth Area.  | £0.956m          |
| Scheme number 13 – Housing Initiatives (Hostel Extension). A report has been taken to June Cabinet for this approval. | £0.150m          |
| Other Smaller Schemes - see Scheme 29 and 74  | £0.013m          |
| Actual Increases in Completed Scheme Costs.   | £0.029m          |
| Actual Reductions in Completed Scheme Costs.  | -£0.077m         |
| <b>Total Proposed Budget</b>  | <b>£150.507m</b> |

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

7.4 **Appendix 1** shows that there are some schemes reported as being delivered late.

The majority of these schemes are reliant upon conditions outside the control of Project Officers such as obtaining planning permission and consents and paying over CIL grants to third parties which are dependent upon works they have completed. The delay in the spend is favourable to the Council in terms of investment and returns.

7.5 The forecast expenditure for the year 2021/22 was £24.202m. The actual expenditure for 2021/22 was £9.189m. This is a net reduction for the spend in-year of £15.013m or 62%. The table below provides details of the schemes and shows the major variations.

| <b><u>Schemes</u></b>  |          |
|--|----------|
| Schemes 65–75 – Various CIL Grants to third parties. Spend dependent upon third parties. The budgets have been deferred to 2022/23.  | -£1.187m |
| Scheme 5 – Enabling Lockside Growth Area – The spend on this scheme is dependent upon negotiations with third parties and this has caused delays to the progress of the scheme. The budgets have been deferred to 2022/23.   | -£1.684m |
| Scheme 8 - Acquisition Cemetery Land – Suitable site has not been identified.  | -£2.200m |
| Scheme 10 - Refurbishment Commercially leased Property deferred to 2022/23. The scope for the refurbishment has changed from open plan to smaller office suites which has required a more detailed M and E scope to be developed which has delayed the scheme. This will impact on the availability for the property to be relet and generate income.  | -£1.100m |
| Scheme 13 Housing Initiatives – (1) Extension of Hostel - delay due to requirements for additional surveys in relation to the acoustic impact on neighbouring properties. (2) Railway Street development - delay due to requirement for sensitive treatment of boundaries with adjoining properties. (3) Exceptions Sites £2m. These schemes have been rephased to 2022/23. This delay could impact the savings and income which will be generated from the implementation of the first two schemes. | -£3.360m |

|  |                 |
|--|-----------------|
| Scheme 54 – HIF Access Road and Bridge – The estimated spend in year is lower than forecast. Project delivery is still aligned to the grant funding agreement with Government. | -£4.976m        |
| Other net variations on individual schemes.  | -£0.506         |
| <b>Total In Year Underspend Against Forecast Spend</b>   | <b>£15.013m</b> |

This delay in expenditure has been beneficial to the resourcing of the Council's 2021/22 capital expenditure and has delayed the use of finite Capital resources and reduced the requirement for internal borrowing in the year.

## 7.6 Update on Capital Schemes

### 7.6.1 HIF Access Road and Bridge and Associated Works

Planning permission was granted in June 2021 and the Council has now entered into contract with a contractor for the design and build of the road/bridge, through a two-stage design-and-build contract. Stage 1 is the detailed design and technical approval, and Stage 2 is the construction. Stage 1 is programmed to complete in April 2023, at which point a validated target price for the project will be known, with the Council having the option to proceed or not at this stage. The cost of delivery of the road and bridge will change, but this cost will not be known until April 2023, at which point any further budget adjustments will be the subject of future approvals. Early indications are that the price for the scheme is likely to increase significantly due to inflationary pressures e.g. price of steel. Any additional costs are expected to be funded from CIL or higher capital receipts (sale proceeds) from nearby sites.

To date, the City Council has drawn down £4.460m of the Housing Infrastructure Fund grant from Homes England, out of a total of £13.7m. The remainder must be drawn down by the end of March 2023 under the terms of the agreement between the City Council and Homes England.

7.6.2 The Environment Agency's (EA) decision not to proceed with the Margaretting flood defence scheme has meant that the EA is now looking at alternative proposals. Some £1m had been contributed by the Council for design works which was charged to capital in prior years. As no asset will be created, the design works under accounting practice become a revenue cost. After allowing for EU funding, £0.74m of capital design costs have now been removed from capital and charged to revenue in 2021/22. This releases £0.74m of capital resource but at the cost of using £0.74m of earmarked Infrastructure Provision (reserve), as detailed in the provisional revenue outturn report else on this agenda. The capital budget for Flood Alleviation works will be retained subject to a future decision by the Council.

### 7.6.3 Inflation

Many of the budgets set out in Appendix 1 are approved on the basis of the best advice available at the time the bid requests were submitted. However, as previously mentioned in the Council's Budget Report 2022/23 there is



unprecedented inflationary pressure in the economy which makes the outcomes of tenders for goods and services erratic. Changes in project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

## 8. Asset Replacement Programme

### 8.1 Monitoring Against Latest Approved Budgets

**Appendix 3** shows that the final outturn for 2021/22 compared to the approved budget of £4.099m was a reduction of £250k, or 6.1%. £271k has been moved forward to 2022/23 or later years. The table below provides a summary.

|                                     |                |
|-------------------------------------|----------------|
| Approved Budget 2021/22             | £4.099m        |
| Proposed Change in scheme phasing   | -£0.271m       |
| Variation in Asset Replacement Cost | £0.021m        |
| <b>Total Outturn 2020/21</b>        | <b>£3.849m</b> |

8.2 **Appendix 3** also shows that the proposed budget for 2022/23 asset replacements is £6.108m compared to the approved budget of £5.844m. This is a net increase of £0.264m, or 4.52%. £0.271m is due to the asset replacements being delayed from 2021/22 until 2022/23. The table below provides a summary.

|   |          |
|---|----------|
| Approved Budget 2022/23   | £5.844m  |
| Proposed Change in scheme phasing from 2021/22 Requires Approval – For detail see <b>Appendix 3</b> 2022/23 column “Rephasing from 2021/22 – Requires Approval”                               | £0.271m  |
| Proposed Change in scheme phasing from 2022/23 to Later Years – For detail see <b>Appendix 3</b> 2022/23 column “Approved Replacements Deferred from 2022/23 to Later Years”                  | -£0.025m |
| Proposed New Spend to be added to the Replacement Programme Requires Approval – see <b>Appendix 3</b> 2022/23 column “New Budget Asset Replacements Requires Approval” – Ceiling Fans at CSAC | £0.015m  |
| Increases in Asset Replacement Cost Requires Approval – For detail see <b>Appendix 3</b> 2022/23 column “More/Less Than Approved Budgets – More Requires Approval” Line no. 34.               | £0.006m  |

|   |                |
|---|----------------|
| Reduction in Asset Replacement Cost to be noted | -£0.003m       |
| <b>Total Proposed Budget 2021/22</b>            | <b>£6.108m</b> |

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2021/22 and narratives for those variances in excess of £25k for 2022/23 against the Latest Approved Budgets.

## 9. Funding of Programme

This will be reported to Cabinet.

## 10. Conclusion

- 10.1 The total cost of the Capital Schemes is forecast to be a net £1.002m more than the latest approved budget.
- 10.2 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside of the control of the Project Officers.
- 10.3 The underspend on Capital Schemes in 2021/22, £15.013m, is beneficial to the Council as it has reduced the requirement for internal borrowing in this financial year. Some of the delays in spend will have impacted on income generation and savings that will now be realised in a later year.
- 10.4 The 2021/22 Asset Replacement Schemes are £250k less than the latest approved budget. £271k is due to moving the approved budgets forward into 2022/23. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources
- 10.5 The 2022/23 Asset Replacement Schemes are forecast to be £264k more than the latest approved budget. The majority of this is due to the realignment of budgets from 2021/22, an additional £271k.

### List of appendices:

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

**Appendix 2** Capital Schemes Major Variations Narratives.

**Appendix 3** Asset Replacement Schemes for 2022/23, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2022/23, a comparison of the budgeted expenditure against the Directors of Service forecast.

**Appendix 4** Asset Replacement Schemes Major Variations Narratives for the years 2021/22 and 2022/23.

Background papers:

Nil

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Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

Acquisition of electric vehicles and green initiatives

Personnel:

None

Risk Management:

None

Equality and Diversity:

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

None

Health and Safety:

None

Digital:

None

Other:

None

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Consultees:

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Relevant Policies and Strategies:  
Medium Term Financial Strategy

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|                               |   | <b>CAPITAL SCHEMES</b>  |   |                        | <b>VARIATION IN TOTAL CAPITAL SCHEME COSTS</b>        |                 |     |   |   |  |
|-------------------------------|---|---|---|------------------------|---|-----------------|-----|---|---|--|
|                               |   | Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date |   |                        | Latest Forecast Budget - Additional Requires Approval |                 |     |   |   |  |
| Net Expenditure to 31/03/2022 |   | Original Approved Scheme Budget   | Additional/ Reduced (-) Approved Budget | Latest Approved Budget | More/(Less) Than Approved Budgets                     | Proposed Budget |     | Scheme Scheduled to Complete on Time against Original Programme | Additional Budget Approval Narrative  |  |
| £000s                         | SCHEME DESCRIPTION  | £000s   | £000s                                   | £000s                  | £000s   | £000s           |     |   |   |  |
|                               | <b>Connected Chelmsford</b>   |   |   |                        |   |                 |     |   |   |  |
| 54                            | 1 Theatres' Modernisation   | 1,000   | 1,746                                   | 2,746                  | 0   | 2,746           |     | Programming of works still to be determined                     | Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works.   |  |
|                               | 2 Museum Roof Access Works Health and Safety  | 11  |   | 11                     | 0   | 11              | NEW |   | Approved Council February 2022. Delegated authority to the director to spend within the approved budget.  |  |
|                               | <b>Fairer Chelmsford</b>  |   |   |                        |   |                 |     |   |   |  |
| 10                            | 3 Land Development Site Investigations  | 365   |   | 365                    |   | 365             |     | Programming of works still to be determined                     | Approved Cabinet November 2021.   |  |
| 30                            | 4 Land Sites' Disposal Costs  | 612   |   | 612                    |   | 612             | NEW |   | Approved Council February 2022. Delegated authority to the director to spend within the approved budget.  |  |
| 1,954                         | 5 Enabling Lockside Growth Area   | 450   | 4,550                                   | 5,000                  | 956   | 5,956           |     | In Negotiations - Late delivery                                 | A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. |  |
| 200                           | 6 Galleywood Hall Development Industrial Units  | 1,200   | 650                                     | 1,850                  |   | 1,850           |     | No  | Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022.   |  |
| 65                            | 7 Bridge Repairs  | 300   | -185                                    | 115                    | -50   | 65              |     | Completed   | Approved at Council February 2019. May 2020 non urgent works deferred to later year.  |  |
|                               | 8 Land Acquisition Cemetery/Crematorium   | 1,800   | 1,800                                   | 3,600                  |   | 3,600           |     | To identify potential Land Site                                 | Approved at Council February 2019. Additional £1.8m approved Council February 2020.   |  |
|                               | 9 High Chelmer Roof   | 1,500   |   | 1,500                  |   | 1,500           |     | Awaiting Proposal   | Approved at Council February 2020 and programmed for 2021/22. These works have now been programmed to commence in 2022/23.  |  |
|                               | 10 Refurbishment of Commercially Leased Properties  | 720   | 380                                     | 1,100                  |   | 1,100           |     | Under Review  | Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021.  |  |
| 7,164                         | 11 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (i)                               | 7,000   | 143                                     | 7,143                  | 21  | 7,164           |     | Completed   | Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Additional £50k approved November 2021. Budget increased Council February 2022.  |  |
|                               | 12 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii)                              |   | 10,920                                  | 10,920                 |   | 10,920          |     | Business Case to be Developed                                   | Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Purchase 20 houses and modular units.   |  |
| 65                            | 13 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing | 9,900   | -5,675                                  | 4,225                  | 150   | 4,375           |     | Business Cases to be Developed                                  | Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24.  |  |
| 237                           | 14 Enabling Role - Housing  | 237   |   | 237                    |   | 237             |     | Completed   | Grant payment to CHP.   |  |
|                               | 15 Initiatives to increase the provision of Affordable Housing Funded by S106                                   | 1,643   |   | 1,643                  |   | 1,643           | NEW | Business Case to be Developed                                   | Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford.  |  |
| 467                           | 16 Drakes' Lane Travellers Site   | 1,950   |   | 1,950                  |   | 1,950           |     | Yes   | Approved by Urgency March 2021.   |  |
|                               | <b>Greener and Safer Chelmsford</b>   |   |   |                        |   |                 |     |   |   |  |
|                               | 17 Cemetery and Crematorium Infrastructure  | 6,800   |   | 6,800                  |   | 6,800           |     | Business Case to be Developed                                   | Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.   |  |
|                               | 18 Cemetery Refurbishment   | 86  |   | 86                     |   | 86              | NEW | Yes   | Approved at Council February 2022. Delegated authority to Director to spend within approved budget.   |  |

| Net Expenditure to 31/03/2022 | SCHEME DESCRIPTION  | Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date |  |                        | Latest Forecast Budget - Additional Requires Approval |                 | Scheme Scheduled to Complete on Time against Original Programme | Additional Budget Approval Narrative   |
|-------------------------------|---|---|--|------------------------|---|-----------------|---|--|
|                               |   | Original Approved Budget  | Additional/Reduced (-) Approved Budget | Latest Approved Budget | More/(Less) Than Approved Budgets                     | Proposed Budget |   |  |
| £000s                         | SCHEME DESCRIPTION  | £000s   | £000s                                  | £000s                  | £000s   | £000s           |   |  |
| 19                            | Civic Offices Improvement Programme                                   | 460   |  | 460                    |   | 460             | Under Review  | Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme.   |
| 142                           | 20 Community Flood Improvements                                       | 184   |  | 184                    |   | 184             | Works Completed Monitoring to continue                          | Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.  |
| 149                           | 21 Hylands Park North Kiosk Toilet Refurbishment                      | 60  | 88                                     | 148                    | 1   | 149             | Completed   | £60k approved Council February 2019. Scheme review resulted in additional £138k approved July 2020 Cabinet. Returned tenders came in at £148k and the budget was increased by an additional £10k, approved at Council Feb 2021.  |
| 35                            | 22 Hylands' Hanbury Memorial Garden                                   | 45  |  | 45                     | -10   | 35              | Completed   | Approved via supplementary estimate September 2019 funded by a contribution from The Friends of Hylands House (FOHH).  |
| 72                            | 23 Hylands' Outdoor Wedding Ceremony Area                             | 75  |  | 75                     |   | 75              | Yes   | Approved supplementary estimate June 2021 £75k   |
| 260                           | 24 Saltcoats Park and Compass Gardens Car Park                        | 253   |  | 253                    | 7   | 260             | Completed   | Approved at Council February 2020 and programmed for 2021/22.  |
|                               | 25 Beaulieu Park Pavilion Refurbishment                               | 57  |  | 57                     |   | 57              | No  | Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.   |
|                               | 26 Chancellor Park Pavilion Works                                     | 46  |  | 46                     |   | 46              | No  | Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works.   |
|                               | 27 Chelmer Park Pavilion Roof   | 148   |  | 148                    |   | 148             | NEW Yes   | Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.  |
|                               | 28 Beaulieu Pavilion Health and Safety Works                          | 33  |  | 33                     |   | 33              | NEW Yes   | Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.  |
|                               | 29 Beaulieu Park Conversion Tarmac Court to 3G Pitch and Flood lights | 90  |  | 90                     | 5   | 95              | NEW Yes   | Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.  |
|                               | 30 Oaklands Park Upgrade Tennis Court to MUGA                         | 91  |  | 91                     |   | 91              | NEW Yes   | Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.  |
|                               | 31 Central Park Lake Edge Works S106                                  | 62  |  | 62                     |   | 62              | NEW Yes   | Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.  |
|                               | 32 Rivers and Waterways Improvements                                  | 600   | -107                                   | 493                    |   | 493             | Scheme to be developed  | Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Programmed over 3 years commencing 2021/22.   |
| 14                            | 33 Automatic Floodgates and Provision of Locks - Feasibility          |   | 107                                    | 107                    |   | 107             | No  | Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.   |
| 56                            | 34 Mass Tree planting and Woodland Creation                           | 4,400   |  | 4,400                  | -69   | 4,331           | Yes   | Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places and the Director of Finance and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22.  |
|                               | 35 Green Initiatives  | 500   |  | 500                    |   | 500             | NEW Business Cases to be Developed                              | Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes.  |
| 9                             | 36 CIL Landscape Enhancement Scheme Chignal Road                      | 11  |  | 11                     |   | 11              | Yes   | CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.  |
| 9                             | 37 CIL Parks and Open Space   | 6   | 10                                     | 16                     | -1  | 15              | No  | £6k CIL funding approved July 2019 for Coronation Park Basketball Court. £10k additional budget approved supplementary estimate. Location also changed to Lionmede Park.   |
| 533                           | 38 Chelmsford Indoor Market Refurbishment                             | 500   | 100                                    | 600                    |   | 600             | Indoor works completed, outdoor works progressing               | Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020. |
|                               | 39 Retail Market Drainage Improvements                                | 31  |  | 31                     |   | 31              | NEW Yes   | Approved by Council February 2022. Delegated authority to Director to spend within approved budget.  |
|                               | 40 Market Road Toilet Roof  | 101   |  | 101                    |   | 101             | NEW Yes   | Approved by Council February 2022. Delegated authority to the director to spend within the approved budget.  |

| Net Expenditure to 31/03/2022 | SCHEME DESCRIPTION                                       | Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date |  |                        | Latest Forecast Budget - Additional Requires Approval |                 | Scheme Scheduled to Complete on Time against Original Programme | Additional Budget Approval Narrative  |   |
|-------------------------------|--|---|--|------------------------|---|-----------------|---|---|---|
|                               |  | Original Approved Budget  | Additional/Reduced (-) Approved Budget | Latest Approved Budget | More/(Less) Than Approved Budgets                     | Proposed Budget |   |   |   |
| £000s                         |  | £000s   | £000s                                  | £000s                  | £000s   | £000s           |   |   |   |
| 40,136                        | 41 Riverside Ice and Leisure Centre Scheme               | 950   | 39,187                                 | 40,137                 | -1  | 40,136          | Building Works Completed. Final fees paid.                      | £700,000 approved Council July 2015. £60,000 budget vired to fund conversion of outdoor pool to car park. £180K approved April Cabinet for Project Manager and a further £945K approved June Cabinet for the design to RIBA stage 7. £400K approved at October 2016 Cabinet for early enabling works (main contractor). Additional £1m approved Cabinet April 2017 for early works. Additional early works required a further £500k, approved in June. £250k approved for Cafe fit out at Council February 2018. Full scheme cost excluding cafe approved at July 2018 Council as £35.216m. Additional £4.5m approved at February 2019 Council. Additional £200k approved by Cabinet November 2019. |   |
| 22                            | 42 Riverside Elevations                                  | 2,000   |  | 2,000                  |   | 2,000           | Under Review  | £2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.  |   |
| 31                            | 43 Dovedales - Grant for Works 2019/20                   | 32  | 2                                      | 34                     | -3  | 31              | Completed   | Approved at Council February 2019 contribution towards new studio. Additional £2k approved November 2019 cabinet based on actual spend.   |   |
| 15                            | 44 Dovedales - Grant for Works 2020/21                   | 42  | -2                                     | 40                     | 1   | 41              | Deferred  | Approved at Council February 2020 and programmed for 2020/21.   |   |
| 22                            | 45 Dovedales - Grant for Works 2021/22                   | 23  |  | 23                     | -1  | 22              | Completed   | Supplementary estimate approved March 2021 £23k grant for repairs to roof.  |   |
|                               | 46 Dovedales Sports Centre Refurbishment                 | 1,464   |  | 1,464                  |   | 1,464           | NEW   | Scheme to be developed  | Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford. |
| 168                           | 47 Hylands House Refurbishment First Floor Accommodation | 174   |  | 174                    | -6  | 168             | Works Completed   | £174k approved at Council February 2019 3 year programme for refurbishment.   |   |
| 35                            | 48 Hylands House Refurbishment Terrace Room              | 35  |  | 35                     |   | 35              | Completed   | £35k approved via supplementary estimate December 2019. Scheme funded by contribution from Friends of Hylands House.  |   |
|                               | 49 Hylands House Stable Block Toilets                    | 44  |  | 44                     |   | 44              | Deferred  | Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24  |   |
|                               | 50 Hylands House Basement Toilet                         | 150   |  | 150                    |   | 150             | NEW   | Yes   | Approved Council February 2022. Delegated authority to Director to spend within the approved budget.  |
|                               | <b>Sustainable Development</b>                           |   |  |                        |   |                 |   |   |   |
| 926                           | 51 Flood Alleviation Scheme                              | 5,359   | 400                                    | 5,759                  |   | 5,759           | Business case to be developed                                   | Increased cost of scheme from EA now capped at £6.5 million approved Cabinet July 2013. The scheme is being reviewed by the EA. EA scheme not progressing alternative options being reviewed. This budget was approved in July 2013 for an EA Scheme which has now been withdrawn. £741k related to works towards the design of the scheme which have now been categorised as a revenue spend.  |   |
| 10                            | 52 Public Realm Wayfinding Signs Phase 3                 | 150   |  | 150                    |   | 150             | Yes   | Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23   |   |
| 1,044                         | 53 Public Realm Tindal Square Design and Construction    | 160   | 3,678                                  | 3,838                  |   | 3,838           | Scheduled to complete by Oct. 2022                              | Approved at Council February 2018. The design works were completed until 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m.   |   |
| 5                             | 54 HIF Access Road and Bridge - CCC Budget               |   | 250                                    | 250                    |   | 250             | Yes   | Virement allocated for HIF bid design works.  |   |
| 2,014                         | 55 HIF Access Road and Bridge - Grant Funded             | 15,500  | 11,095                                 | 26,595                 |   | 26,595          | Yes   | £15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing.  |   |
| 1,461                         | 56 S106 Beaulieu Park Station                            | 100   | 1,550                                  | 1,650                  |   | 1,650           | Unspecified   | Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.  |   |
| 2,865                         | 57 S106 Beaulieu Park Station 2nd Phase                  | 2,917   | 514                                    | 3,431                  |   | 3,431           | Unspecified   | £2,917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.   |   |
| 1,311                         | 58 S106 Beaulieu Sports Facility                         | 477   | 834                                    | 1,311                  |   | 1,311           | Completed   | £477k approved by Cabinet in January 2019 with delegation to spend further S106 contributions when received. Additional contributions received and therefore added to approved budget.  |   |
| 38                            | 59 S106 Public Art Bond Street                           | 44  |  | 44                     | -6  | 38              | Completed   | Approved by delegation February 2019.   |   |
| 12                            | 60 S106 Stonebridge Illuminations                        | 37  | 6                                      | 43                     |   | 43              | No  | Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.   |   |
| 2                             | 61 S106 River Can Pathway Lighting Design                | 10  | 6                                      | 16                     |   | 16              | No  | Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.  |   |
| 14                            | 62 S106 Public Art Channels                              | 21  | 79                                     | 100                    |   | 100             | No  | Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.  |   |
| 106                           | 63 CIL REFCUS Schemes 19/20+C6                           | 72  | 34                                     | 106                    |   | 106             | Completed   | Scheme approved April 2019 £72k. Revenue Expenditure Funded by Capital Under Statute (REFCUS). NEW £30k various CIL schemes approved July 2019.   |   |

| Net Expenditure to 31/03/2022  | SCHEME DESCRIPTION  | Latest Approved Budget - Approved February 2022 and Additional New Schemes Approved Since that Date |   |                        | Latest Forecast Budget - Additional Requires Approval |                 | Scheme Scheduled to Complete on Time against Original Programme | Additional Budget Approval Narrative  |
|--|---|---|---|------------------------|---|-----------------|---|---|
|  |   | Original Approved Budget  | Additional/ Reduced (-) Approved Budget | Latest Approved Budget | More/(Less) Than Approved Budgets                     | Proposed Budget |   |   |
| £000s  |   | £000s   | £000s                                   | £000s                  | £000s   | £000s           |   |   |
| 10   | 64 CIL REFCUS Schemes 20/21                                       | 17  | -7                                      | 10                     |   | 10              | Completed   | £17k Approved March 2020.   |
|  | 65 CIL Sutherland Lodge Refurbishment                             | 525   |   | 525                    |   | 525             | Awaiting Business case - Late delivery                          | Approved Council July 2017.   |
|  | 66 CIL St Andrew's Scout Hut Building                             | 80  |   | 80                     |   | 80              | Dependent on Third party - Late delivery                        | CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019. |
| 300  | 67 CIL Homelessness Day Centre CHESS New London Rd                | 300   |   | 300                    |   | 300             | Completed   | CIL funding approved July 2019.   |
| 247  | 68 CIL Age Concern First Floor Extension Grant                    | 212   | 35                                      | 247                    |   | 247             | Completed   | Approved scheme with CIL funding March 2020. Additional CIL funding approved Urgency letter October 2020 £25k           |
| 47   | 69 CIL Integrated Cycling Infrastructure Grant                    | 100   |   | 100                    |   | 100             | Yes   | CIL funding approved at meeting of the CIL Panel 23/1/2020.   |
|  | 70 CIL Trinity Road School Improvements                           | 950   |   | 950                    |   | 950             | Dependent on Third party  | Approved at Council February 2021   |
| 43   | 71 CIL Sanctus New Premises Fit Out Grant                         | 43  |   | 43                     |   | 43              | Completed   | Approved October 2020 Urgency Letter  |
|  | 72 CIL Road Improvements Main Road Hospital Approach Grant to ECC | 97  |   | 97                     |   | 97              | Yes   | CIL funding approved January 2019. Spend approved Council February 2022   |
|  | 73 CIL Grant Chelmsford Society Model Engineers                   | 5   |   | 5                      |   | 5               | Yes   | CIL funding approved December 2021. Spend approved Council February 2022.   |
| 13   | 74 CIL Green Initiatives  | 15  |   | 15                     | 8   | 23              | Yes   | CIL funding approved December 2021. Spend approved Council February 2022.   |
|  | 75 CIL NE Bypass Bridge Forward Funding                           | 1,500   |   | 1,500                  |   | 1,500           | Dependent on Third party  | Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.   |
|  | 76 Townfield Street Car Park Barrier Strengthening                | 15  |   | 15                     |   | 15              | Yes   | Approved February 2022 Council  |
| 370  | 77 Townfield Street Car Park Water Ingress Prevention             | 360   | 10                                      | 370                    |   | 370             | Completed   | Approved February 2021 Council  |
| <b>62,792</b>  | <b>Grand Total</b>  | <b>77,307</b>   | <b>72,198</b>                           | <b>149,505</b>         | <b>1,002</b>  | <b>150,507</b>  |   |   |
|  |   |   |   | Net Variation          | <b>1,002</b>  |                 |   |   |
| <b>Summary of Changes Since Previous Council Reports February 2022</b> |   |   |   |                        |   |                 |   |   |
| 62,792   | Total Expenditure to 31/03/2022                                   |   |   |                        | £000's  |                 |   |   |
| 77,805   | Forecast Expenditure 31/3/2022                                    |   |   |                        | 148,259   |                 |   |   |
| -15,013  | Variation in Year   |   |   |                        |   |                 |   |   |
|  |   |   |   |                        | New Schemes Approved                                  |                 |   |   |
|  |   |   |   |                        | Supplementary Estimates Approved for Existing Schemes |                 | 1,246   |   |
|  |   |   |   |                        | Completed schemes removed                             |                 |   |   |
|  |   |   |   |                        | <b>Total Approved Budget</b>                          |                 | <b>149,505</b>  |   |
|  |   |   |   |                        | <u>Latest Forecast Variations shown above:</u>        |                 |   |   |
|  |   |   |   |                        | Increased Budgets Require Approval                    |                 | 1,149   |   |
|  |   |   |   |                        | Decreased budgets                                     |                 | -147  |   |
|  |   |   |   |                        | <b>Latest Forecast Budget June 2022</b>               |                 | <b>150,507</b>  |   |



| <b>Table 16 - Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000</b> |                                  |  |                     |                     |                                  |   |  |
|--|----------------------------------|--|---------------------|---------------------|----------------------------------|---|--|
| Scheme Description   | Latest Approved Budget<br>£000's | Latest Estimated Expenditure -<br>If Additional Budget Requires Approval<br>£000's | Variation<br>£000's | Variation Type      | Percentage Change in Scheme Cost | Reason  |  |
| <b>Fairer Chelmsford</b>   |                                  |  |                     |                     |                                  |   |  |
| 5 Enabling Lockside Growth Area  | 5,000                            | 5,956  | 956                 | Increase in budget  | 19.12%                           | Service manager has reviewed programme and increased budgets for acquisitions required under compulsory purchase orders, fees and demolition budgets required to enable site to be available for development.   |  |
| 7 Bridge Repairs   | 115                              | 65   | -50                 | Reduction in budget | -43.48%                          | This scheme is now complete. The original budget included estimates for a number of bridges where the work was not required.  |  |
| 13 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy, and Affordable and Social Housing             | 4,225                            | 4,375  | 150                 | Increase in budget  | 3.55%                            | Tenders received back for works to extend hostel and are higher than the original estimate. This is due to inflation and the increasing cost of building materials and also changes to the design. The original budget for these works was £325k and based on returned tenders the cost has increased to £475k. This will provide an additional 6 rooms, some with improved bathrooms, which will reduce the pressure on the budget for bed and breakfast accommodation. A report to June Cabinet will have been made by the time of the Audit & Risk meeting |  |
| <b>Greener and Safer Chelmsford</b>  |                                  |  |                     |                     |                                  |   |  |
| 34 Mass Tree Planting and Woodland Creation  | 4,400                            | 4,331  | -69                 | Reduction in budget | -1.57%                           | Although this is being reported as a variation to the capital budget, this spend was incurred and has been transferred to revenue as it did not qualify as a capital spend  |  |

| CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME   |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       |  |  |                                   |                                      |   |   |                            |  |   |        |        |
|---|--|---|--|-----------------------------------|---------------------------------------|--------------------------|--------------|-------------------------------------|--------------------------------------|-----------------------|--|--|-----------------------------------|--------------------------------------|---|---|----------------------------|--|---|--------|--------|
| 2021/22   |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 2022/23  |  |                                   |                                      |   |   |                            |  |   |        |        |
| 2021/22 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO OUTTURN |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS |  |                                   |                                      |   |   |                            |  |   |        |        |
| VARIATION FROM 2021/22 BUDGET ONLY  |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 2022/23 BUDGET   |  |                                   |                                      |   |   |                            |  |   |        |        |
| Analysis of Variations  |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       | Variations   |  |                                   |                                      |   |   |                            |  |   |        |        |
| Net Expenditure to 31/3/2022  | CAPITAL ASSET REPLACEMENT PROGRAMME          | Original Approved Estimates for 2021/22 | Additional/Reduced (-) Approved Budget | Reason for Change - see Key Below | Latest Approved Estimates for 2021/22 | Change in Scheme Phasing | New Proposal | More/Less (-) Than Approved Budgets | Variance for 2021/22 Additional Cost | Total Outturn 2021/22 | Original Approved Estimate 2022/23   | Additional/Reduced (-) Approved Budget | Reason for Change - see key below | Latest Approved Estimate for 2022/23 | Re phasing from 2021/22 Requires Approval | More/Less(-) Than Approved Budgets - More Requires Approval | New Item Requires Approval | Approved Replacements Deferred from 2022/23 to Later Years | Total Proposed Budget Requirement for 2022/23 |        |        |
|   |  |   |  |                                   |                                       |                          |              |                                     |                                      |                       |  |  |                                   |                                      |   |   |                            |  |   | £000's | £000's |
| £000's  | SCHEME DESCRIPTION                           | £000's                                  | £000's                                 |                                   | £000's                                | £000's                   | £000's       | £000's                              | £000's                               | £000's                |  | £000's                                 | £000's                            | £000's                               | £000's                                    | £000's  | £000's                     | £000's   | £000's  |        |        |
|   | <b>Connected Chelmsford</b>                  |   |  |                                   |                                       |                          |              |                                     |                                      |                       |  |  |                                   |                                      |   |   |                            |  |   |        |        |
| 24  | 1 Digital Services Replacement Programme     | 290                                     | -267                                   | PH, RD, V                         | 23                                    |                          |              | 1                                   | 1                                    | 24                    | 234  |  | 234                               |                                      |   |   |                            |  | 234   |        |        |
|   | 2 Digital Helpdesk System Replacement        | 25                                      |  |                                   | 25                                    | -25                      |              |                                     | -25                                  | 0                     |  |  | 0                                 | 25                                   |   |   |                            |  | 25  |        |        |
| 52  | 3 Website Upgrade                            | 75                                      | -23                                    |                                   | 52                                    |                          |              |                                     | 0                                    | 52                    | 98   |  | 98                                |                                      |   |   |                            |  | 98  |        |        |
|   | 4 Investment in Digital Technology - DPO     |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 300  |  | 300                               |                                      |   |   |                            |  | 300   |        |        |
| 76  | 5 Theatres' Equipment                        | 115                                     | -40                                    | PH                                | 75                                    |                          |              | 1                                   | 1                                    | 76                    | 40   |  | 40                                |                                      | 5   |   |                            |  | 45  |        |        |
| 16  | 6 Cramphorn Theatre Replacement Floor        | 17                                      |  |                                   | 17                                    |                          |              | -1                                  | -1                                   | 16                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
|   | 7 Museum Equipment and Vehicles              |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 30   |  | 30                                |                                      |   |   |                            |  | 30  |        |        |
|   | <b>Fairer Chelmsford</b>                     |   |  |                                   |                                       |                          |              |                                     |                                      |                       |  |  |                                   |                                      |   |   |                            |  |   |        |        |
|   | No Schemes                                   |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
|   | <b>Greener and Safer Chelmsford</b>          |   |  |                                   |                                       |                          |              |                                     |                                      |                       |  |  |                                   |                                      |   |   |                            |  |   |        |        |
| 3   | 8 CCTV Replacement Equipment                 | 13                                      | -10                                    |                                   | 3                                     |                          |              |                                     | 0                                    | 3                     | 10   |  | 10                                |                                      |   |   |                            |  | 10  |        |        |
|   | 9 CCTV Various Schemes Sites CIL             | 3                                       | -3                                     |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 3  |  | 3                                 |                                      |   |   |                            |  | 3   |        |        |
| 162   | 10 CCTV Safer Streets Bunny Walks            |   | 165                                    | SEG                               | 165                                   | -3                       |              |                                     | -3                                   | 162                   |  |  | 0                                 | 3                                    |   |   |                            |  | 3   |        |        |
|   | 11 Street Lighting Safer Streets Bunny Walks |   | 20                                     | SEG                               | 20                                    | -20                      |              |                                     | -20                                  | 0                     |  |  | 0                                 | 20                                   |   |   |                            |  | 20  |        |        |
| 37  | 12 CCTV Home Office GRIP Funded              |   | 37                                     | SEG                               | 37                                    |                          |              |                                     | 0                                    | 37                    |  |  |                                   |                                      |   |   |                            |  |   |        |        |
| 58  | 13 Crematorium Equipment                     | 17                                      | 44                                     | SEN, PV                           | 61                                    |                          |              | -3                                  | -3                                   | 58                    | 84   |  | 84                                |                                      |   |   |                            |  | 84  |        |        |
|   | 14 Crematorium Columbarium                   | 14                                      | -3                                     | PV                                | 11                                    |                          |              |                                     | 0                                    | 11                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
| 4   | 15 Civic Centre Alarm                        | 6                                       |  |                                   | 6                                     |                          |              | -2                                  | -2                                   | 4                     |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
| 12  | 16 Civic Centre Heating                      | 13                                      |  |                                   | 13                                    | -1                       |              |                                     | -1                                   | 12                    | 32   |  | 32                                | 1                                    |   |   |                            |  | 33  |        |        |
|   | 17 Civic Centre Server Room Air Conditioning | 40                                      |  |                                   | 40                                    | -40                      |              |                                     | -40                                  | 0                     |  |  | 0                                 | 40                                   |   |   |                            |  | 40  |        |        |
|   | 18 Civic Centre Floor Replacements           | 31                                      | -31                                    |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 31   |  | 31                                |                                      |   |   |                            |  | 31  |        |        |
| 8   | 19 Print and Post Room Replacement Equip.    | 28                                      | -19                                    | RD, V                             | 9                                     |                          |              | -1                                  | -1                                   | 8                     | 3  |  | 3                                 |                                      |   |   |                            |  | 3   |        |        |
| 3   | 20 Dovedales Replacement Equipment           | 10                                      | -6                                     | PH                                | 4                                     | -1                       |              |                                     | -1                                   | 3                     | 10   |  | 10                                | 1                                    |   |   |                            |  | 11  |        |        |
| 17  | 21 Riverside Replacement Equipment           | 48                                      | -31                                    | PH, PV, SEN                       | 17                                    |                          |              |                                     | 0                                    | 17                    | 24   |  | 24                                |                                      |   |   |                            |  | 24  |        |        |
|   | 22 Riverside Plant                           |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 2  |  | 2                                 |                                      |   |   |                            |  | 2   |        |        |
| 16  | 23 CSAC Replacement Equipment                | 135                                     | -118                                   | PH, PV, SEN                       | 17                                    |                          |              | -1                                  | -1                                   | 16                    | 158  |  | 158                               |                                      |   | 15  |                            |  | 173   |        |        |
|   | 24 CSAC Floodlights                          |   |  |                                   |                                       |                          |              |                                     |                                      |                       | 61   |  | 61                                |                                      | -1  |   |                            |  | 60  |        |        |
| 13  | 25 CSAC Plant                                | 6                                       | 9                                      | PH, SEN                           | 15                                    |                          |              | -2                                  | -2                                   | 13                    | 6  |  | 6                                 |                                      |   |   |                            |  | 6   |        |        |
| 3   | 26 SWFLC Replacement Programme               | 69                                      | -66                                    | PH,PV                             | 3                                     |                          |              |                                     | 0                                    | 3                     | 65   |  | 65                                |                                      | -2  |   |                            |  | 63  |        |        |
| 8   | 27 SWFLC Plant Replacement                   | 7                                       | 1                                      | SEN,PV                            | 8                                     |                          |              |                                     | 0                                    | 8                     | 25   |  | 25                                |                                      |   |   |                            | -25  | 0   |        |        |
|   | 28 SWF 3G Pitch                              |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 20   |  | 20                                |                                      |   |   |                            |  | 20  |        |        |
|   | 29 Hylands House Fire Alarm                  |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 15   |  | 15                                |                                      |   |   |                            |  | 15  |        |        |
|   | 30 Hylands Pavilion Skins and Linings        |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 60   |  | 60                                |                                      |   |   |                            |  | 60  |        |        |
|   | 31 Hylands pavillion Equipment               |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 14   |  | 14                                |                                      |   |   |                            |  | 14  |        |        |
| 242   | 32 Play Area Replacements                    | 265                                     | 13                                     | PV                                | 278                                   | -35                      |              | -1                                  | -36                                  | 242                   | 311  |  | 311                               | 35                                   |   |   |                            |  | 346   |        |        |
| 22  | 33 Sports Equipment, floodlights, Irrigation | 35                                      |  |                                   | 35                                    |                          |              |                                     | -13                                  | 22                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
| 117   | 34 Hylands Car Park Machines and CCTV        | 135                                     | -10                                    |                                   | 125                                   | -5                       |              | -3                                  | -8                                   | 117                   |  |  | 0                                 | 5                                    |   |   |                            |  | 5   |        |        |
| 382   | 35 Parks Replacement Vehicles and Equipment  | 624                                     | -230                                   | PH, PV                            | 394                                   |                          |              | -12                                 | -12                                  | 382                   | 547  |  | 547                               |                                      |   |   |                            |  | 547   |        |        |
|   | 36 Waterhouse Lane Depot Heating             |   |  |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 10   |  | 10                                |                                      |   |   |                            |  | 10  |        |        |
| 17  | 37 PHPS Vehicles and Electric Chargers       | 100                                     | -81                                    | PV                                | 19                                    |                          |              | -2                                  | -2                                   | 17                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
|   | 38 PHPS Air Monitoring Equipment             | 20                                      | -20                                    |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 80   |  | 80                                |                                      |   |   |                            |  | 80  |        |        |
|   | 39 PHPS Street Lighting                      | 21                                      | -21                                    |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 21   |  | 21                                |                                      |   |   |                            |  | 21  |        |        |
|   | 40 CIL Street Lighting Meadows Car Park      | 5                                       | -5                                     |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     | 5  |  | 5                                 |                                      |   |   |                            |  | 5   |        |        |
|   | 41 Travel pool Cars                          | 60                                      | -60                                    |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
|   | 42 Scootas for the Disabled                  | 10                                      | -10                                    |                                   | 0                                     |                          |              |                                     | 0                                    | 0                     |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
| 30  | 43 Retail Market Vehicle                     | 31                                      | -1                                     |                                   | 30                                    |                          |              |                                     | 0                                    | 30                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
| 271   | 44 Street Cleansing Vehicles                 | 720                                     | -448                                   | PH                                | 272                                   |                          |              | -1                                  | -1                                   | 271                   | 605  |  | 605                               |                                      |   |   |                            |  | 605   |        |        |
| Page 34 of 49   | 45 Street Cleansing Dog Litter van           | 81                                      | 1                                      | PV                                | 82                                    |                          |              |                                     | -2                                   | 80                    |  |  | 0                                 |                                      |   |   |                            |  | 0   |        |        |
|   | 46 Wet Team Equipment                        | 8                                       | -8                                     | PH                                | 0                                     |                          |              |                                     | 0                                    | 0                     | 11   |  | 11                                |                                      |   |   |                            |  | 11  |        |        |



| Reasons for Variations Greater Than £25,000 in Asset Replacement Programme |                                  |                                     |                     |                                      |                   |  |  |
|--|----------------------------------|-------------------------------------|---------------------|--------------------------------------|-------------------|--|--|
| Scheme Description   | Latest Approved Budget<br>£000's | Estimated Budget Required<br>£000's | Variation<br>£000's | Variation Type                       | Percentage Change | Reason   |  |
| <b>2021/22</b>   |                                  |                                     |                     |                                      |                   |  |  |
| <b>Connected Chelmsford</b>  |                                  |                                     |                     |                                      |                   |  |  |
| 2 Digital Helpdesk System Replacement                                      | 25                               | 0                                   | -25                 | Rephasing of spend to 2022/23        | -100.00%          | New system completed in early 2022/23. When original budget approved system options had not been reviewed. Option selected was based more on annual licence costs than up front consultancy costs which are revenue rather than capital expenditure. The remaining budget has been rephased awaiting advice from service as to whether it is required.   |  |
| <b>Greener and Safer Chelmsford</b>  |                                  |                                     |                     |                                      |                   |  |  |
| 17 Civic Centre Server Room Air Conditioning                               | 40                               | 0                                   | -40                 | Rephasing of spend to 2022/23        | -100.00%          | Works commenced 8th April 2022 resulting in budgets being rephased to 2022/23  |  |
| 32 Play Area Replacements  | 278                              | 242                                 | -36                 | Rephasing of spend to 2022/23        | -12.95%           | Works commenced towards the end of the financial year and are ongoing at Church Hill Rise Play Area resulting in rephasing of budgets to 2022/23   |  |
| 47 Hit Squad Replacement   | 83                               | 40                                  | -43                 | Rephasing of spend to 2022/23        | -51.81%           | 1 x vehicle and equipment not delivered by 31/3/2022 therefore budgets rephased to 2022/23   |  |
| 50 Recycling Vehicles  | 1484                             | 1386                                | -98                 | Rephasing of spend to 2022/23        | -6.60%            | 2 x vehicle and equipment not delivered by 31/3/2022 due to longer than estimated lead in times for delivery therefore budgets rephased to 2022/23   |  |
| 55,56, 57,58 DFG Funded Expenditure  | 600                              | 672                                 | 72                  | Additional expenditure funded by DFG | 12.00%            | It is difficult for the service to predict the level of spend as it is based on third party applications and the timing of completed third party building works. There have been discussions with other Councils to look at other ways of using the grant but as it must be used for capital expenditure this restricts its uses. New initiatives have been introduced which allow the use of DFG to fund discretionary loans and Remaining Independent Assistance Grants and Loans for individuals. |  |
| <b>2022/23</b>   |                                  |                                     |                     |                                      |                   |  |  |
| <b>Connected Chelmsford</b>  |                                  |                                     |                     |                                      |                   |  |  |
| 2 Digital Helpdesk System Replacement                                      | 0                                | 25                                  | 25                  | Rephasing of spend from 2021/22      | 100.00%           | See above  |  |
| <b>Greener and Safer Chelmsford</b>  |                                  |                                     |                     |                                      |                   |  |  |
| 17 Civic Centre Server Room Air Conditioning                               | 0                                | 40                                  | 40                  | Rephasing of spend from 2021/22      | 100.00%           | See above  |  |
| 27 SWFLC Plant Replacement   | 25                               | 0                                   | -25                 | Rephasing of spend to later year     | 100.00%           | Budget rephased to 2023/24 to coincide with other major replacement works required at the pool to minimise closure of the facility.  |  |
| 32 Play Area Replacements  | 0                                | 35                                  | 35                  | Rephasing of spend from 2021/22      | 97.22%            | See above  |  |
| 47 Hit Squad Replacement   | 0                                | 43                                  | 43                  | Rephasing of spend from 2021/22      | 100.00%           | See above  |  |
| 50 Recycling Vehicles  | 0                                | 98                                  | 98                  | Rephasing of spend from 2021/22      | 100.00%           | See above  |  |



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## Chelmsford City Council Audit and Risk Committee

**15<sup>th</sup> June 2022**

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### **Internal Audit Annual Report 2021/22**

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Report by:  
Audit Services Manager

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Officer Contact:  
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#### **Purpose**

This report summarises the work that Internal Audit has undertaken during the financial year 2021/22, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations.

#### **Recommendations**

Committee are requested to note the content of the 2021/22 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

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### **1. Introduction**

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2. The Internal Audit Annual Plan for 2021/22 was approved by Audit and Risk Committee in March 2021. This report summarises the work that Internal Audit has undertaken during the financial year 2021/22, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.

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

## 2. Conclusion

The Internal Audit Annual Report 2021/22 is attached for Audit & Risk Committee to note.

**List of appendices:** Internal Audit Annual Report 2021/22

**Background papers:** None

## Corporate Implications

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

**Financial:** None

**Potential impact on climate change and the environment:** None

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

**Personnel:** None

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

**Equality and Diversity:** None

**Health and Safety:** None

**Digital:** None

**Other:** None

**Consultees:** Management Team received the Internal Audit Annual Report on 18<sup>th</sup> May.

**Relevant Policies and Strategies:** None

## Internal Audit Annual Report 2021-22

### 1. Introduction

#### 1.1. Purpose of this report

1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2021/22 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

#### 1.2. The Role of Internal Audit

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

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

1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2021/22. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in March 2022 and will continue to be updated and appended to the annual Internal Audit Plan each year.

### 1.3. Overview of the Internal Audit Approach

- 1.3.1. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.
- 1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee, which should provide a reasonable level of assurance, subject to the inherent limitations set out in Appendix C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS.
- 1.3.4. The responsibility for fraud investigation and the position of Senior Financial Investigations Officer, as well as the responsibility for risk management and the position of Risk Manager, is under the remit of the Procurement and Risk Services Manager at Chelmsford City Council. The Audit Services Manager and Procurement and Risk Services Manager work closely with one another to share risk information and align approaches to provide combined assurance to the Council (see section 3).
- 1.3.5. The audit plan for 2021/22 was approved by Audit and Risk Committee in March 2021. The Internal Audit Team was made up of the following resources during 2020/21:
  - 0.5 FTE (Audit Services Manager seconded for 18 hours a week to deliver Internal Audit services to Uttlesford District Council).
  - 1.0 FTE (Senior Auditor) (0.5 FTE Senior Auditor on maternity leave during 2021/22)
  - External delivery approx. 20 days

## 2. Internal Audit Opinion

- 2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2. In assessing the level of assurance to be given, the following has been considered:
  - All audits undertaken in the year
  - Any follow up action taken in respects of audits from previous periods
  - The effects of any significant changes in the Council's systems or objectives
  - Any limitations which may have been placed on the scope of internal audit



- The extent to which resource constraints may impact on the Audit Service’s Manager ability to meet the full needs of the organisation
- The results of work performed by other assurance providers, such as External Audit.

|                            |   |
|----------------------------|---|
| <b>OVERALL<br/>OPINION</b> | <p><b>Moderate Assurance</b> – overall the Council’s systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 4.</p> <p>Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below. An explanation of the types of opinion that may be given can be found in Appendix A.</p> |
|----------------------------|---|

### 3. Other Sources of Assurance

#### 3.1. Risk Management Framework

It is the Council’s policy to proactively identify, understand and manage the risks inherent in its services and associated with its plans and strategies, so as to encourage responsible, informed risk taking and reduce exposure to a tolerable level using a justifiable level of resources. It is also the Council’s policy to ensure regular monitoring and reporting of its Principal Risks, which are defined as: strategic, operational, compliance or project risks which, due to their nature or severity, require oversight at senior level. The Council’s indicative risk appetite sets an early benchmark against which individual risks can be assessed; however, the Council continues to consider whether risks are tolerable on a case-by-case basis. Where risks are not considered to be tolerable, individual risk owners are required to devise and implement a risk treatment plan, the outcomes of which are also reported to Management Team.

Risk and Internal Audit discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues. Risk consequence criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments.

#### 3.2. Internal Audit View on Managing the Risk of Fraud

The Council’s Procurement and Risk Services Manager has responsibility for fraud investigation and Senior Financial Investigations Officer. However, it is pertinent for the Audit Services Manager to have a view on the risk of fraud to the Council. It is noted that there is a low incidence of reported fraud for an authority of this size and there are currently no large scale specific actual, suspected or alleged cases of fraud affecting the Council.

In 2021/22, the Audit Services Manager formed part of the Counter Fraud Corporate Governance Group Sub-Group, in an advisory capacity, and assisted with the development of a Fraud Risk and Control Assessment (FRCA), assessing the Council's existing anti-fraud controls and aligning the independent assurance provided by relevant Internal Audit assignments to the controls identified. Further detail is provided in the Counter Fraud and Investigations Report 2021. Internal Audit have also explicitly aligned the 2022/23 Internal Audit Plan with the fraud risk assessment to independently assess anti-fraud controls in place.

## 4. Summary of Findings

### 4.1. Key Financial Systems (KFS)

#### 4.1.1. Accounts Payable Follow Up

In our 2020/21 KFS Report, two high priority recommendations were made relating to new supplier set up and changes to suppliers and one-off payments.

Internal Audit reviewed implementation of these recommendations during 2021/22 and noted that the process for new suppliers/changes to supplier details and one-off payments have been revised since the original review, as TechOne has embedded, so the original recommendations have largely been superseded. However, a new walkthrough of each process was undertaken, with some further recommendations suggested relating to new supplier documentation, oversight of changes to supplier details, and clarification in procedure notes.

The findings from the original audit were indicative of a 'limited' assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance.

#### 4.1.2. KFS 2021/22

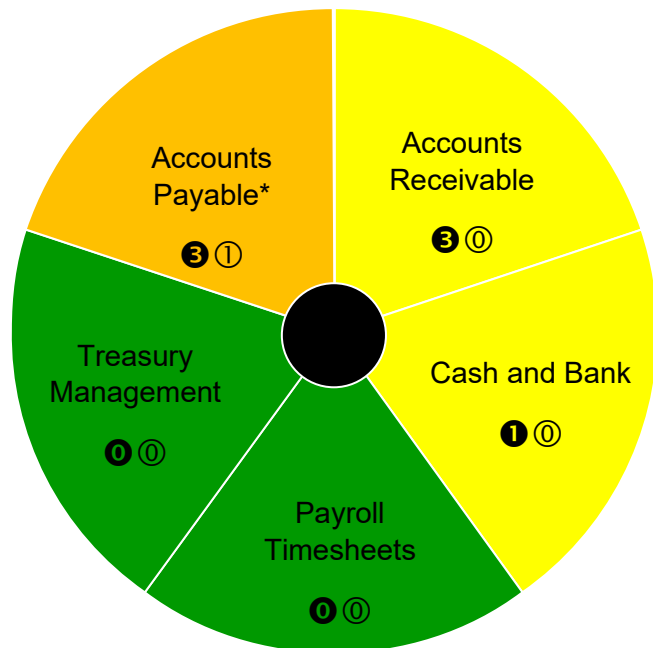
The KFS programme is a key indicator of the overall strength of the underlying control environment and each year Internal Audit carries out reviews of the Council's fundamental financial systems. One of the objectives of 2021/22 Key Financial Systems (KFS) review was to ensure that controls were operating effectively post implementation of TechOne within services. Hylands, Markets and Freighter House were selected for this purpose and the financial systems reviewed were: Accounts Payable, Accounts Receivable, Cash and Bank, Payroll Timesheets. Centrally, the key controls in place for Treasury Management were also assessed.

The 2021/22 overall opinion rating for the key financial systems was 'moderate' assurance, although a high priority finding was identified in the Accounts Payable process relating to Requisitions/ Purchase Orders (PO's)/Goods Received Notes (GRN's). Audit

testing in the services selected identified that some local arrangements have developed, including some instances where PO's have been raised after goods/services have been received and GRN's have been raised prior to receipt.

Internal Audit also considered the implementation of recommendations (in addition to the high priority AP recommendations covered in 4.1.1) made in previous year's Key Financial Systems reviews where applicable. A high rate of implementation was identified.

The wheel below summarises the number and priority of findings identified:



*\*NB Due to a change in responsibility for oversight and management of Purchase Cards, this will be subject to separate review in 2022/23.*

#### 4.2. Bribery Act Awareness

4.2.1. In order to demonstrate compliance with the Bribery Act 2010, the Council should have adequate procedures and training and awareness in place to prevent bribery, especially in roles which may be at perceived higher risk of bribery. Internal Audit identified in two areas (Planning and Waste) during 2021/22 that following a review of policy, procedure and training documentation, it may be beneficial to additionally to formally promote awareness and understanding of the implications of the Bribery Act with staff.

### 4.3. Grants Sign Off

4.3.1. During 2021/22, Internal Audit were required to carry out audit testing and review to ensure that the conditions attached to the following Government grants were complied with. No issues were noted.

- **Disabled Facilities Grant** (from the Department of Levelling Up, Housing and Communities (DLUHC) via Essex County Council) to fund adaptations for disabled people who qualify for a Disabled Facilities Grant.
- **Protect and Vaccinate Grant** (from DLUHC) to accommodate and vaccinate rough sleepers in response to the Omicron variant Covid 19 outbreak in December 2021.

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

| Report Title                  | Link to PRR                               | Assurance Rating | High | Medium | Low |
|-------------------------------|---|------------------|------|--------|-----|
| Key Financial Systems 2021/22 | <b>Income (PRR 019) / Fraud (PRR 005)</b> | Moderate         | 1    | 7      | 0   |
| Health and Safety             | <b>Health and Safety (PRR 014)</b>        | Moderate         | 0    | 2      | 0   |
| CiL/S106 Contributions        | <b>(PRR 020)</b>                          | Moderate         | 0    | 1      | 0   |
| Community Funding Scheme      | <b>Fraud (PRR 005)</b>                    | Substantial      | 0    | 1      | 1   |
| Planning Applications         | <b>Fraud (PRR 005)</b>                    | Substantial      | 0    | 1      | 0   |
| Waste and Recycling           | <b>Fraud (PRR 005)</b>                    | Substantial      | 0    | 1      | 0   |
| Procurement                   | <b>Procurement Strategy (PRR 017)</b>     | TBC              |      |        |     |
| Information Governance        | <b>Information Governance (PRR 016)</b>   | TBC              |      |        |     |
| Disabled Facilities Grant     | n/a – grant sign off                      |                  |      |        |     |
| Protect and Vaccinate Grant   | n/a – grant sign off                      |                  |      |        |     |
| Riverside                     | Service Request. Advisory Only            |                  |      |        |     |

Internal Audit have also continued to provide ad hoc advice and guidance during 2021, including to HR, Finance and Digital Services.

## 6. Deferrals and Cancellations

6.1. The following reviews have been deferred to the 2022/23 Audit Plan:

- **Cyber Security**– deferred due to significant work being undertaken by management in this area during 2021/22 in response to the external Cyber Risk Posture Review, which will be used to inform future audit work. **Business Continuity and Emergency Planning** was also deferred to allow for this associated work to be completed.
- **Volunteers** – deferred to allow embedding of new Volunteers Policy developed in 2021.
- **Corporate Plan Performance Monitoring/Climate Change Action Plan** – deferred to allow embedding of new corporate approach to monitoring through TechOne.
- **Post Project Reviews** – to allow exploration of project evaluation tools within DPO and TechOne.
- **Medium Term Financial Strategy** – deferred at management request
- **Chelmsford City Culture** – deferred at management request
- **Parks and Open Spaces** – deferred due to impact of Covid restrictions
- **Leisure Centres & Playschemes** – deferred due to impact of Covid restrictions
- **Electoral Registration** – deferred due to resourcing
- **On Street Parking and Enforcement** – deferred due to resourcing

**Payroll** was not progressed to avoid duplication of external audit testing in this area, however, some payroll controls not covered by External Audit were included in KFS work.

## 7. Management's Response to Implementing Audit Recommendations

7.1. A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented.

7.2. Performance relating to the implementation of recommendations during 2021/22 is tabled below.

| Audit Title                         | Original Assurance Rating | Key Findings  |
|-------------------------------------|---------------------------|---|
| Accounts Payable                    | Limited                   | <b>See also 4.1.1.</b> The findings from the original audit were indicative of a ‘limited’ assurance opinion. While a full audit would need to be undertaken to revise the assurance rating, the action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of ‘moderate’ assurance. |
| Homelessness and Housing Strategies | Moderate                  | In the previous report, two medium recommendations were made. Based on the evidence presented, our follow up audit revealed that both recommendations, one relating to performance management which has been impacted by the effects of the pandemic on Homelessness, and the other relating to monitoring have been partially implemented and are ongoing.   |

7.3. Due to timing of implementation dates, the following previous year (2020/21) reviews will be followed up in 2022/23:

| Original Audit Title       | Original Assurance Rating   |
|----------------------------|---|
| Use of Agency Staff        | Limited Assurance   |
| Temporary Accommodation    | Limited Assurance (full review following impact of Covid)                                 |
| Licencing                  | Moderate (extended follow up to include implementation of Dynamics and income management) |
| Museum                     | Moderate (full review following impact of Covid and management changes)                   |
| Health and Safety          | Moderate  |
| Digital Portfolio Office   | Moderate  |
| Managing the Risk of Fraud | Moderate  |
| Housing Allocations        | Moderate  |
| Mayor Office               | Moderate  |

## 8. Review of the Effectiveness of Internal Audit

8.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2021/22 is shown in the table below.

| KPI   | Target   | Result 2021/22 | Comments   |
|---|--|----------------|--|
| Audit Plan delivered to Draft Report Stage by 31st March:   | 90%  | <b>73%</b>     | Draft report stage missed by 2 reports due to resourcing.<br><b>*100% of draft reports issued by end of March were issued as final by 30<sup>th</sup> April.</b> |
| Audit Plan delivered to final report stage by 30 <sup>th</sup> April:   | 100%   | <b>70%*</b>    | All reports due to be completed by 30 <sup>th</sup> June 2022.   |
| Completion of follow ups for applicable audit reports by 30 <sup>th</sup> April.  | 100%   | <b>50%*</b>    | Target missed due to staff availability during April; 100% completed May 2022.   |
| Compliance with Public Sector Internal Audit Standards (PSIAS)  | 100%   | <b>100%</b>    |  |
| Audit areas where the indicative level of assurance has improved from no assurance/limited assurance at the follow-up stage | <b>2020/21 Limited Assurance Reports (where applicable)</b> – Accounts Payable: the action taken by management in response to the original report, suggests that the control environment (in relation to the specific areas covered by the follow up), has improved and is now indicative of 'moderate' assurance. |                |  |

**NB Client Survey process recently revised; KPI to be reinstated for 2022/23.**

### 8.2. Update on Progress of Internal Audit Strategy 2020-22

The Internal Audit Strategy 2020-22 was approved by Audit and Risk Committee in September 2020. Progress is documented below. A new Strategy will be produced in 2022.

| Original Strategy Goal  | 2021/22 Progress   |
|---|--|
| Develop a planning process which identifies the Council's most significant internal and external risks and deliver an Annual Internal Audit Plan focussing on these key risks, and which meets stakeholder needs. | The 2021/22 Internal Audit Plan was developed using a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks. The plan was discussed and agreed by Senior Managers, Management Team and Audit and Risk Committee. A contingency was also included in the plan to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year). |
| To contribute to the Council's delivery of its governance and assurance framework   | Risk and Internal Audit discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues. Risk consequence criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them  |

| Original Strategy Goal   | 2021/22 Progress  |
|--|---|
|  | <p>to prioritise their risks. Internal Audit also use the Principal Risk Register, and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments. Internal Audit will bring any serious, emerging issues to the attention of Risk.</p> <p>A Corporate Governance Group, which the Audit Services Manager attends, was formed in 2020. The purpose of the CGG is to oversee, co-ordinate and advise on the effective development and consistent operation of corporate governance arrangements in the Council.</p> |
| <p>To be a trusted advisor to Senior Managers and the Audit and Risk Committee</p>   | <p>As demonstrated through the Internal Audit Annual Report and organisation feedback.</p>  |
| <p>To monitor the critical skills and resource blend required to ensure Internal Audit deliver their mission and objectives.</p> | <p>In-house team training needs are monitored and co-sourced arrangement utilised with an external provider where alternative delivery/additional skills are required. The Audit Services Manager is seconded for 18 hours a week to deliver Internal Audit services to Uttlesford District Council.</p>  |

### 8.3. Quality assurance and improvement programme

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



Appendix A

Annual Opinion Categories

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

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

**Appendix B**

**Key to Assurance Levels in Individual Reports**

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

**Key to Risk Ratings for Individual Findings in Reports**

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

## Limitations and Responsibilities

### Responsibilities of management and internal auditors

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

### Limitations inherent to the internal auditor's work

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

- **Opinion**

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

- **Internal control**

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

- **Future periods**

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

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



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## Chelmsford City Council Audit and Risk Committee

15 June 2022

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### Risk Management Report – Spring/Summer 2022

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#### Report by:

Director of Connected Chelmsford

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#### Officer Contact:

Alison Chessell, Procurement and Risk Services Manager,  
[alison.chessell@chelmsford.gov.uk](mailto:alison.chessell@chelmsford.gov.uk)

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#### Purpose

This report:

- summarises the current position for the Council's Principal Risks
- reviews risk management activity in 2021-22 and outlines the immediate priorities for 2022-23

#### Recommendation

Audit and Risk Committee are requested to note the contents of this report.

### 1. Background

1.1. 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

1.2. An effective risk management framework should:

- ✓ provide risk information to support decision-making and resource allocation
- ✓ improve compliance with policies, procedures, laws and regulations and stakeholder expectations; and
- ✓ provide assurance to internal and external stakeholders that the Council is well-managed

1.3. The risk management function assists the Council to identify, understand and manage its risks. The function reports twice a year to the Audit and Risk Committee to enable the Committee to monitor the effective development and operation of risk management in the Council.

## 2. Risk management activity

2.1 The Council’s Risk Management Strategy was last reviewed by this Committee in June 2021. Progress against the agreed priorities is summarised below:

| Priority   | Outcomes for 2022-23   |
|--|--|
| Corporate Risk                                     | <ul style="list-style-type: none"> <li>✓ New corporate risk reporting formats place greater emphasis on risk treatment. Principal Risks reported to Management Team and this Committee.</li> <li>✓ Detailed Fraud Risk and Control Assessment undertaken, bringing together Risk and Internal Audit work to identify future areas of focus for Council counter-fraud activity. The 2022-23 Internal Audit Plan is aligned to this assessment.</li> <li>• Detailed cyber risk assessment on hold pending collation of critical asset information by Services. The Council’s consultant Chief Information Security Officer service will advise on cyber risk assessment approach with a view to achieving external accreditation in due course.</li> </ul> |
| Compliance   | <ul style="list-style-type: none"> <li>✓ Six-monthly compliance reporting cycle for Fire Risk Assessment and Health &amp; Safety audit actions using TechOne</li> <li>• Given that the Council’s existing follow up processes are extremely robust, tracking of Internal Audit recommendations through TechOne has been postponed.</li> </ul>  |
| Strategic Planning and Performance (incl. TechOne) | <ul style="list-style-type: none"> <li>✓ Our Chelmsford, Our Plan Action Plan progress reported annually to Overview and Scrutiny Committee</li> <li>✓ Cabinet Priorities from Our Chelmsford, Our Plan Action Plan reported to Policy Leadership Team</li> </ul>  |

| Priority | Outcomes for 2022-23  |
|----------|---|
|          | <ul style="list-style-type: none"> <li>✓ Climate and Ecological Emergency Action Plan progress reported annually to Overview and Scrutiny Committee (N.B. 2022 report delayed due to May elections)</li> <li>✓ Health and Wellbeing Strategy Action Plan progress reported quarterly to LiveWell Chelmsford.</li> <li>✓ Performance dashboards developed using TechOne</li> </ul> |

2.2 Since December 2021, staff changes within Procurement and Risk Services have diverted risk management resources towards the insurance programme, including collating risk information to secure renewal of the Council’s insurance policies on 1 April 2022. It is envisaged that better integration between insurance and risk management activities going forward will strengthen operational risk management at the Council. With this in mind, the immediate priorities for the risk function during 2022-23 are as follows:

- **Corporate Risk** – Maintenance of the Principal Risk register and detailed risk work in specific Principal Risk areas according to priority (e.g., Cyber Risk), subject to resources
- **Corporate Reporting** – Maintaining reporting routines for corporate risk, compliance, and strategic plan performance
- **Insurance Refresh Project** – Claims, underwriting and reporting processes are under review, with associated staff development taking place to support this work
- **Operational Risk** – A more coordinated approach to risk and insurance will explore how work to maintain the Council’s insurance programme can boost operational risk management across the Council

### 3. Principal Risk Summary

3.1 The Principal Risk Register is central to the risk management framework. The Principal Risks (which may include strategic, operational, project or compliance risks) are those which require regular oversight at senior level. The purpose of identifying them is to ensure that the Council keep on top of the higher profile ones in order to mitigate any potential problems. Management Team receive detailed information from the Register to ensure that, where necessary, action is taken to further mitigate risks outside the Council’s indicative risk appetite.

3.2 A summary of the Council’s Principal Risks can be found in [Appendix 1](#). Much of the detailed information contained within the underlying Register is operational and may, in some cases, be sensitive. Councillors are, therefore, invited to request further detail on risks of particular interest or concern to them for circulation after the meeting. Changes since the previous submission in December 2021 are itemised below.

- 3.3 **PRR022 Theatre Refurbishment and Rebranding** is newly included in the Principal Risk Register as it represents a significant investment in a complex capital project which must be delivered within tight timescales to avoid adversely impacting upon the theatres' autumn programme. Senior management are closely involved, and consultant project managers have been appointed to objectively monitor project risk and performance. Management have undertaken modelling to determine the potential financial impact of any delays to theatre opening, currently scheduled for mid-October, and contingency plans are in place.
- 3.4 **PRR 016 Information Governance:** After reviewing the application of the Data Protection Act 2018, since it came into force, it appears that the Information Commissioner's Office has been reluctant to issue large fines for data breaches to public sector bodies. Only two such fines appear on record, both issued to central government departments, rather than local government, and these were both for values less than £1 million (this is in sharp contrast to much higher fines issued more frequently in the private sector). The potential consequences for the Council of a significant breach of data protection legislation (due to poor internal governance) are, therefore, reduced from 'Severe' to 'Major'. This reduced rating still reflects unfavourable media coverage from such a breach, along with potential enforcement action from the regulator. It should be noted that the wider consequences of a data breach arising as from malicious attack are still reflected in PRR 001 Cyber Security, as 'Severe'.
- 3.5 Any apparent lack of change to other risk scores is not a direct reflection of the level of work carried out by Services or the Council as a whole, as:
- Some risks may be heavily influenced by external factors outside the Council's control
  - Where inherent risk is increasing, additional work may have been undertaken to maintain the same current risk level

## 4. Conclusion

- 4.1 Members are invited to note the ongoing work by Directors and Service Managers to manage the Council's Principal Risks, along with the continuing development of the Council's risk management framework.

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### List of appendices:

Appendix 1 – Principal Risk Summary

### Background papers:

None

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## Corporate Implications

**Legal/Constitutional:** The Council has a legal duty to ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk (Regulation 3 (Part 2) of the Audit and Accounts Regulations 2015). The risk management framework encourages risk owners to consider the potential legal and regulatory consequences, should a risk event occur.

**Financial:** The risk management framework encourages risk owners to consider the potential financial consequences, should a risk event occur.

**Potential impact on climate change and the environment/ Contribution toward achieving a net zero carbon position by 2030:** Reputational consequences set out within the risk management framework encourage risk owners to consider environmental aspects of their activities.

**Personnel:** The corporate risk management framework is being implemented within existing staff budgets (approximately 0.5 FTE).

**Risk Management:** Effective risk management is an essential part of good governance, providing assurance to internal and external stakeholders that the Council is well-managed. This report is intended to enable the Committee to fulfil its role in overseeing the effective operation and development of risk management at the Council.

**Equality and Diversity:** Equalities implications of Council activities are considered at initiative level.

**Health and Safety:** The risk management framework encourages risk owners to consider the potential safety, health and wellbeing implications for staff and/or service users, should a risk event occur.

**Digital:** The Performance Planning module is part of TechOne, the Council's Enterprise Resource Planning (ERP) system. ERP aims to increase efficiency and improve performance by integrating back-office systems and is key to the Council's Digital Strategy.

**Other:** None

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## Consultees:

Management Team, Audit Services Manager, Section 151 Officer, Risk Owners




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## Relevant Policies and Strategies:

Risk Management Strategy



Our Chelmsford, Our Plan







| Ref     | Risk Title        | Category             | Our Plan Theme                  | Risk Owner      | Current Risk Rating | Risk Score | Trend   | Risk Event   | Comments  |
|---------|-------------------|----------------------|---------------------------------|-----------------|---------------------|------------|---|--|---|
| PRR 006 | Homelessness      | Operations           | Fairer and Inclusive Chelmsford | David Green     | Very High           | 22         |    | Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently | 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. |
| PRR 001 | Cyber Security    | Operations           | All Themes                      | Louise Goodwin  | Very High           | 18         |    | Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations   | The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer, with a view to achieving external accreditation in due course.  |
| PRR 014 | Health and Safety | Legal and Regulatory | Safer and Greener Place         | Keith Nicholson | Very High           | 18         |  | A serious health and safety incident occurs  | The Council annual Health and Safety (H&S) audit programme continues using H&S specialists, Peninsula, with outstanding actions monitored on TechOne and submitted twice-yearly to Management Team for review.  |

## Principal Risk Summary - Current risk ('with controls') from highest to lowest

Appendix 1 (cont.)

| Ref     | Risk Title                           | Category  | Our Plan Theme          | Risk Owner     | Current Risk Rating | Risk Score | Trend   | Risk Event  | Comments  |
|---------|--------------------------------------|-----------|-------------------------|----------------|---------------------|------------|---|---|---|
| PRR 012 | Chelmer Waterside Development        | Projects  | Safer and Greener Place | David Green    | Very High           | 18         |    | The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan                    | 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. Consultant project managers monitor and report monthly on project risk and performance. |
| PRR 022 | Theatre Refurbishment and Rebranding | Projects  | Connected Chelmsford    | Louise Goodwin | Very High           | 18         | NEW   | Refurbishment is not completed on time, within budget and/or to the required standard, adversely affecting the theatre's autumn programme | This ambitious project to enhance the cultural offering for the people of Chelmsford is complex and must be completed within tight timescales requiring ongoing and intense senior management involvement. Consultant project managers have been appointed to monitor and report on project risk and performance.   |
| PRR 019 | Income and Financial Position        | Financial | All Themes              | Nick Eveleigh  | High                | 16         |  | The sustainability of the Council's financial position is challenged  | Ongoing financial pressures are being monitored and mitigated through Council's Medium-Term Financial Strategy, budget setting, and capital and revenue monitoring cycles. The 2022-23 budget and strategy papers submitted to Full Council in <a href="#">February 2022</a> discuss financial risk in detail.  |

| Ref     | Risk Title                              | Category             | Our Plan Theme                  | Risk Owner                       | Current Risk Rating | Risk Score | Trend   | Risk Event  | Comments   |
|---------|---|----------------------|---------------------------------|----------------------------------|---------------------|------------|---|---|--|
| PRR 005 | Fraud                                   | Financial            | All Themes                      | Nick Eveleigh/<br>Louise Goodwin | High                | 16         |    | Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council | Inherent risk remains high due to the ongoing effects of the pandemic, including increased cyber-enabled fraud attempts. Detailed fraud risk assessment has been completed and a fraud action plan is in place. Counter-fraud e-learning for high-risk roles is due to be launched later this year.                  |
| PRR 004 | Emergency Planning                      | Operations           | Safer and Greener Place         | Keith Nicholson                  | High                | 15         |    | Ineffective emergency planning response breaches the Council's duties under the Civil Contingencies Act       | The Council continues to work with Essex Resilience Forum to ensure it is well-placed to respond.  |
| PRR 020 | Beaulieu Station & Chelmsford NE Bypass | Projects             | Fairer and Inclusive Chelmsford | David Green                      | High                | 15         |    | Funding is partially or wholly withdrawn resulting in non-delivery of key infrastructure                      | Essex County Council continues to lead on risk management, and good progress on both projects continues to be made. Planning permission for the Bypass was granted in March 2022 and the reserved matters application for the Station has been submitted. Both projects are currently on schedule and within budget. |
| PRR 016 | Information Governance                  | Legal and Regulatory | All Themes                      | Louise Goodwin                   | High                | 13         |  | A serious data breach occurs and/or other significant instance of non-compliance with data legislation        | Implementation of the Council's GDPR action plan continues. Inherent risk of the very highest financial penalties for non-compliance being issued to local government bodies appears reduced.  |

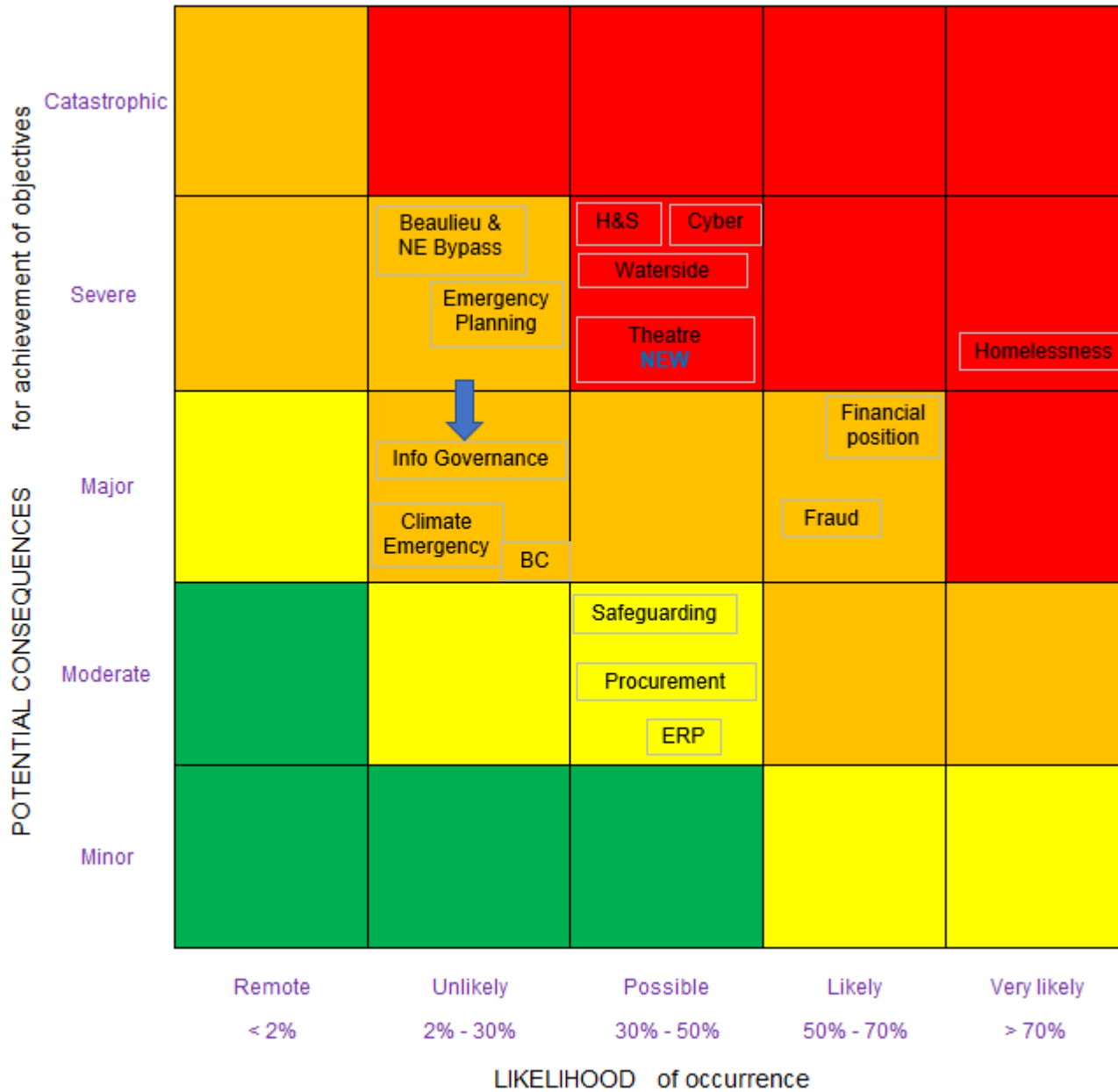
## Principal Risk Summary - Current risk ('with controls') from highest to lowest

Appendix 1 (cont.)

| Ref     | Risk Title                       | Category             | Our Plan Theme          | Risk Owner      | Current Risk Rating | Risk Score | Trend | Risk Event   | Comments  |
|---------|----------------------------------|----------------------|-------------------------|-----------------|---------------------|------------|-------|--|---|
| PRR 021 | Climate and Ecological Emergency | Reputation           | Safer and Greener Place | Keith Nicholson | High                | 13         |       | The Council fails to effectively engage with the environmental agenda  | Implementation of the Council's <a href="#">Climate and Ecological Emergency Action Plan</a> continues.   |
| PRR 003 | Business Continuity              | Operations           | All Themes              | Keith Nicholson | High                | 13         |       | Ineffective business continuity response enables an event to disrupt Council operations to a greater extent than planned for               | Council strategy is being adapted (a) for changes to working patterns and the digital environment (b) to focus on operational resilience (rather than specific events). The Council remains well-placed to respond.                         |
| PRR 017 | Procurement Strategy             | Financial            | All Themes              | Louise Goodwin  | Medium              | 9          |       | Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation | Central procurement processes are more agile and robust and wider contract oversight is improving with the use of TechOne. Residual risk lies with the Services. Internal Audit are currently reviewing contract management at local level. |
| PRR 010 | Enterprise Resource Planning     | Projects             | All Themes              | Louise Goodwin  | Medium              | 9          |       | The intended benefits of the TechOne system are not realised in full   | Priorities for TechOne development are under review by TechOne Board/ Management Team in conjunction with the Digital Portfolio Office.   |
| PRR 015 | Safeguarding                     | Legal and Regulatory | Safer and Greener Place | Keith Nicholson | Medium              | 9          |       | A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented                       | A recent Section 11 child safeguarding audit (by Essex Safeguarding Board-moderated self-assessment) gave positive assurance that child safeguarding objectives are being met.  |

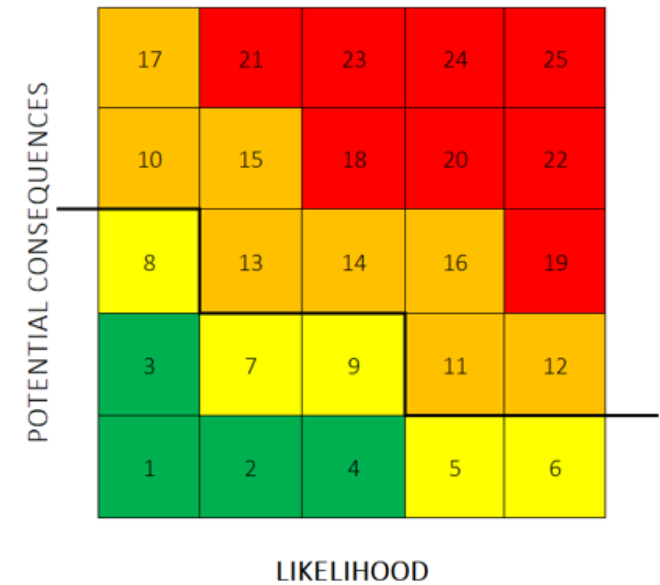
Principal Risk Summary – Heat Map (current risk)

Appendix 1 (cont.)



| Risk score | Risk level     | Management response  |
|------------|----------------|--|
| 18 to 25   | Very High Risk | <b>Critical</b> - Immediate/sustained action required                        |
| 10 to 17   | High Risk      | <b>Concerned</b> - Action required (exceeds appetite)                        |
| 5 to 9     | Medium Risk    | <b>Cautious</b> - Action required (to ensure appetite is not exceeded)       |
| 1 to 4     | Low Risk       | <b>Comfortable</b> - monitor and review (low cost/ efficiency measures only) |

Indicative risk appetite



Principal Risk Summary – Key to Consequence Ratings

Appendix 1 (cont.)

|              | FINANCIAL   | OPERATIONS  | PEOPLE   | REPUTATION  | LEGAL & REGULATORY  | MAJOR PROJECTS  | AUDIT             |
|--------------|---|---|--|---|---|---|-------------------|
| CATASTROPHIC | Catastrophic financial loss. (>£20 million*)                          | Permanent cessation of core activities  | Multiple fatalities.   | Future viability of the organisation threatened.  | External control of the Council assumed.  | Repeated failure of high-profile projects. All discretionary funding withdrawn.   | Critical Priority |
| SEVERE       | Severe financial loss (>£1 million *)                                 | Extended disruption of core activities in excess of normal recovery timescales, with adverse impact on the wider community.   | Life-threatening or multiple serious injuries (to staff or service users) or prolonged workplace stress. Severe impact on morale and service performance. Mass strike actions etc. | Critical impact on the reputation or brand of the organisation. Intense political and media scrutiny i.e., national front-page headlines, TV. | Possible criminal, or high-profile civil action against the Council, Members or officers. Statutory intervention triggered with impact across the whole Council. Critical breach in laws and regulations that could result in severe fines or consequences. | Failure of major projects and/or politically unacceptable increase on project budget/cost. Elected Members are required to intervene.                         |                   |
| MAJOR        | Major financial loss. Service budgets exceeded (£200k to £1 million*) | Disruption to core activities. Some services compromised. Management Team action required to overcome medium-term difficulties.   | Serious injuries or stressful experience (for staff member or service user) requiring medical attention/many workdays lost. Major impact on morale and performance of staff.       | Major impact on the reputation or brand of the organisation. Unfavourable media coverage. Noticeable impact on public opinion.                | Major breach in laws and regulations resulting in major fines and consequences. Scrutiny required by external agencies.   | Key targets missed. Major increase on project budget/ cost. Major reduction to project scope or quality.  | High Priority     |
| MODERATE     | Moderate financial loss. Handled within the team (£50k to £200k*)     | Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required. | Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance or staff.      | Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage.  | Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation.  | Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team. | Medium Priority   |
| MINOR        | Minor financial loss (< £50k*)  | Minor errors in systems/ operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users.   | Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale.  | Minor impact on the reputation of the organisation.   | Minor breach in laws and regulations with limited consequences.   | Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.   | Low Priority      |

\*Please note financial limits are a guide only and may be overridden by other consequences.



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## Chelmsford City Council Audit and Risk Committee

**15th June 2022**

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### **Audit and Risk Committee Annual Report 2021/22**

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Report by:  
Audit Services Manager

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

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#### **Purpose**

This report summarises the work that the Audit and Risk Committee has undertaken during 2021/22 in line with CIPFA Guidance for Audit Committees 2018.

#### **Recommendations**

Committee are requested to note the content of its 2021/22 Annual Report prior to submission to Full Council.

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### **1. Introduction**

- 1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2. The purpose of an Audit Committee is to provide those charged with governance in the Council independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance process. By overseeing both internal and external audit, it makes an important contribution to ensuring that effective management arrangements are in place.
- 1.3. The CIPFA document "Audit Committees: Practical Guidance for Local Authorities (2018)", outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.

## 2. Conclusion

The Audit and Risk Committee Annual Report 2021/22 is attached for Committee to note and agree.

**List of appendices:** Audit and Risk Committee Annual Report 2021/22

**Background papers:** None

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### Corporate Implications

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

- Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- Public Sector Internal Audit Standards
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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

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**Relevant Policies and Strategies:** None

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## **Audit and Risk Committee Annual Report 2021/22**

### **Introduction from the Chair of Audit and Risk Committee**

I am pleased to present the Annual Report of the Audit Committee which outlines the Committee's work and achievements for 2021/22.

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

To provide ongoing assurance over the Council's risk management, governance and internal control arrangements, the Committee was attended during 2021/22 by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors.

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

**Cllr Nora Walsh**

**June 2022**

## 1. Overview

1.1. Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

1.2. The purpose of an Audit Committee is to provide those charged with governance in the Council, independent assurance on the adequacy of the Council's risk management framework, internal control environment and the integrity of the financial reporting and governance processes. By overseeing both Internal and External Audit, it makes an important contribution to ensuring that effective management arrangements are in place.

1.3. Various legislation emphasises the importance of the Audit Committee, including:

- the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- updates to the Public Sector Internal Audit Standards (PSIAS) in 2016 and 2017
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

1.4. To this end, the Council's Audit and Risk Committee is an important source of assurance regarding the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

1.5. As outlined in the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities (2018)", the core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives.
- In relation to the Council's Internal Audit functions:
  - Oversee its independence, objectivity, performance, and professionalism,
  - Support the effectiveness of the Internal Audit process
  - Promote the effective use of Internal Audit within the assurance framework.
- Consider the effectiveness of the authority's risk management arrangements and the control environments. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues.
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.
- Consider the reports and recommendations of External Audit, and other inspection agencies where applicable, and their implications for governance, risk management or control.
- Support effective relationships between External Audit and Internal Audit, inspections agencies and other relevant bodies and encourage the active promotion of the value of the audit process.
- Review the financial statements, External Auditor's opinion and reports to Members, and monitor management actions in response to the issues raised by External Audit.

1.6. In addition, the CIPFA guidance advises that all Audit Committees should demonstrate their independence and effectiveness by:

- Acting as the principal non-executive advisory function supporting those charged with governance
- Being independent of both the executive and scrutiny functions
- Having clear rights of access to other committees e.g. Governance Committee
- Being properly accountable to Full Council
- Meeting regularly and have a clear policy on those items to be considered in private and considered in public
- Being able to meet privately and separately with the External Auditor and with the Audit Services Manager
- Including as regular attendees, the S151 Officer or substitute, the Audit Services Manager, and the appointed External Auditor.
- Reporting regularly on their work, and at least annually reporting an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

## 2. Membership and Governance

- 2.1. There were three meetings of the Committee during 2021/22 (June 2021, December 2021 and March 2022).
- 2.2. Membership of the Committee is attached at Appendix A. The Audit and Risk Committee does not have any external Members acting in an independent capacity.
- 2.3. The work programme is based around the Committee's Terms of Reference, along with items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee during 2021/22 is attached at Appendix B to the report.
- 2.4. The Committee was supported by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as External Audit (BDO).
- 2.5. The Committee's Terms of Reference is in line with CIPFA guidance: Audit Committees (2018) and this is attached at Appendix C.
- 2.6. The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings may be accessed from: [Committees and Panels - Chelmsford City Council](#).

## 3. Good Governance and the Annual Governance Statement

- 3.1. As defined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016): *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

3.2. As outlined in CIPFA publication “Audit Committees: Practical Guidance for Local Authorities (2018)”, the overall aim of good governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.3. Good governance is ultimately the responsibility of the governing body, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, the S151 Officer, and the Monitoring Officer. In Local Government, the governing body is the Full Council. The Audit and Risk Committee should play a key role in supporting the discharge of these responsibilities by providing a high-level focus on audit, assurance, and reporting.

3.4. The Council’s Annual Governance Statement (AGS) forms part of the Council’s Statement of Accounts and its purpose is to provide assurance regarding the Council’s governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance.

3.5. The Audit and Risk Committee reviewed the Annual Governance Statement for 2020/21 jointly with Governance Committee in June 2021. Progress on outstanding governance issues from 2020/21 were noted along with areas identified for 2021/22, such as Remote Meetings, Member Code of Conduct, Governance of Budgetary Control Plan, Procurement and Social Value Policy and Financial Management Code.

#### **4. Internal Audit**

4.1. The original audit plan for 2021/22 was approved by Audit and Risk Committee in March 2021.

4.2. During 2021/22, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included:

- Internal Audit Annual Report 2020/21 which provided an overall annual opinion of “moderate” assurance (June 2021)
- Interim Annual Report 2021/22 (December 2021)

4.3. In line with Public Sector Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Charter in March 2022.

#### **5. Risk Management**

5.1. In June 2021, Audit and Risk Committee received the Spring/Summer 2021 Risk Management Report. The report outlined the progress made in implementing the Council’s risk management framework during 2020/21, summarised the Council’s Principal Risks, taking into account Covid-19 and set out the Risk Management Strategy for 2021/22.

5.2. Key outcomes were also noted such as the configuration of TechOne Performance Planning module which enabled continued development of Principal Risk reporting to Management Team, improved monitoring arrangements for compliance items linked to the Council’s Principal Risks (e.g. actions arising from Fire Risk Assessments and Health and Safety audits), and improved monitoring

arrangements for the Climate Change and Ecological Emergency Action Plan and the Health and Wellbeing Strategy, which in turn should improve risk identification.

5.3. In December 2021 the Committee received the Autumn-Winter 2021 Risk Management Report which provided a summary of the Council's Principal Risks and outlined progress in delivering the priorities set out in the Council's Risk Management Strategy for 2021/22, including:

- Corporate Risk and ongoing development of the risk management framework through TechOne and detailed risk work in specific areas (e.g., Fraud and Cyber Risk).
- Compliance and facilitating the six-monthly compliance reporting cycle linked to the Council's Principal Risks (e.g., Fire, Health and Safety).
- Strategic Planning and Performance and developing and supporting the Council's integrated planning model in TechOne, tracking implementation of actions to support the priorities identified in Our Chelmsford, Our Plan (OCOP), the Climate and Ecological Emergency Action Plan and the Health and Wellbeing Strategy.
- TechOne training and awareness and working with local/area administrators to develop bespoke dashboards using the TechOne Analytics tool.

## **6. Countering Fraud and Corruption**

6.1. The Counter Fraud and Investigations Annual Report was presented to Audit and Risk Committee in December 2021 which set out:

- The remit of Fraud Investigations
- Effectiveness of Counter-Fraud Arrangements
- Fraud Risk and Control Assessment, developed by the Council's Corporate Governance Group sub-group (comprising the Accountancy Services Manager, Procurement and Risk Services Manager and the Audit Services Manager).
- Counter Fraud Strategy, Policies and Procedures
- Counter Fraud Culture, including a programme for Counter Fraud Refresher Training
- Data Matching

## **7. External Audit and Financial Reporting**

7.1. In June 2021, the Committee received a report on the Annual Audit Letter from BDO. It was noted that the letter summarised the key issues arising from the work they had carried out in respect of the year ended 31<sup>st</sup> March 2020.

7.2. The Committee also received in June 2021 a report from the Accountancy Services Manager on the provisional revenue outturn position for 2020/21. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. For each affected service, action or variance, the report identified associated risks. Committee also received a report which detailed the capital expenditure incurred in 2020/21, updated the Committee on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.

7.3. In December 2021, the Accountancy Services Manager provided the Council's perspective on the Audit Planning report provided by BDO, as they were unable to attend. The Committee noted that the report covered perceived risks by BDO, along with their planned approach to elements such as financial planning and use of resources.

- 7.4. Also in December 2021, the Committee received a report asking them to consider and make a recommendation to Full Council, in respect of appointing External Auditors from 1st April 2023. The Committee noted that the current arrangement utilised the PSAA who undertake the procurement of services on behalf of local authorities.
- 7.5. In March 2022, the Accountancy Services Manager updated the Committee verbally on the progress made by BDO. It was noted that an additional meeting of the Committee would be required in late April 2022 for the Committee to sign off the accounts.
- 7.6. Additionally, in March 2022, Committee approved the Accounting Policies which would be used in completing the 2021/22 Statement of Accounts in line with Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

## **8. Additional Reports to Committee**

- 8.1. **Modern Slavery** – in December 2021, the Committee received a report providing them with the first annual update on the Council's work in the reduction and awareness of Modern Slavery. It was noted that work had been taking place across the organisation after the commitments made in the Modern Slavery Charter and the action plan update from it. The Committee heard that the majority of the action plan had been completed with two still to be completed. It was also noted by the Committee that, the terms and conditions for supply contracts had been updated.
- 8.2. **Procurement and Sourcing Activities Annual Report** – in December 2021, the Committee received a report summarising the work undertaken by the Procurement team. The report detailed all formal procurement and sourcing activities alongside any cross functional working that had taken place. The report also informed members of new process, policies and practices introduced in the last 12 months and the planned activities for the next 12 months, along with the findings to date on social value feedback.
- 8.3. **Corporate Health and Safety Annual Report** – In December 2021 the Committee received a report updating them on Health and Safety in 2020/21, following its transfer from Overview and Scrutiny Committee.

## **9. Effectiveness of Audit & Risk Committee**

- 9.1. In line with CIPFA Guidance: Audit Committees 2018, it is recommended that Audit & Risk Committee members review their knowledge and skills, for example, as part of a self-assessment process and training needs analysis. A survey based on CIPFA best practice was therefore circulated in 2021 to all nine Committee Members, from which five responses were received.
- 9.2. The survey was designed to provide a high-level overview of the effectiveness of the Committee, then explore in detail how the Committee meets each of the above principles. There was also a focus on CIPFA's recommended Knowledge and Skills framework and in these questions, Members were asked to consider their own individual skills, knowledge and experience that contribute to the overall effectiveness of the Committee. The results highlighted that additional general training and awareness for the Audit & Risk Committee would be beneficial.
- 9.3. To this end, during 2021/22 several Committee Members attended the CIPFA: 'Introduction To The Knowledge And Skills Of The Audit Committee' in September 2021 and 'Effective Audit Committees' training provided by Braintree Council in February 2022. Another survey will be sent to ARC Members in June 2022.

**Membership of Audit and Risk Committee 2021/22**

Councillor Nora Walsh – Chair

Councillor Malcolm Sismey – Vice Chair

Councillor Dan Clark

Councillor James Raven

Councillor Eleanor Sampson

Councillor Natacha Dudley

Councillor John Galley

Councillor Andrew Sosin

Councillor Andrew Thorpe-Apps (from December 2021)

**June 2021**

- **Joint with Governance Committee**
  - Review of the Local Code of Corporate Governance and Annual Governance Statement 2020/21
  
- **Audit & Risk Committee**
  - External Audit Annual Audit Letter
  - Revenue Monitoring Report
  - Capital Monitoring Report
  - Internal Audit Annual Report 2020/21
  - Audit and Risk Committee Annual Report 2020/21
  - Review of Audit and Risk Committee's Terms of Reference
  - Risk Management Report

**September 2021 - Cancelled**

**December 2021**

- External Audit (BDO) Planning Report 2020/21
- Appointment of External Auditors (PSAA)
- Annual Report - Corporate Health and Safety 2020/21
- Internal Audit Interim Report 2021/22
- Risk Management Report – Autumn/Winter 2021
- Counter Fraud and Investigations Annual Report 2021
- Annual Report of Procurement and Sourcing Activities
- Modern Slavery Report

**March 2022**

- Accounting Policies for the 2021/22 Statement of Accounts
- Internal Audit Plan 2022/23 and Charter 2022



## **Audit and Risk Committee**

### **Terms of Reference**

#### **Statement of Purpose**

1. Our Audit and Risk Committee is a key component of Chelmsford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Audit and Risk Committee is to provide independent assurance to the Members (and others charged with governance in Chelmsford City Council e.g. Governance Committee) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chelmsford City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, Risk and Control**

3. To review the Council's corporate governance arrangements against the 'Good Governance Framework' including the ethical framework and consider the Local Code of Governance.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk-related issues reported to the Audit and Risk Committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations

#### **Internal Audit**

13. To approve the Internal Audit Charter.
14. To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.

15. To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
17. To make appropriate enquiries of both management and the Audit Services Manager to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Services Manager. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Audit Services Manager on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
  - a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme
  - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Audit Services Manager's annual report:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of Internal Audit.
  - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Audit and Risk Committee in reviewing the Annual Governance Statement.
21. To consider summaries of specific Internal Audit reports as requested.
22. To receive reports outlining the action taken where the Audit Services Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
23. To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of Internal Audit that takes place at least once every five years.
24. To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement as required to do so by the Account and Audit Regulations (Regulation 6) which requires an annual review of the effectiveness of the Council's system of Internal Audit. The findings of the review of the effectiveness must be considered as part of the Audit and Risk Committee's view of the system of internal control.
25. To provide free and unfettered access to the Audit and Risk Committee Chair for the Audit Services Manager, including the opportunity for a private meeting with the Audit and Risk Committee.

### **External Audit**

26. To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by the PSAA.
27. To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
28. To consider specific reports as agreed with the External Auditor
29. To comment on the scope and depth of External Audit work and to ensure it gives value for money
30. To commission work from Internal and External Audit.
31. To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

### **Financial Reporting**

32. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
33. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability Arrangements**

34. To report to those charged with governance on findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangement, and internal and External Audit functions.
35. To report to Full Council on a regular basis the Audit and Risk Committee's performance in relation to the terms of reference and effectiveness of the Audit and Risk Committee in meeting its purpose.
36. To publish an annual report on the work of the Audit and Risk Committee.



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## Chelmsford City Council Audit and Risk Committee

**15<sup>th</sup> June 2022**

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

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Report by:

Audit Services Manager

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Officer Contact:

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

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#### Purpose

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

#### Recommendations

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

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#### 1. Introduction

1.1. The Audit & Risk Committee works to a standard programme of work to ensure that their work is spread evenly across meetings, as far as possible, and to ensure that core reports are produced at the appropriate time within the Council's reporting timetable.

#### 2. Self-assessment and training

2.1. In line with CIPFA Guidance: Audit Committees 2018, a self-assessment was completed by ARC Members in April 2021. The results highlighted that additional general training and awareness for the Audit & Risk Committee would be beneficial. To this end, during 2021/22 several Committee Members attended the CIPFA: 'Introduction To The Knowledge And Skills Of The Audit Committee' in September 2021 and 'Effective Audit Committees' training provided by Braintree Council in February 2022. Another survey will be sent to ARC Members in June 2022.

### 3. Rolling Programme of Work

3.1. Many of the reports submitted to this Committee are presented on a cyclical basis and can be timetabled for particular meetings. However, from time to time additional reports are requested which are presented to future meetings. The proposed rolling programme of work for this Committee for the next series of meetings is shown below.

#### 21<sup>st</sup> September 2022

| Agenda Item                                    | Report Owner  |
|--|---|
| External Audit Update                          | BDO   |
| Health and Safety Annual Report                | Public Health and Protection Services Manager   |
| Modern Slavery Report                          | Procurement and Risk Services Manager/<br>Public Health and Protection Services Manager |
| Presentation on the Unaudited Accounts 2021/22 | Accountancy Services Manager (S151)   |
| CIPFA Financial Management Code Assessment     | Accountancy Services Manager (S151)   |
| Audit & Risk Committee Work Programme          | Audit Services Manager  |

#### 14<sup>th</sup> December 2022

| Agenda Item                                  | Report Owner                          |
|--|---------------------------------------|
| External Audit Update                        | BDO                                   |
| Internal Audit Interim Report 2022/23        | Audit Services Manager                |
| Risk Management Report                       | Procurement and Risk Services Manager |
| Counter Fraud and Investigations Report 2022 | Procurement and Risk Services Manager |
| Procurement Update                           | Procurement and Risk Services Manager |
| Audit & Risk Committee Work Programme        | Audit Services Manager                |

**15<sup>th</sup> March 2023**

| <b>Agenda Item</b>  | <b>Report Owner</b>                 |
|---|-------------------------------------|
| External Audit Update                                     | BDO                                 |
| Internal Audit Plan 2023/24 + Internal Audit Charter 2023 | Audit Services Manager              |
| Accounting Policies                                       | Accountancy Services Manager (S151) |
| Audit & Risk Committee Work Programme                     | Audit Services Manager              |

**TBC June 2023****(Joint meeting with Governance Committee)**

| <b>Agenda Item</b>                               | <b>Report Owner</b>                   |
|--|---------------------------------------|
| Review of the Local Code of Corporate Governance | Legal and Democratic Services Manager |
| Annual Governance Statement                      | Legal and Democratic Services Manager |

**(Audit & Risk Committee)**

| <b>Agenda Item</b>  | <b>Report Owner</b>                   |
|---|---------------------------------------|
| External Audit Update                                     | BDO                                   |
| Revenue (Outturn)   | Accountancy Services Manager (S151)   |
| Capital Monitoring (Outturn)                              |                                       |
| Internal Audit Annual Report 2022/23                      | Audit Services Manager                |
| Audit & Risk Committee Annual Report 2022/23              |                                       |
| Review of the Audit & Risk Committee's Terms of Reference |                                       |
| Risk Management Report                                    | Procurement and Risk Services Manager |
| Audit & Risk Committee Work Programme                     | Audit Services Manager                |

List of appendices: None

Background papers: None

## Corporate Implications

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

- Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)
- PSIAS
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: None

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Relevant Policies and Strategies: None

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