

CHELMSFORD CITY COUNCIL
AUDIT OF ACCOUNTS 2018/19
NOTICE OF CONCLUSION OF AUDIT

The Audit of the Council's accounts for 2018/19 has been concluded.

The Statement of Accounts is now available for inspection by local government electors in accordance with Regulation 16 of the Accounts and Audit Regulations 2015. Any local government elector for this area can, on payment for each copy:

Inspect and make copies of the Statement of Accounts, or
Ask the Council for a copy of the Statement of Accounts.

The Statement of Accounts can be inspected at the Civic Centre, Duke Street, Chelmsford, on weekdays (excluding public holidays) between the hours of 9.00 a.m. and 4.30 p.m. from Mondays to Thursdays and 9.00 a.m. and 4.15 p.m. on Fridays.

The Statement of Accounts can also be viewed on our website at <https://www.chelmsford.gov.uk/your-council/finance-and-transparency/annual-report-and-statement-of-accounts/>

Dated 06 February 2020

Nick Eveleigh
Chief Executive

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE

CHELMSFORD CITY COUNCIL

AUDIT OF ACCOUNTS 2018/19

NOTICE OF LATE PUBLICATION

The Council's final statement of accounts will not be published by the required deadline of 31st July 2019 as required by the Regulation 10 paragraph (1) of the Accounts and Audit regulations 2015. Our external auditors, BDO LLP, were unable to complete their audit due to pressures on their resources.

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

The Council's Audit Committee will consider the results of the 2018/19 audit at a future meeting following the conclusion of the external audit, after which the final audited accounts will be published.

Dated 31 July 2019

Amanda Fahey
Director of Financial Services

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE



Audit of accounts for the year ended 31 March 2019

The Council's accounts are subject to external audit. This audit is being carried out by Lisa Clampin, Partner, BDO LLP, 16 The Havens, Ransomes Europark, Ipswich IP3 9SJ, and will be conducted under the provisions of the Local Audit and Accountability Act 2014, Sections 26 and 27 and the Accounts and Audit (England) Regulations 2015 (SI No. 234). Members of the public and local government electors have certain rights in the audit process.

For the year ending 31st March 2019, any person interested has the opportunity to inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them. These documents will be available on application to the Director of Financial Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE between 9.30 am and 4.30 pm commencing Thursday, 30th May, 2019 and ending on Wednesday, 10th July, 2019.

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

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

Graham White
Interim Legal and Democratic Services Manager

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

22 May 2019

STATEMENT OF ACCOUNTS

2018/19



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2 – INTRODUCTION TO THE ACCOUNTS

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

Introduction by the Leader of the Council

Welcome to our Statement of Accounts for 2018/19, which I hope you will find both interesting and informative. The accounts, together with the accompanying notes, explain how the Council's services work and set out how your council tax was used during the previous financial year, under the previous leadership of the council.

Having been elected as the new Leader of the Council at its annual meeting on 22 May, I am now looking forward to driving an ambitious programme over the next four years for our Council, our services and our city.

Our priorities will be centred around the delivery of a **safer, greener, fairer Chelmsford**.

Safer: We will work with the police, partners, schools and residents to improve community safety and address crime.

Greener: We will work to provide sustainable development with the right infrastructure, tackling congestion and improving cycle routes alongside investment to support green initiatives

Fairer: We will make preventing homelessness a key priority, deliver more affordable homes, and provide comprehensive support to those sleeping rough on our streets. We will also support the creation of good jobs in Chelmsford, work to attract inward investment to the city in order to provide a diverse range of employment opportunities, and support and promote apprenticeships.

In addition, we aim to empower local communities, bringing people together to reduce social isolation and create community cohesion; and to support cultural events and promote culture and the arts within Chelmsford.

These priorities will be underpinned by good governance and strong financial management.

I am excited about the future for Chelmsford and look forward to working with you all to deliver these aims.



Councillor Stephen Robinson
Leader of the Council

Views from the Chief Executive

I am delighted by the amount of work the council has undertaken in the last year to make our city a great place to live. As England's newest city and the second-closest to London, Chelmsford is fast becoming one of the most important places in the Eastern region.

The new Riverside Leisure Centre opened in June following a two-year project to completely transform it into a cutting-edge sports complex; improvements to Mill Yard at Chelmsford station have opened up the city centre, and an exciting redevelopment of Chelmsford Museum will give residents a new insight into their past.

Following the transition to a Liberal Democrat administration after the City Council elections in May 2019, a local plan reflecting the priorities of the people and City of Chelmsford is expected to be adopted in Summer 2019. With more than a thousand new homes built during the year, our city continues to flourish. Our new plan will help realise our ambition to continue to grow as the economic and creative heart of Essex; a place where people want to live, visit, work, study, do business and be inspired.



Nick Eveleigh
Chief Executive

Achievements

The council has purchased the former National Grid site at Wharf Road to aid the transformation of this brownfield site in the city. The old gas holders have already been taken down.

The Mill Yard scheme has made it easier to get around the city centre, creating a much better pedestrian and cycle connection from the railway station through the Marconi Evolution development to the University. This development has demonstrated how the council is able to improve the city for residents by working in partnership with other organisations; in this case with Greater Anglia, Essex County Council and Bellway Homes, using funding from the South East Local Enterprise Partnership and with planning contribution funds from the developer of the Marconi site.

In 2018 and 2019 major investments in Chelmsford Museum, supported by the Heritage Lottery Fund, have been made to transform the Victorian house and collections, create a popular new café and improve the surrounding parkland.

Infrastructure has been delivered alongside new residential and retail development to support Chelmsford's rapid growth. Recently, this has included a new secondary and primary school in North East Chelmsford. In partnership with Essex County Council and the private sector, the City Council has secured 3 million pounds of funding for improvements to the Army & Navy junction, as well as approximately 20 million pounds towards new highways and junction improvements in North East Chelmsford.

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

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

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

The Director of Financial Services
Civic Centre
Duke Street
Chelmsford
Essex
CMI IJE

We have detailed below which council provides which services.

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

3 – ENVIRONMENTAL ISSUES

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

In March 2019 the Council agreed a new Corporate Plan ‘Our Chelmsford, Our Plan’. This Plan sets out the priorities for the coming years that will drive the ambition for Chelmsford to continue to grow as the economic and creative heart of Essex, recognised as a leading regional centre and destination in the east of England.

The Plan promotes growth that is sustainable, adopting an approach whereby growth and development delivers environmental benefits and seeks to protect and enhance wildlife, habitats and landscapes in and around Chelmsford, whilst helping people to connect in a positive way with the built and natural environment. The Plan continues to promote Chelmsford’s green credentials by managing services in a sustainable way, with a focus on lowering energy consumption and reducing waste in order to help preserve natural resources.

The Council remains committed to helping to create a more sustainable future for the City, working proactively to reduce the adverse social, economic and environmental impact that climate change may have on local communities and businesses operating in the area.

During 2018/19 the Council has:

- Realised the benefits of changing the collection of household non-recyclable waste to once every fortnight, with 15% less ‘non-recyclable’ waste being generated and waste diversion rates rising to 53% of all household waste that is produced, representing a significant reduction in carbon emissions
- Increased the proportion of energy consumed by the City Council that is from renewable sources to 12%, including electricity directly generated from the City Council’s own photovoltaic installations
- Increased to 59% the proportion of energy (gas and electricity) that is supplied to the City Council from a low carbon source
- Promoted collective energy buying schemes for residents of Chelmsford which include a 100% ‘green energy’ option
- Continued the LED replacement lighting programme
- Undertaken an air quality assessment for the area and developed an air quality strategy
- Agreed a ‘Green Infrastructure Strategy and action plan, including design guidelines to support the new Local Plan, focusing on the multi-purpose roles and benefits of green space and the opportunities for protecting and enhancing local biodiversity

4 – NARRATIVE REPORT

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

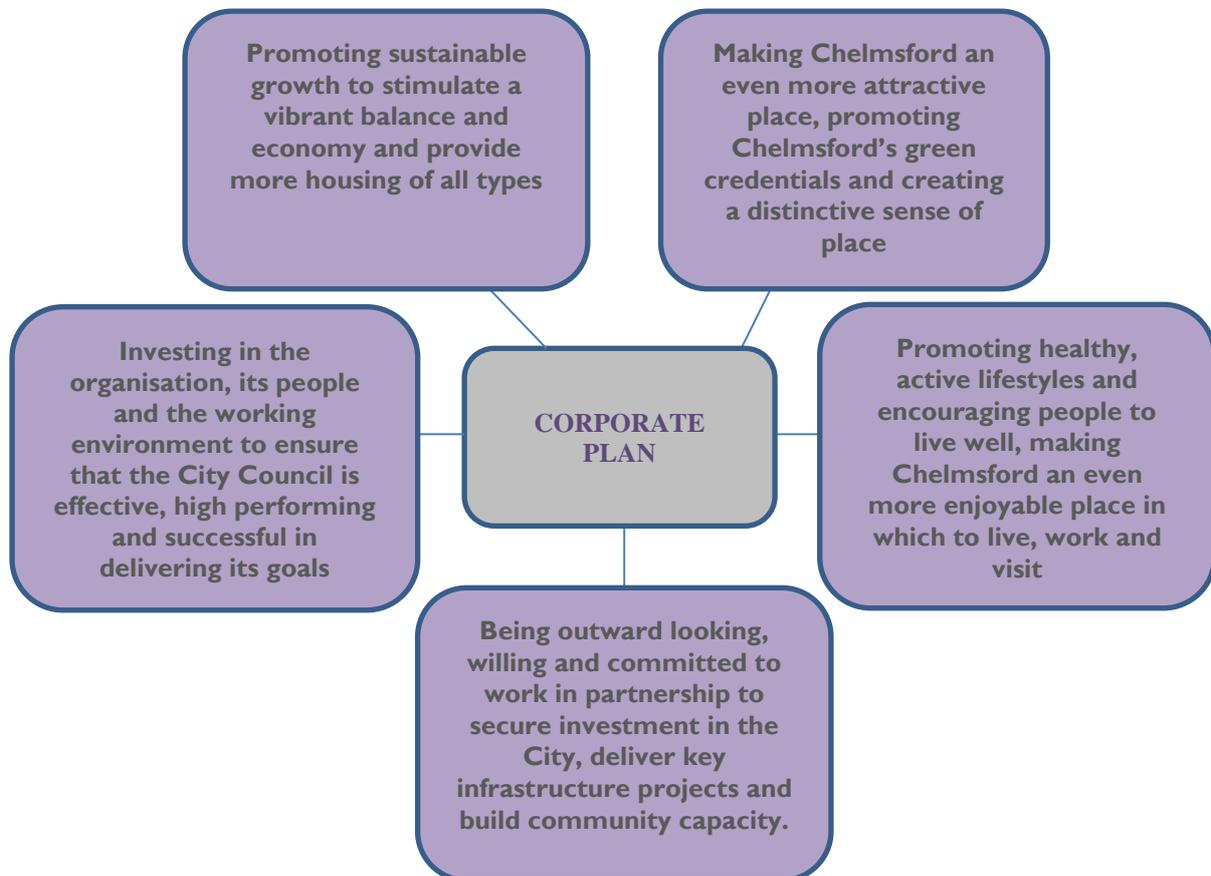
Background

Chelmsford City Council is situated in the heart of Essex, covering an area of 344 square kilometres and is one of the fastest-growing centres in the region. It is the sporting venue for the Essex County Cricket Team, Chelmsford City Football Club and the Chelmsford City Race Course.

Chelmsford has a population of around 176,200 and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with significant housing developments underway within the City Centre as well as north of Chelmsford.

Chelmsford has a very strong economy with 87,000 jobs and over 9,000 businesses in the heart of the City, with very low unemployment rate of 1.5%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing.

The Council’s corporate plan is currently under review. The plan in place at 31st March set out the following five key priorities for Chelmsford and its residents:



We engage with other Local Authorities on various joint working arrangements, and work with a wide range of other organisations and agencies to help us achieve these priorities. Following a change in political leadership in May 2019, the corporate plan will be refreshed to reflect the new administration's priorities.

Our annual statement of accounts summarises our financial affairs for 2018/19 and shows our financial position on 31 March 2019. It includes the following:

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

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

‘Expenditure and Funding Analysis’ this statement is a key note to demonstrate how the funding available to the authority for the year has been used in providing services in comparison with the resources used or earned in accordance with generally accepted accounting practices. This supporting statement reconciles the net expenditure as presented in the Comprehensive Income and Expenditure statement to the net expenditure chargeable to the General fund as presented in our outturn reports.

- **Collection fund** - A statement meeting the statutory obligation for us to keep a separate Collection fund. The statement shows all transactions in relation to the collection of money from taxpayers and the distribution of money to other local authorities and the Government of Council tax and Non-domestic rates.

We will show any restatements for previous year’s set of accounts following changes in accounting policies, rules we use to prepare these accounts or material error in note 39. We also made some presentational changes to how we report our management information. We reflected these changes in the presentational format of the comprehensive income and expenditure statement and Expenditure and Funding Analysis statement and its supporting note and restated last year’s figures in the same format.

- **Independent auditors’ report** - A report that says whether our Statement of accounts presents a true and fair view of our financial position and financial performance for the year.
- **Glossary** - An explanation of the technical terms used in this Statement of accounts.
- **Our structure chart** - How we are organised.

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

Summary tables

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2018 to 31 March 2019	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	119,586	(76,726)	42,860
Other Income and Expenditure	39,084	(79,199)	(40,115)
Total spending on services as presented in the Comprehensive Income and Expenditure account			2,745
add Adjustments between the Funding and Accounting bases			9,282
Change in General fund (including Earmarked Reserves)			12,027

The complete Comprehensive Income and Expenditure statement is shown in section 6.

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

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

Our Comprehensive Income and Expenditure statement recognises our share of Council Tax and NNDR transactions on the accrual basis, with the timing difference being adjusted through Council Tax and NNDR adjustment account, reported on in the Movement in Reserve Statement.

Simplified Balance sheet statement

A simplified Balance Sheet		31 March 2019
		£ 000
What we own		
Assets		261,291
Stocks		280
Investments		25,341
		286,912
What we are owed		
Amounts due before 31 March 2020		25,333
Amounts due after 31 March 2020		4,202
		29,535
What we owe		
Amounts due before 31 March 2020		(27,114)
Amounts due after 31 March 2020		(4,379)
Provisions		(3,688)
Pension deficit		(97,293)
		(132,474)
Cash and equivalents in hand or (overdrawn)		22,546
Net assets		206,519
Our reserves		31 March 2019
		£ 000
Usable reserves		39,293
Unusable reserves		167,226
Total reserves		206,519

The complete Balance sheet is shown in section 6.

Pensions

We offer our employees membership of the Local Government Pension Scheme. The scheme is funded by contributions from employees and employers, and offers defined benefits that are paid when members retire. The scheme has been estimated to have a shortfall because its obligations to members are more than the assets and returns expected from the fund. We have agreed to make up the shortfall over time. You can find out more about the pension scheme in note 33 to the main financial statements.

Changes in accounting policies

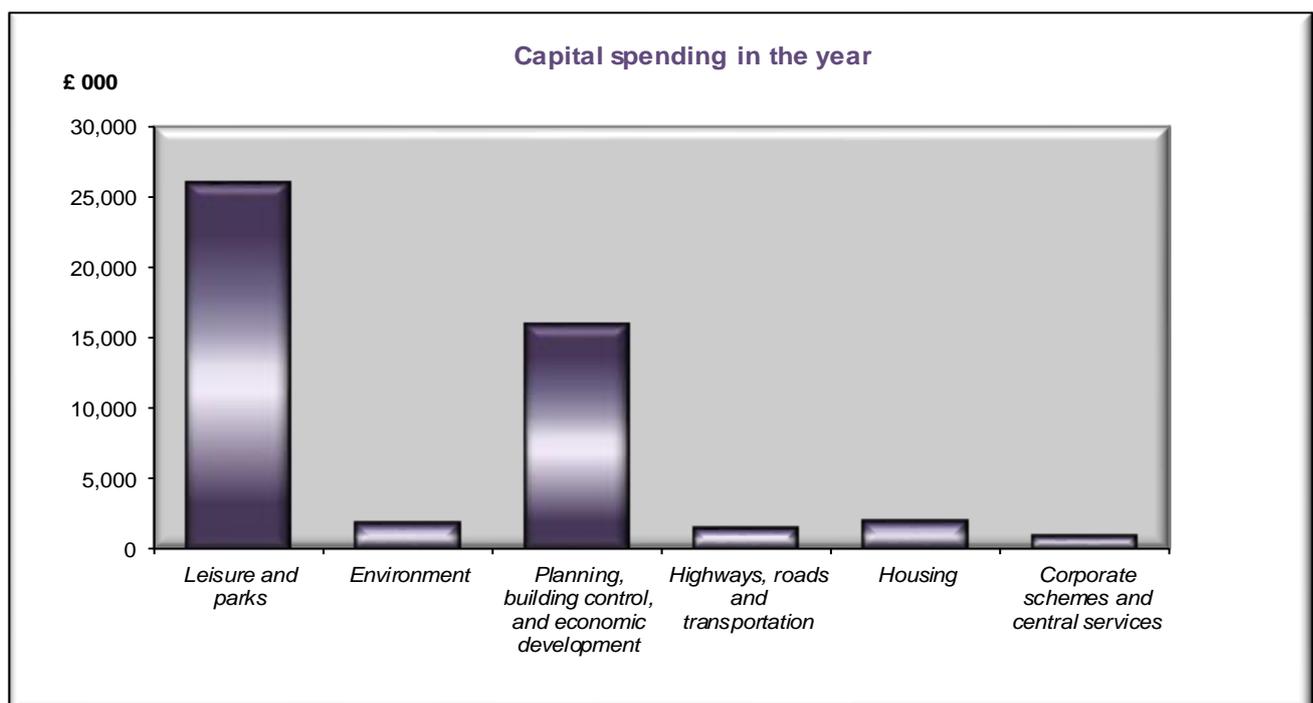
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

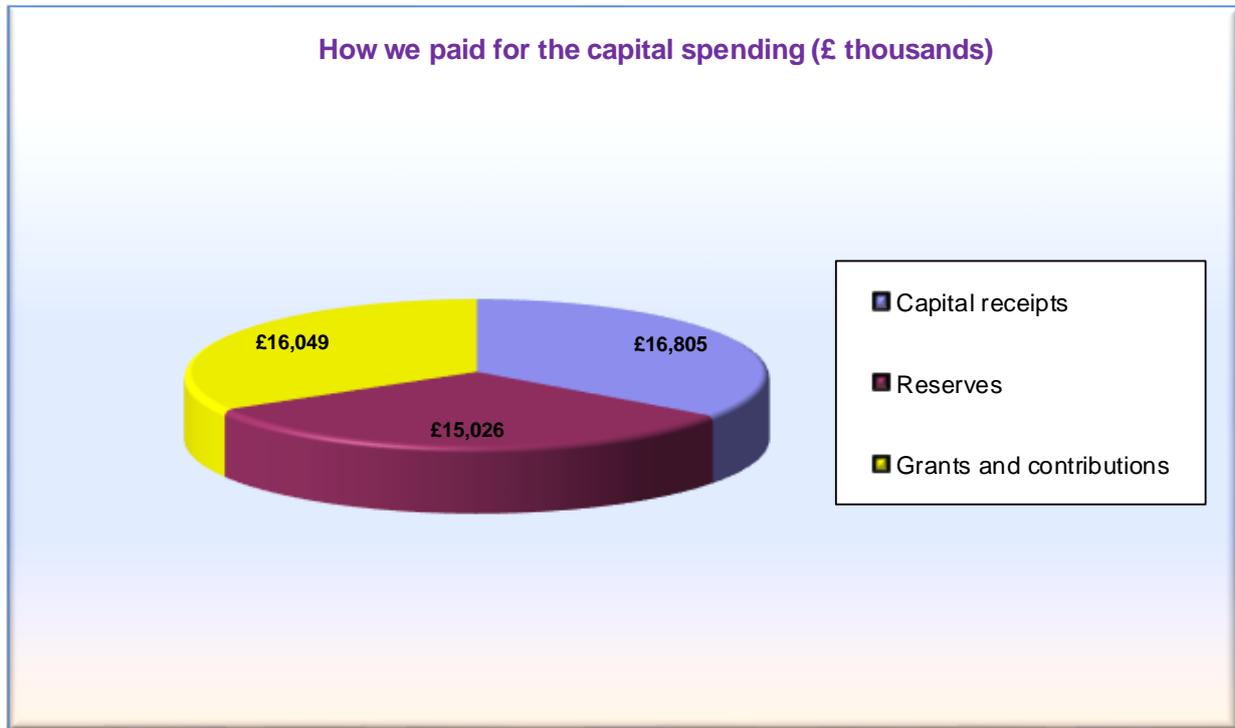
Borrowing

We do not have any loans.

Capital spending

During the year we spent £47,880,000 on capital schemes. Our asset values in the Balance sheet have not necessarily increased by the amount of our capital spending as the Balance sheet shows the asset's change in value, after any impairments, and not simply the amount spent in creating that asset. The following tables show the capital spending and how the spending was paid for (capital financing).





Material unusual charges to the accounts

There have not been any of these.

Major changes in statutory functions

There have not been any of these.

Significant provisions or contingencies or material write-offs

The Council has a provision for appeals against business rates valuations.

Material events after the Balance Sheet Date

There are no such events.

Effects of the current economic climate

We no longer receive a support grant from the Government. It is unclear how Britain's decision to leave the European Union will impact on the Council's or Local Government finances generally. Despite this we have still produced a balanced budget and expect this to continue into the future.

Auditors

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

Monitoring our performance during 2018/19

Performance measures

For 2018/19 we have established 21 performance indicators that were regularly reviewed and reported to the Overview and Scrutiny Committee. These are financial and non-financial indicators that measure the progress made in terms of achieving the Council's Priorities.

Performance against targets set and comparative figures where applicable are detailed in the table below. Where targets are not met we provide explanations for this and establish appropriate remedial action via the Overview and Scrutiny committee.

We achieved our targets or came within 2% allowable tolerance limit for the following key performance indicators during 2018/19:

Indicator	Achieved in 2017/18	Achieved in 2018/19	Target set as
<u>Net additional homes provided</u> To encourage a greater supply of new homes in England to address the long-term housing affordability issue. This indicator measures the net increase in dwelling stock over one year. It is calculated as the sum of new build completions, minus demolitions, plus any gains or losses through change of use and conversions.	1,008	1,256	805
<u>Number of affordable homes delivered</u> Affordable housing is measured as the numbers of affordable dwellings provided in each year, through new build and acquisitions. This does not take account of losses through sales of affordable housing and demolitions.	200	288	179
<u>Green' queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre (CSC) for Concessionary Fares and Parking Permits.	90.75%	88.96%	90.00% customers to see an advisor within 15 minutes
<u>Blue queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre for Housing, Revenues and Benefits.	88.75%	89.53%	90.00%

Indicator	Achieved in 2017/18	Achieved in 2018/19	Target set as
<u>Percentage of online contact forms responded to within one working day</u> This indicator is designed to measure the speed of response within the CSC to online contact forms. It is important that those customers who choose to self-serve receive a high level of prompt service.	85.58%	90.47%	90.00%
<u>Average number of unique visitors to the Visit Chelmsford website</u> The Visit Chelmsford website was launched in 2014 and this indicator enables us to measure the site's performance.	10,485	11,990	9,000
<u>The average time taken in calendar days to process all new claims and change events in Housing Benefit and Council Tax Benefit</u> This indicator monitors our performance in processing all new claims and change events in Housing Benefit and Council Tax Benefit enabling us to make comparison to the national average performance.	7.99 days	8.30 days	process claims in under 9.00 days
<u>Theatre Hire Income</u> Monitoring income against budget at the Civic & Cramphorn Theatres for shows or events where the venues are hired by a third party.	103.54% of budget set	140.49% of budget set	£137,800
<u>Income from Theatres</u> This indicator monitors income achieved from Theatre admissions against the set budget.	103.79% of budget set	104.52% of budget set	£1,470,100
<u>Base budget income for Car Parking</u> Total amount of Car Parks fee income achieved against the set budget.	101.88% of budget set	99.30% of budget set	£6,544,300
<u>Base budget income for Cemetery and Crematorium</u> This indicator monitors income achieved from Cemetery and Crematorium fees against the set budget.	100.13% of budget set	98.69% of budget set	£1,902,600
<u>Number of Customer visits to our sport centres and sport activities</u> This indicator monitors visits to our sports centres and sports activities attendance.	1,490,168	1,365,351	1,316,600
<u>Percentage of waste reused, recycled & composted</u> The indicator measures percentage of household waste arising's which have been sent by the Council for reuse, recycling, composting or anaerobic digestion.	52.80%	52.68%	50.00%

Indicator	Achieved in 2017/18	Achieved in 2018/19	Target set as
<u>Residual waste per household</u> This indicator is the number of kilograms of residual household waste collected per household. Local authorities have an important role to play in assisting their residents to reduce waste (as well as encouraging sorting of waste for recycling, re-use, home composting and other forms of home treatment of waste). This indicator monitors the Council's performance in reducing the amount of waste that is sent to landfill, incineration or energy recovery.	441.88kg	446.77kg	550.0kg

We did not reach our targets for the following indicators during 2018/19:

Target	Supporting information
<u>The number of working days lost due to sickness absence</u> This indicator is used to monitor the level of sickness absence in local authorities.	The number of days lost due to sickness in 2018/19 fell to 7.75 days per employee from 8.47 days in 2017/18. The target for this indicator is 7.09 days.
<u>Theatre promotion visits</u> Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres for the Councils own promotion.	In 2018/19 Theatre promotion visits fell to 69,600 from 75,001 the previous year. The target for the year was 78,328 visits.
<u>CSC abandoned calls</u> This indicator measures the rate of abandonment of incoming phone calls for the Customer Service Centre (CSC).	This indicator improved to 11.53% in 2018/19 from 13.88% in 2017/18, the target for 2018/19 was set to 10%.
<u>CSC average waiting time for calls (in seconds)</u> This indicator enables the Service manager to monitor the average waiting time for calls.	The target set for this indicator was 40 seconds. There was a fall in average waiting time for calls from 74 seconds in 2017/18 to 70 seconds in 2018/19.
<u>Number of households living in temporary accommodation</u> This indicator measures the numbers of households living in temporary accommodation provided under the homelessness legislation.	The target for this indicator was set to 250 households. The number of households in temporary accommodation reduced to 275 in 2018/19 from 313 in previous year.
<u>Income from Riverside Leisure Centre</u> This indicator measures income achieved by the Riverside Leisure Centre against set budget.	The budget for Riverside Ice & Leisure Centre was £2,478,100. The Centre achieved 94.34% of its income budget in 2018/19 against 106.12% in 2017/18.

Target	Supporting information
<u>Income from Hylands House and Visitor Centre</u> This indicator monitors income achieved from facility hire for events and rents against set budget.	The budget for Hylands House was £1,224,100. Hylands achieved 82.21% of its income budget in 2018/19 against 109.71% in 2017/18.

Financial Monitoring and Reporting

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

- The medium term financial strategy,
- Setting the Council Tax,
- Revenue estimates (including a report on the health of our finances),
- Revenue and capital monitoring,
- The outturn and the accounts, and
- Various auditors' reports on the accounts and other matters.

Revenue and Budget Process

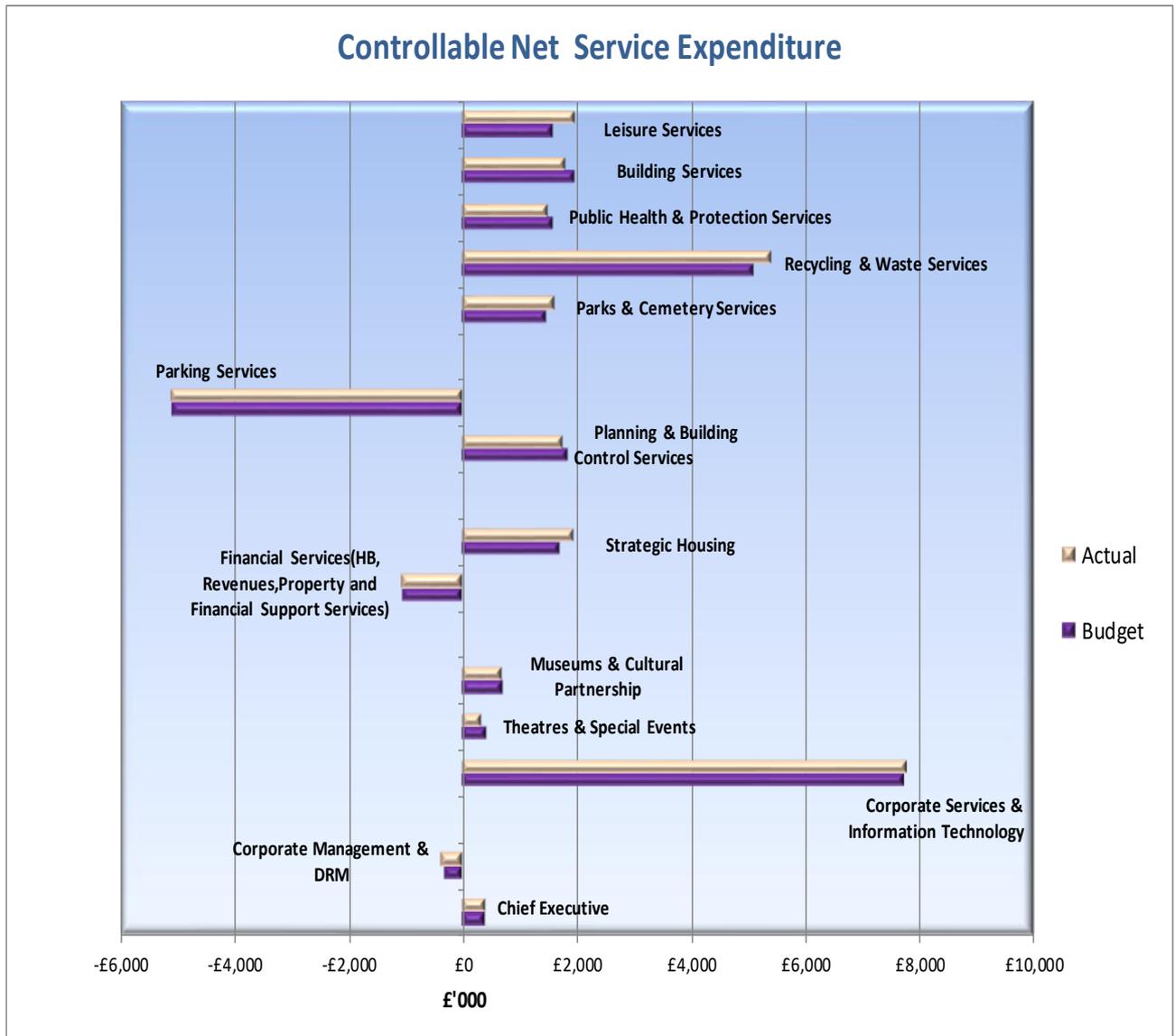
The Council has a rigorous revenue and capital monitoring process. Management Team and Cabinet Members are given a detailed monthly report and a quarterly report is presented to the Audit Committee.

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

Revenue Outturn position

The Service net revenue expenditure for 2018/19 was £556k overspent against our £17,914k budget. Within the overspend there were a number of underspends for example on building maintenance but shortfalls of income and increased demand for services have created an overall overspend. The 2018/19 expenditure will be reviewed in detail and where necessary reflected in future financial planning.

The following graph shows the service revenue outturn against our latest budget.



Following major developments within the city centre and subsequent increase in additional retail units, the Council has seen an increase in business rates income retained. The Council is a member of the Essex Business Rates pool which enables us to retain some of the levy that we would otherwise pay over to the Government. In 2018/19 the income retained including S31 grants was £2.1m above the Government baseline funding. The business rates income retained is however volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The Government intends to introduce a revised Business Rates scheme, that would potentially reset the baseline funding levels. After allowing for budgeted transfers to earmarked reserves, our general fund balance has reduced by £407k.

Following major capital developments, our earmarked reserves have reduced by £11,620k due to planned use of the Chelmsford Development reserve and the Future Replacement of Assets reserves, to fund the Riverside and Museum development projects.

Medium Term Financial Strategy (MTFS) for 2018/19 to 2022/23

The strategy is how we take a strategic approach to managing our finances, aligning them with the objectives as set out by the Corporate priorities within the Council's Corporate plan.

The Council has a long history of setting robust budgets, identifying savings and efficiencies. This has become a necessity given the historic reductions in Government funding, increases in responsibilities and the need to keep fees and charges at appropriate levels for public service provision. To this end the MTFS proposed that:

- The Government was lobbied to attempt to ensure the best possible outcome from any proposed changes to local government funding.
- Directors continue to review their services and budgets to release efficiencies and identify new income streams. These will be used to meet both corporate objectives and forecast budget shortfalls.
- The Council identify and bid for external funding which would be used to deliver corporate objectives.
- The Council works with partners at every opportunity to deliver efficiencies.
- Reserves are used to fund capital expenditure, one off loss of income and manage risk.
- Capital resources are used to achieve revenue budget savings by undertaking schemes that produce additional income or reduce running costs.
- Schemes within the Capital programme and replacement programme are reviewed and spend prioritised.
- Property assets continue to be reviewed, to release surplus assets, to achieve value for money and to examine options to acquire new assets that deliver additional financial and service benefits.

Workforce

We understand that the Council's employees play an important role in delivering our objectives and we have in place a robust People strategy which aims to ensure that we employ people with the right skills and support their development. In 2018/19 we continued to invest in our workforce by employing several graduate interns and apprentices within various departments of the Council.

The Council was awarded an Investor in People Gold (IiP) award, indicating the highest level of achievement in developing staff.

Our workforce consists of 45% females and 55% males.

5 - Statement of responsibilities for the Statement of accounts

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

Our responsibilities

We must:

- make arrangements for our financial affairs to be managed properly and for one of our officers to be responsible for managing those affairs (that officer is the Director of Financial Services)
- manage our affairs to use our resources economically, efficiently and effectively, and to protect our assets, and
- approve the Statement of accounts.

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

.....
Dan Clark
Chair of the Audit and Risk Committee

.....
Date

The Director of Financial Services' responsibilities

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

In preparing this Statement of accounts, the Director of Financial Services has:

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

The Director of Financial Services has also:

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

I certify that the accounts set out in the Statement of accounts present a true and fair view of our financial position at 31 March 2019 and the income and spending for the year ended 31 March 2019.

.....
Amanda Fahey
Director of Financial Services

.....
Date

6 - The main financial statements

Comprehensive income and expenditure statement

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

2017/18			Money spent on services direct to the public	Notes	2018/19		
Gross spending	Income	Net spending			Gross spending	Income	Net spending
£ 000	£ 000	£ 000			£ 000	£ 000	£ 000
230	-	230	Chief Executive	448	-	448	
-	(480)	(480)	Corporate Management & DRM	13	(410)	(397)	
			Corporate Services				
9,365	(181)	9,184	Corporate Services & Information	9,036	(179)	8,857	
2,343	(1,724)	619	Theatres & Special Events	2,396	(1,785)	611	
998	(150)	848	Museums & Cultural Partnerships	1,065	(122)	943	
			Financial Services				
			Financial Services incl Housing Benefits,				
5,500	(1,716)	3,784	Property and Financial Support Services	5,467	(1,664)	3,803	
5,253	(3,431)	1,822	Strategic Housing	5,987	(3,162)	2,825	
			Sustainable Communities				
5,847	(2,202)	3,645	Planning & Building Control Services	8,129	(2,111)	6,018	
3,021	(7,141)	(4,120)	Parking Services	4,146	(7,799)	(3,653)	
			Public Places				
4,902	(2,510)	2,392	Parks & Cemetery Services	5,695	(2,849)	2,846	
12,132	(5,686)	6,446	Recycling & Waste Services	13,420	(6,112)	7,308	
3,162	(673)	2,489	Public Health & Protection Services	3,584	(667)	2,917	
2,138	(39)	2,099	Building Services	2,392	(118)	2,274	
8,428	(6,680)	1,748	Leisure Services	13,542	(5,766)	7,776	
			Other Service Costs (including Housing				
45,842	(45,188)	654	Benefit subsidy)	44,266	(43,982)	284	
109,161	(77,801)	31,360	Spending on current services	119,586	(76,726)	42,860	
5,683	(18,261)	(12,578)	Other operating expenditure	6,318	(4,260)	2,058	
3,519	(5,937)	(2,418)	Financing and investment	5,516	(5,592)	(76)	
-	-	-	Spending on discontinued operations	-	-	-	
27,360	(60,284)	(32,924)	Taxation and general grants	27,250	(69,347)	(42,097)	
145,723	(162,283)	(16,560)	(Surplus) or deficit on Provision of Services	158,670	(155,925)	2,745	
			Items that will not be reclassified to the Total spending on services				
		2,219	(Surplus) or loss from our assets being revalued			4,122	
		(18,525)	Remeasurement of the assets of the pension fund	33		(16,239)	
			Items that may be reclassified to the Total spending on services				
		(335)	(Surplus) or loss from financial assets			(3)	
		(33,201)	Total income and expenditure	24		(9,375)	

Movement in reserves statement

This section is a summary of our movement on our reserves.

Movement in Reserves	General fund £ 000	Capital receipts reserve £ 000	Capital grants unapplied (note 38) £ 000	Total usable reserves £ 000	Unusable reserves (note 22) £ 000	Total reserves £ 000
Balance at 1 April 2017	22,737	12,663	19,175	54,575	109,368	163,943
Total comprehensive expenditure and income	16,560	-	-	16,560	16,641	33,201
Adjustments from council tax levied and accounting regulations (note 9)	(16,133)	2,995	6,727	(6,411)	6,411	-
Net increase or (decrease)	427	2,995	6,727	10,149	23,052	33,201
Balance at 31 March 2018	23,164	15,658	25,902	64,724	132,420	197,144

	General fund £ 000	Capital receipts reserve £ 000	Capital grants unapplied (note 38) £ 000	Total usable reserves £ 000	Unusable reserves (note 22) £ 000	Total reserves £ 000
Balance at 1 April 2018	23,164	15,658	25,902	64,724	132,420	197,144
Total comprehensive expenditure and income	(2,745)	-	-	(2,745)	12,120	9,375
Adjustments from council tax levied and accounting regulations (note 9)	(9,282)	(15,316)	1,912	(22,686)	22,686	-
Net increase or (decrease)	(12,027)	(15,316)	1,912	(25,431)	34,806	9,375
Balance at 31 March 2019	11,137	342	27,814	39,293	167,226	206,519

Balance sheet

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

31 March 2018	Balance Sheet		31 March 2019
£ 000		Notes	£ 000
	Long-term assets		
157,622	Property, plant and equipment	14	177,813
73,258	Investment property	14	79,324
420	Intangible assets		253
3,716	Heritage assets	15	3,901
14,625	Long-term investments	16	14,730
3,979	Long-term debtors		4,202
253,620			280,223
	Current assets		
292	Stocks		280
35,662	Short-term investments	16	10,611
19,311	Short-term debtors	18	25,333
-	Assets held for sale		-
25,545	Cash in hand and cash equivalents	19	23,665
80,810			59,889
	Current liabilities		
(22,002)	Short-term creditors	20	(27,114)
(3,809)	Provisions	21	(3,688)
(820)	Cash overdrawn	19	(1,119)
(26,631)			(31,921)
	Long-term liabilities		
-	Long-term borrowing	16	-
(1,936)	Long-term creditors		(1,530)
-	Donated assets account		-
(3,541)	Capital grants received in advance	30	(2,849)
(105,178)	Liability relating to our pensions	33	(97,293)
(110,655)			(101,672)
197,144	Net assets		206,519

31 March 2018	Reserves		31 March 2019
£ 000		Notes	£ 000
	Reserves		
64,724	Usable reserves (see Movement in Reserves Statement)		39,293
132,420	Unusable reserves	22	167,226
197,144	Total reserves		206,519

Cashflow statement

This section shows what cash we spend and receive.

2017/18 £ 000	Cash Flow	Notes	2018/19 £ 000
	Operating activities		
	Spending		
(31,038)	Cash paid to and for employees		(27,223)
(45,709)	Housing benefit paid out		(44,104)
(217)	NNDR payments to the national pool		(217)
(2,391)	Precepts		(2,461)
(1)	Payment to the housing capital receipts pool		(2)
(27,360)	Tariff & Levy/ Safety Net		(27,250)
(19)	Interest paid		(26)
(31,171)	Other costs		(34,499)
	Income		
9,233	Rents (after rebates)		8,234
14,340	Council tax		14,937
30,322	NDR we received		32,063
387	Revenue support grant		-
43,922	DWP grants for rebates		42,615
5,263	Other government grants		6,239
21,321	Cash we received for goods and services		23,663
707	Interest we received		820
7,229	Other revenue cash payments or income		4,672
(5,182)	Net cash inflow or (outflow) from operating	23	(2,539)
	Investing activities		
	Spending		
(13,128)	Buying non-current assets		(38,140)
(2,370)	Other capital cash payments		(4,875)
-	Other payments		-
	Income		
16,643	Selling non-current assets		1,046
10,037	Capital grants and contributions we received		17,117
	Grants applied to fund capital spending		
1,034	Other contributions		(240)
(3,008)	Change in our investments		25,055
9,208	Net cash inflow or (outflow) from capital		(37)
4,026	Net cash inflow or (outflow) before financing		(2,576)
	Management of liquid resources		
	Financing activities		
(2,491)	Other liquid resources		397
	Spending		
-	Repaying loans		-
	Income		
-	New loans		-
(2,491)	Cash flow from financing activities		397
1,535	Increase or (decrease) in cash		(2,179)
23,190	Cash balance at the beginning of the year		24,725
24,725	Cash balance at the end of the year		22,546

7 - Notes to the main financial statements

I Expenditure and Funding Analysis

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

2017/18			Expenditure and Funding Analysis	2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
206	24	230	Chief Executive	392	56	448
(480)	-	(480)	Corporate Management & DRM	(397)	-	(397)
			Corporate Services			
8,209	975	9,184	Corporate Services & Information Technology	7,776	1,081	8,857
378	241	619	Theatres & Special Events	310	301	611
665	183	848	Museums & Cultural Partnerships	684	259	943
			Financial Services			
(889)	4,673	3,784	Financial Services incl Housing Benefits, Property and Financial Support Services	(1,081)	4,884	3,803
1,588	234	1,822	Strategic Housing	1,923	902	2,825
			Sustainable Communities			
1,538	2,107	3,645	Planning & Building Control Services	1,735	4,283	6,018
(4,818)	698	(4,120)	Parking Services	(5,104)	1,451	(3,653)
			Public Places			
1,466	926	2,392	Parks & Cemetery Services	1,611	1,235	2,846
4,739	1,707	6,446	Recycling & Waste Services	5,394	1,914	7,308
1,472	1,017	2,489	Public Health & Protection Services	1,480	1,437	2,917
1,626	473	2,099	Building Services	1,785	489	2,274
441	1,307	1,748	Leisure Services	1,962	5,814	7,776
			Other Service Costs (including Housing Benefit subsidy)			
4,831	(4,177)	654		405	(121)	284
20,972	10,388	31,360	Spending on current services	18,875	23,985	42,860
			Other operating expenditure	2,461	(403)	2,058
2,391	(14,969)	(12,578)	Financing and investment	14,236	(14,312)	(76)
(77)	(2,341)	(2,418)	Spending on discontinued operations	-	-	-
-	-	-	Taxation and general grants	(23,545)	(18,552)	(42,097)
(23,713)	(9,211)	(32,924)				
(427)	(16,133)	(16,560)	Total spending on services	12,027	(9,282)	2,745

2017/18	Movement on General fund Balance	2018/19
£ 000		£ 000
22,737	Opening Balance	23,164
427	Surplus/(Deficit)	(12,027)
23,164	Closing Balance at 31 March	11,137

2 General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2018/19 and our position at the year-end, 31 March 2019. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

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

Changes to accounting policies and estimates

We only change accounting policies when the accounting standards require us to do so, or when we think a change in policy will improve the presentation of the accounts and the way we manage our finances. When we do change a policy, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared.

Please see note 3 for details of any accounting standards issued but not used in these accounts.

If we have made a material error in an amount we estimated in previous years, we will correct this by restating the previous year's amount.

Effects of changes in estimates

We have not changed the way we estimate amounts to be included in the accounts.

Employee benefits

Where an employee has not taken all their holidays or has accumulated hours at the end of the year, we charge the cost of this to the spending on services. To stop this being a charge to council tax, we reverse the entry out in the Accumulating compensated absences adjustment account.

Exceptional items

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation always assumes any assets is in its most profitable use. The authority measures some of its non-financial assets such as investment properties, surplus assets and some of its financial instruments such as pooled funds. The Council's assets and liabilities for its employee pension scheme are also measured at Fair value.

Going concern

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

As there is no evidence to the contrary, we have based the valuations and financial data on the assumption that the business will remain in existence for an indefinite period.

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

Joint projects

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

Overheads

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

Revenue and capital transactions

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

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

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

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

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

Revenue Expenditure Funded from Capital under Statute

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

Value added tax

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

3 Accounting standards issued but not yet adopted

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

The following new standards require additional disclosures:

- Amendment to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

We do not expect that these changes will have a material impact on our accounts.

Following a consultation, CIPFA have postponed the adoption of the IFRS 16 Leases standard until 2020/21.

4 Critical judgements in applying accounting policies

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

There is a lot of uncertainty about the future level of Government grant funding. The Government is reviewing the basis of allocating funding to Local authorities, with new funding distribution based on revised formula to be announced for 2020/21. The New Homes Bonus grant may reduce or be removed in the future.

It is unclear how Britain's decision to leave the European Union will impact on the Council's or Local Government finances generally. We believe that we will be able to produce a balanced budget despite this and that our asset values do not need to be impaired.

5 Uncertainty about the future and other assumptions

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

Item	Uncertainties	Effect if assumptions change
Property, plant and equipment	Assets are depreciated over their useful lives and that life depends on how we maintain the assets. In the current economic climate there is some uncertainty about whether we may be able to continue our current level of maintenance	The average life of our assets is 32 years and the depreciation charge for the year is £4.9m. If this life were reduced by a year, the depreciation charged would increase by £0.16m.
Pensions liability	The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.	See note 33 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2019 following successful appeals. Our share of this provision is £3.7m (see Note 21). In 2017 Valuation Office Agency (VOA) completed a revaluation exercise for the Business Rates and new appeals are now being lodged for the 2017 list. The estimate for the appeals lodged before the revaluation has been calculated

		<p>using the VOA ratings list of appeals, and historical data on successful appeals to date. The new check, challenge system of lodging and processing the appeals introduced for the 2017 list means that some lodged appeals will not be published by the VOA until they are validated. Due to lack of data available, we calculated our provision based on appeals lodged to date information and included properties where we think there is high risk of them lodging an appeal based on historical tendencies. It is possible that appeals will be settled at amounts which differ from the estimate made.</p>
Arrears	<p>We had a balance on sundry debtors of £25.0m at the year end. We have made an allowance for doubtful debts of £1.9m, based on various percentages of different ages of debts. In the current economic climate these assumptions may change.</p>	<p>If the economic conditions deteriorate, a doubling of the allowance for doubtful debts would require us to set aside another £1.9m.</p>
Fair Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not</p>	<p>The Council uses Level 1 and 2 observable inputs for valuing its Investment properties and financial instruments. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>

	<p>available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 16 below.</p>	
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6 Note to the Expenditure and Funding Analysis

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

2017/18						2018/19						
Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases	Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases
(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 4)	(Note 1)		(Note 2)	(Note 3)	(Note 4)	(Note 4)	(Note 4)	
£ 000	£ 000	£ 000	£ 000	£ 000	£ 000		£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
	24		24		24	Chief Executive		57		57	(1)	56
					-	Corporate Management & DRM				-		-
						Corporate Services				-		-
348	627		975		975	Corporate Services & Information Technology	297	790		1,087	(6)	1,081
120	121		241		241	Theatres & Special Events	130	171		301		301
111	72		183		183	Museums & Cultural Partnerships	153	106		259		259
						Financial Services				-		-
16	471		487	4,186	4,673	Financial Services incl Housing Benefits, Property and Financial Support Services	7	618		625	4,259	4,884
82	103		185	49	234	Strategic Housing	785	117		902		902
						Sustainable Communities				-		-
1,652	455		2,107		2,107	Planning & Building Control Services	3,663	623		4,286	(3)	4,283
370	289		659	39	698	Parking Services	1,093	362		1,455	(4)	1,451
						Public Places				-		-
650	385		1,035	(109)	926	Parks & Cemetery Services	907	519		1,426	(191)	1,235
945	829		1,774	(67)	1,707	Recycling & Waste Services	839	1,142		1,981	(67)	1,914
757	256		1,013	4	1,017	Public Health & Protection Services	1,071	342		1,413	24	1,437
253	114		367	106	473	Building Services	144	184		328	161	489
703	604		1,307		1,307	Leisure Services	4,998	825		5,823	(9)	5,814
(17)	(4,204)	44	(4,177)		(4,177)	Other Service Costs (including Housing Benefit subsidy)		(136)	15	(121)		(121)
5990	146	44	6,180	4,208	10,388	Spending on current services	14,087	5,720	15	19,822	4,163	23,985
(15,090)			(15,090)	121	(14,969)	Other operating expenditure	(645)			(645)	242	(403)
(1,160)	3,148		1,988	(4,329)	(2,341)	Financing and investment	(12,435)	2,634	(106)	(9,907)	(4,405)	(14,312)
(10,566)		1,355	(9,211)		(9,211)	Taxation and general grants	(17,976)		(576)	(18,552)		(18,552)
(20,826)	3,294	1,399	(16,133)	-	(16,133)	Total spending on services	(16,969)	8,354	(667)	(9,282)	-	(9,282)

1. Adjustments for Capital Purposes

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

Other operating expenditure – Capital disposals transferring income on the disposal of the assets and the amounts written off for the assets.

Financing and investment income and expenditure – The statutory charges for capital financing including minimum revenue provision.

Taxation and Non-specific grant income and expenditure – Capital grants received during the financial year without any conditions or where conditions were met during the financial year.

2. Net Change for the Pension Adjustments

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

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

3. Other Statutory Adjustments

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

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

4. Other Non-Statutory Adjustments

This represents a removal of transactions between segments of the income and expenditure account and removal of Trading accounts income and expenditure and Investment properties income so that they are shown in the Other operating expenditure and Financing and investment line of the Comprehensive Income and Expenditure account.

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

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

- Housing benefit payments (£44.1m)
- Government grant in respect of housing benefit paid to the Council (£42.6m)
- Income from sales, fees and charges and rents (£31.9m)
- Employee costs (£27.2m)

8 Events after the Balance sheet date

If anything happens after the end of the year and before we issue the Statement of accounts, we will either amend the accounts if it affects anything we reported on in the year or add a note to say how it will affect future years. We did not have any such items in this year.

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

Accounting Policy

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

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

<i>Capital adjustment account</i>	<i>Includes amounts we have set aside to pay for fixed assets. It also includes capital receipts we have set aside to repay loans and other capital financing transactions, and revaluation gains before 1 April 2007. This is an unusable reserve.</i>
<i>Capital receipts reserve</i>	<i>Represents the money we have received, but not yet spent, from selling assets. This is a usable reserve.</i>
<i>Earmarked reserves</i>	<i>These are explained in note 10 to the main financial statements. These are usable reserves.</i>
<i>Pension reserve</i>	<i>Represents the shortfall on assets needed to cover our future pension costs. This is an unusable reserve.</i>
<i>Revaluation reserve</i>	<i>Shows changes in the value of our fixed assets caused by revaluing them. It only has revaluation gains recognised after 1 April 2007. Any gains before that date are shown in the Capital adjustment account. This is an unusable reserve.</i>

Movements in 2017/18	General fund £ 000	Capital receipts £ 000	Capital grants unapplied £ 000	Total usable reserves £ 000	Unusable reserves £ 000	Total reserves £ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)						
Depreciation and impairment of non-current assets	(3,701)			(3,701)	3,701	-
Revaluation losses on property, plant and equipment	339			339	(339)	-
Change in the market value of investment properties (+gain/-loss)	549			549	(549)	-
Amortisation of intangible assets	(258)			(258)	258	-
Capital grants and contributions applied to capital financing	1,243			1,243	(1,243)	-
Movement in the donated assets account						-
Revenue expenditure funded from capital under statute	(2,370)			(2,370)	2,370	-
Gain or loss on the disposal of non-current assets	13,841	(15,393)		(1,552)	1,552	-
Statutory Account for Unrealised Gain & Losses on Investments						-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment	176			176	(176)	-
Capital expenditure charged to the general fund	435			435	(435)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	1,250	(1,234)		16	(16)	-
Use of capital receipts to fund new capital spending		13,633		13,633	(13,633)	-
Capital receipts used to fund sale costs						-
Transfers to the housing capital receipts pool	(1)	1				-
Transfers from deferred capital receipts on receipt of cash		(2)		(2)	2	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	3,484		(3,484)			-
CIL grant	5,839		(5,839)			-
Grants applied to capital financing			2,596	2,596	(2,596)	-
Adjustments involving the deferred capital receipts reserve						
Deferred asset sale proceeds credited to the CI&ES						-
Adjustments involving the financial instruments adjustment account						
Difference between financing costs charged under statutory and accounting requirements						-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(11,123)			(11,123)	11,123	-
Employer's pension contributions paid in the year	7,829			7,829	(7,829)	-
Actuarial gains or losses	-			-	-	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	(120)			(120)	120	-
Adjustment for Non-domestic rates collection fund income	(1,235)			(1,235)	1,235	-
Adjustments involving the unequal back-pay adjustment account						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES						-
Adjustments involving the accumulating compensated absences adjustment						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(44)			(44)	44	-
Total adjustments	16,133	(2,995)	(6,727)	6,411	(6,411)	-

Movements in 2018/19	General fund £ 000	Capital receipts £ 000	Capital grants unapplied £ 000	Total usable reserves £ 000	Unusable reserves £ 000	Total reserves £ 000
Reversal of items included in the Comprehensive income and expenditure account (CI&ES)						
Depreciation and impairment of non-current assets	(6,801)			(6,801)	6,801	-
Revaluation losses on property, plant and equipment	(2,200)			(2,200)	2,200	-
Change in the market value of investment properties (+gain/-loss)	(2,591)			(2,591)	2,591	-
Amortisation of intangible assets	(211)			(211)	211	-
Capital grants and contributions applied to capital financing	1,742			1,742	(1,742)	-
Movement in the donated assets account						-
Revenue expenditure funded from capital under statute	(4,875)			(4,875)	4,875	-
Gain or loss on the disposal of non-current assets	(399)			(815)	815	-
Unrealised Gain on Investments	106			106	(106)	-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment						-
Capital expenditure charged to the general fund	15,026			15,026	(15,026)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	1,046	(1,074)		(28)	28	-
Use of capital receipts to fund new capital spending		16,806		16,806	(16,806)	-
Capital receipts used to fund sale costs						-
Transfers to the housing capital receipts pool	(2)	2				-
Transfers from deferred capital receipts on receipt of cash		(2)		(2)	2	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	6,896		(6,896)			-
CIL grant	9,338		(9,338)			-
Grants applied to capital financing			14,322	14,322	(14,322)	-
Adjustments involving the deferred capital receipts reserve						
Deferred asset sale proceeds credited to the CI&ES						-
Adjustments involving the financial instruments adjustment account						
Difference between financing costs charged under statutory and accounting requirements						-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(12,234)			(12,234)	12,234	-
Employer's pension contributions paid in the year	3,880			3,880	(3,880)	-
Actuarial gains or losses						-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	(98)			(98)	98	-
Adjustment for Non-domestic rates collection fund income	674			674	(674)	-
Adjustments involving the unequal back-pay adjustment account						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES						-
Adjustments involving the accumulating compensated absences adjustment						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(15)			(15)	15	-
Total adjustments	9,282	15,316	(1,912)	22,686	(22,686)	-

10 A detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Insurance reserve	Future replacement of assets	Digital Strategy	Contingency	Chelmsford Development	NNDR reserve	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2017	3,474	877	3,873	-	2,386	6,577	-	673	17,860
Transfers in	1,369	292	1,738	652	1,129	2,498	37	591	8,306
Transfers out	(4,705)	(228)	(2,617)	-	(175)	(297)	-	(229)	(8,251)
Balance at 31 March 2018	138	941	2,994	652	3,340	8,778	37	1,035	17,915
Transfers in	1,399	202	1,744	-	327	2,979	-	40	6,691
Transfers out	(374)	(334)	(4,738)	(576)	(175)	(11,757)	-	(357)	(18,311)
Balance at 31 March 2019	1,163	809	-	76	3,492	-	37	718	6,295

a Pensions

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

b Insurance reserve

We use this reserve to cover the cost of policy excesses mainly related to fire and liability policies and self-insurance.

c Future replacement of assets

This reserve was set up to finance the replacement of our long-term assets.

d Digital Strategy

A Reserve has been established to support the Digital Strategy, which aims to improve the efficiency and ease by which the public can interact with the Council

e Contingency reserve

To meet any unexpected costs including shortfalls on interest income and Business Rate Retention.

f Chelmsford Development Fund

A fund to meet the cost of future investments in the area.

g NNDR reserve

To manage timing differences from payments and income from Business Rate Retention scheme.

11 Other operating expenditure

2017/18			Other operating expenditure	2018/19		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
2,391	-	2,391	Parish council precepts	2,461	-	2,461
3,291	(3,170)	121	(Gains) or losses on trading operations (note 25)	3,456	(3,214)	242
-	(13,841)	(13,841)	(Gain) or losses on disposal of non-current assets	399	-	399
-	(1,250)	(1,250)	(Gain) or losses on disposal of unattached assets	-	(1,046)	(1,046)
1	-	1	Payments to the Housing capital receipts pool	2	-	2
5,683	(18,261)	(12,578)		6,318	(4,260)	2,058

12 Financing and investments

2017/18			Financing and investments	Notes	2018/19		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
-	(707)	(707)	Interest and investment income	16	-	(820)	(820)
19	-	19	Interest we have to pay	16	26	-	26
-	-	-	Other investment income or loss		1	(103)	(102)
3,148	-	3,148	Pension interest and remeasurement of the liabilities of the pension fund	33	2,634	-	2,634
-	(549)	(549)	Revaluation of investment properties		2,591	-	2,591
352	(4,681)	(4,329)	Investment properties	25	264	(4,669)	(4,405)
3,519	(5,937)	(2,418)			5,516	(5,592)	(76)

13 Taxation and non-specific grants

2017/18			Taxation & general grants	2018/19		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(387)	(387)	Revenue support grant	-	-	-
-	(30,608)	(30,608)	National non-domestic rates	-	(31,305)	(31,305)
27,360	(1,702)	25,658	Government tariff, s31 grant, levy and safety net on non-domestic rates	26,461	(1,956)	24,505
-	(14,289)	(14,289)	Demand on the collection fund	-	(14,886)	(14,886)
-	(13,298)	(13,298)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	789	(21,200)	(20,411)
27,360	(60,284)	(32,924)		27,250	(69,347)	(42,097)

14 Movements on our assets

Independent external valuers are used to revalue our properties and we will review a proportion of our assets every year. The majority of valuations for 2018/19 were undertaken by Wilkes Head and Eve on 30th November 2018.

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

Our Property Services Manager (Mr. J Reidy FRICS) reviews our property assets every year. We only change these valuations if we think there is a big change in the asset's value.

At the 31st March it was identified that a number of assets valued in previous years using the Depreciated Replacement Cost method were likely to have increased in value. Rather than undertaking a full new revaluation, the previous valuation has been increased using a building cost index.

Accounting policies

Assets held for sale

Any asset the Council thinks it can sell in its existing condition, is actively trying to sell, and will sell should be classified as 'held for sale'. We will record it as a surplus asset if that sale is likely to take longer than 12 months and it is no longer being used to deliver services, otherwise we will record it as a current asset – asset held for sale.

We revalue assets that we transferred into 'held for sale' before reclassifying them, based on their current use. If this amount is lower than the sale proceeds we expect, we revalue the asset again to a lower sale price. We charge this cost to Other Operating Expenditure in the Surplus or Deficit on the Provision of Services. It is reversed out before affecting council tax.

We do not charge depreciation on assets held for sale.

Once an asset is sold, we charge any gain or loss over the amount the Council has recorded in its accounts to the Surplus or Deficit on the Provision of Services. It is reversed out before affecting council tax.

Charges to revenue for assets

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

Intangible assets

An intangible asset is created when we make a payment for something that we expect to benefit from for more than one year, but no physical asset is created (for example, computer software licences).

The asset is recorded at cost in the Council's accounts and is amortised (depreciated) annually based on its estimated life. The assets are reviewed for impairment annually and if found to be less productive, we charge losses to the service using it. The cost is reversed out before affecting council tax.

The useful lives of our intangible assets are finite; we normally expect to use them up over 3-10 years, depending on the type of software. Our main IT systems are expected to last up to 10 years from new. Other systems, such as website software, have shorter lives.

We charge the intangible asset amortisation to Digital Services, and then recharge them across all service headings, so we do not show this charge in one place in the accounts.

All our intangible assets have been bought and we only capitalise internal costs associated with the implementation of computer systems we have purchased. We have not made any intangible assets. There have been no impairments or revaluations.

Investment properties

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

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

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

Property, plant and equipment

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

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

Different types of asset are valued as follows:

- *Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.*
- *Community assets such as parks are valued at cost, unless the external valuers identify a more appropriate value.*
- *Other assets such as land and buildings are valued at price that would be paid for the asset in its existing use. Where there is no market-based evidence because the asset is so specialist they valued at depreciated replacement cost.*
- *Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell.*
- *Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

Around one third of our assets are revalued every year until the end of three years when we will have revalued all our land and buildings. However, if there is evidence of a big change in an asset's value in any year, we will revalue that asset immediately.

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

We charge decreases in valuations as follows:

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

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

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

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

We reduce the value of most of our assets steadily throughout their useful lives from the time they are ready for use (depreciation). The exceptions to this are community assets, freehold investment properties and other assets held for sale (but only from the date we have decided to sell them).

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

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

- | | |
|--------------------------------|--------------------|
| <i>•Buildings</i> | <i>10-55 years</i> |
| <i>•Vehicles and equipment</i> | <i>3-25 years</i> |
| <i>•Intangible assets</i> | <i>2-10 years</i> |

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

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

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

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2017 (after depreciation)	137,112	7,682	-	4,845	1,766	1,422	152,827
Total book value on 1 April 2017	137,722	16,703	-	4,845	1,766	1,423	162,459
Assets we have transferred	601	58			(888)	2	(227)
Assets we have bought or improved	319	700		20	10,508		11,547
Assets that were donated							-
Adjustment to accruals for assets we bought	6						6
Assets we have sold	(792)	(217)					(1,009)
Assets no longer required		(1,920)					(1,920)
Assets we have impaired							-
Assets revalued	425						425
Total book value on 31 March 2018	138,281	15,324	-	4,865	11,386	1,425	171,281
Depreciation and impairment on 1 April 2017	610	9,021	-	-	-	1	9,632
Assets we have transferred	(7)	5					(2)
Revaluation adjustment	9						9
Amounts written out on assets we have sold	(7)	(2,104)					(2,111)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve	3,725						3,725
Depreciation written out	(1,295)						(1,295)
Depreciation for the year	2,025	1,671				5	3,701
Depreciation on 31 March 2018	5,060	8,593	-	-	-	6	13,659
Net book value on 31 March 2018 (after depreciation)	133,221	6,731	-	4,865	11,386	1,419	157,622

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2018 (after depreciation)	133,221	6,731	-	4,865	11,386	1,419	157,622
Total book value on 1 April 2018	138,281	15,324	-	4,865	11,386	1,425	171,281
Assets we have transferred	2,985	5		18	(6,506)	3,538	40
Assets we have bought or improved	1,136	2,676		15	29,439	593	33,859
Assets that were donated							
Adjustment to accruals for assets we bought							
Assets we have sold or disposed of	(589)	(26)					(615)
Assets no longer required		(757)					(757)
Assets we have impaired							-
Assets revalued	(6,793)			12		15	(6,766)
Total book value on 31 March 2019	135,020	17,222	-	4,910	34,319	5,571	197,042
Depreciation on 1 April 2018	5,060	8,593	-	-	-	6	13,659
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(204)	(739)					(943)
Impairments recognised in the cost of provision of services	1,880						1,880
Impairments recognised in the revaluation reserve	5,745						5,745
Impairments written out	(3,539)						(3,539)
Depreciation written out	(2,491)					(3)	(2,494)
Depreciation for the year	3,344	1,573				4	4,921
Depreciation on 31 March 2019	9,795	9,427	-	-	-	7	19,229
Net book value on 31 March 2019 (after depreciation)	125,225	7,795	-	4,910	34,319	5,564	177,813

FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Historic cost	14,241	17,222		4,460	34,319	4,131	74,373
Carrying fair value at:							
31 March 2019 (valuation date 30/11/2018 & 31/03/2019)	92,047			436		81	92,564
31 March 2018 (valuation date 31/12/2017 & 31/03/2018)	6,326						6,326
31 March 2017 (valuation date 31/12/2016)	22,139			13		1,359	23,511
31 March 2016 (valuation date 31/12/2015)	9						9
31 March 2015 (valuation date 31/03/2015)	258			1			259
Total	135,020	17,222	-	4,910	34,319	5,571	197,042

The Council has impaired the Riverside swimming pool in 2018/19 as a result of the redevelopment of Riverside Ice and Leisure centre.

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2017/18			2018/19		
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	40	69,250	69,290	40	73,218	73,258
Additions						
Properties we bought		3,928	3,928		8,763	8,763
Properties we built						
Properties we improved					316	316
Disposals		(734)	(734)		(382)	(382)
Net gain or (loss) from fair value adjustments		549	549		(2,591)	(2,591)
Transfers (to) or from						
Stocks						
Property, plant and equipment		225	225	(40)		(40)
Other changes						
Balance on 31 March	40	73,218	73,258	-	79,324	79,324

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

Recurring fair value measurements using:	Quoted prices in active market for identical assets (Level 1) £ 000	Other significant observable inputs (Level 2) £ 000	Significant unobservable inputs (Level 3) £ 000	Fair value as at 31 March 2019 £ 000
Commercial Site		19,123		19,123
Development site		8,071		8,071
Pending Sale				
Residential (market rental) properties		243		243
Retail Sites		51,887		51,887
Balance on 31 March	-	79,324	-	79,324

Funding our capital expenditure

We do not need to borrow to fund our capital spending, and we own all the assets in the Balance sheet.

We incurred the following amounts of capital expenditure in the year. We have shown these, together with a statement of the resources used to finance the expenditure below. A balance on the capital financing requirement means we have borrowed funds internally or externally to finance our capital expenditure. The table shows a zero balance so the council is debt free.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2017/18	2018/19
	£ 000	£ 000
Opening capital finance requirement at 1 April	177	-
Expenditure on		
Property plant and equipment	11,547	33,859
Investment properties	3,926	9,079
Heritage assets	-	29
Intangible assets	24	49
Revenue expenditure funded from capital under statute and Renovation Loans	2,409	4,879
Less sources of finance		
Capital receipts	(13,633)	(16,805)
Government grants and other contributions	(3,839)	(16,064)
Revenue funding	(435)	(15,026)
Minimum revenue provision	(176)	
Capital financing requirement at 31 March	-	-

15 Heritage assets

Accounting Policies

Heritage assets

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

The Council reviews its Heritage assets every year as part of its insurance valuation process. Details on the methods used are shown below.

The Council records its heritage assets under the following headings:

1. Archaeology and Numismatics
2. Pottery, drinking glasses and pewter
3. Works of art
4. Natural History taxidermy, botanical and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office
8. Small-value items

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

The Council adds to its collection regularly. However, these are not expensive or numerous purchases of heritage assets. We occasionally receive donated items, usually for Hylands House, and these will be recorded at valuation on their acceptance by the Council. Hylands House is not a heritage asset as it is used as a venue for weddings and corporate meetings, for which the Council charges fees.

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

The collections of the Essex Regiment Museum are owned by separate Trustees, under a 25-year management agreement with the Council signed in March 1999. It stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections. However, we do not include regimental collections in our Balance sheet valuations.

Heritage intangible assets

These are like heritage assets but there is no physical substance. An example would be a recording of an historical event. We do not have any heritage intangible assets of significant financial value.

Heritage Valuers

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

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

Heritage assets by category

Heritage Assets	Archaeology and Numismatics	Natural History taxidermy, botanical and geological specimens	Pottery, drinking glasses and pewter	Social, agricultural & industrial history, including costume	Statues	Mayor's Office	Works of Art	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
1st April 2017	212	219	465	1,054	467	139	1,034	3,590
Additions								-
Disposals								-
Revaluations	8	8	16	37	16	5	36	126
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2018	220	227	481	1,091	483	144	1,070	3,716
Additions				29				29
Disposals								-
Revaluations	9	8	17	63	17	5	37	156
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2019	229	235	498	1,183	500	149	1,107	3,901

Commentary on movements

The movement on heritage assets reflects the fact that the Toastrack Carriage held at the Museum was refurbished and added in to Heritage Assets in 2018/19. The revaluations reflect the obtaining of new valuations for the Coade stone font and indexing all assets in line with insurance estimates.

Overview of our collection

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

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

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

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

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

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

16 Categories of financial assets and liabilities

Accounting policy

We record our investments and borrowings in the following ways:

- Most of our investments are deposits with banks, building societies or other UK local authorities. These assets generate payments solely of principal and interest. We must show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due at the balance sheet date is shown in the Comprehensive income and expenditure statement. These types of investment are measured at amortised cost in accordance with IFRS9.
- We also invest some money in Pooled Investment Funds. Payments from these funds are not solely principal and interest as they are equity instruments with the Council earning dividends and redeeming shares at current market rates. The Council accounts for these as Fair Value through Profit and Loss (FVPL) in accordance with IFRS9.
- The income from the “FVPL” investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.
- If the value of an FVPL asset changes from the price that it was originally invested at then the balance sheet shows the investment at its valuation at the balance sheet date. The difference between these values, being an unrealised gain or loss is charged to revenue and reversed out to the Pooled Funds Adjustment Account before it has impact on Council Tax. The cumulative gain or loss held in the Pooled Funds Adjustment Account is charged to Comprehensive Income and Expenditure Statement when the investment is sold.
- All our borrowing is shown on the balance sheet, including any interest owed by the Council. Interest payable for the accounting period is charged to the Comprehensive income and expenditure statement.
- If we make loans at below-market rates of interest, or with no interest at all, we show the outstanding balance on the loan as less than the amount that will actually be repaid. This reduction is the loss we are effectively making, as we are charging an interest rate on the loan that is less than the current open-market interest rate. We charge the loss in the loan’s value to the Comprehensive income and expenditure statement, but we then take it out again and charge it to the Financial instruments adjustment account, so that there is no charge to council tax payers.

Impairment provisions for financial assets

Investments

We calculate a provision for 12 month expected credit losses on all our financial assets held at amortised cost, excluding investments in the UK Government and other local authorities. The provision is calculated based on historic average losses by credit rating, the security of any collateral and a market adjustment for current conditions. This provision was calculated at £1,793 for 2018/19 so has not been presented in the accounts as it is not material.

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

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

Trade receivables, lease receivables and contract assets

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

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

2017/18			SHORT-TERM	2018/19		
Investments	Cash & cash equivalents	Receivables & payables		Investments	Cash & cash equivalents	Receivables & payables
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			Financial assets			
	18,619		Fair value through profit or loss		15,136	
35,662	6,926	14,314	Amortised cost	10,611	8,529	17,368
			Fair value through other comprehensive income - designated equity instruments			
			Fair value through other comprehensive income - other			
35,662	25,545	14,314	Total financial assets	10,611	23,665	17,368
			Non-financial assets			
35,662	25,545	14,314	Total assets	10,611	23,665	17,368
			Financial liabilities			
	(820)	(6,202)	Fair value through profit or loss			
			Amortised cost		(1,119)	(10,036)
-	(820)	(6,202)	Total financial liabilities	-	(1,119)	(10,036)
			Non-financial liabilities			
-	(820)	(6,202)	Total liabilities	-	(1,119)	(10,036)

2017/18		LONG-TERM	2018/19	
Investments	Receivables & payables		Investments	Receivables & payables
£ 000	£ 000		£ 000	£ 000
		Financial assets		
6,620		Fair value through profit or loss	6,722	
8,005	3,979	Amortised cost	8,008	4,202
		Fair value through other comprehensive income -		
		Fair value through other comprehensive income - other		
14,625	3,979	Total financial assets	14,730	4,202
		Non-financial assets		
14,625	3,979	Total assets	14,730	4,202
		Financial liabilities		
	(1,936)	Fair value through profit or loss		
		Amortised cost		(1,530)
-	(1,936)	Total financial liabilities	-	(1,530)
		Non-financial liabilities		
-	(1,936)	Total liabilities	-	(1,530)

The table below sets out income, expenses, gains and losses in the year

2017/18		INCOME, EXPENSE, GAINS AND LOSSES	2018/19	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£ 000	£ 000		£ 000	£ 000
		Net gains/Losses on:		
	(335)	Financial assets measured at fair value through profit or loss	(102)	
		Financial assets measured at amortised cost		(3)
		Investment in equity instruments designated at fair value through other comprehensive income		
		Financial assets measured at fair value through other comprehensive income		
		Financial liabilities measured at fair value through profit or loss		
		Financial liabilities measured at amortised cost		
-	(335)	Total Net gain/losses	(102)	(3)
		Interest & Investment revenue:		
(318)		Interest income from financial assets measured at amortised cost	(411)	
		Other financial assets measured at fair value through other comprehensive income		
(389)		Dividend income from assets measured at fair value through profit and loss	(409)	
(707)	-	Total interest & investment revenue	(820)	-
19		Interest expense	26	
		Fee income		
		Financial assets or financial liabilities that are not at fair value through profit or loss		
		Trust and other fiduciary activities		
-	-	Total fee income	-	-
		Fee expense		
		Financial assets or financial liabilities that are not at fair value through profit or loss		
		Trust and other fiduciary activities		
-	-	Total fee expense	-	-

The changes in the loss allowance for investments and trade receivables is set out in the table below. There have been no impairments or significant increases in risk for financial assets during the year.

	Investments				Debtors	Total
	12-month expected credit losses	Lifetime expected credit losses – not credit impaired	Lifetime expected credit losses – credit impaired	Purchased or originated credit impaired financial	Lifetime expected credit losses – simplified	
Opening balance as at 1 April 2017	-	-	-	-	385	385
Transfers:						
Individual financial assets transferred to 12-month expected credit losses						-
Individual financial assets transferred to lifetime expected credit losses						-
Individual financial assets transferred to lifetime expected credit losses credit impaired						-
New financial assets originated or purchased						-
Amounts written off					(354)	(354)
Financial assets that have been derecognised						-
Changes in model/risk parameters						-
Adjustment to loss allowance					517	517
As at 31 March 2018	-	-	-	-	548	548
Opening balance as at 1 April 2018	-	-	-	-	548	548
Transfers:						
Individual financial assets transferred to 12-month expected credit losses						-
Individual financial assets transferred to lifetime expected credit losses						-
Individual financial assets transferred to lifetime expected credit losses credit impaired						-
New financial assets originated or purchased						-
Amounts written off					(311)	(311)
Financial assets that have been derecognised						-
Changes in model/risk parameters						-
Adjustment to loss allowance					419	419
As at 31 March 2019	-	-	-	-	656	656

Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2019 for new investments that would end at the same time. The difference in value is because different market interest rates than would be available at the year-end date.

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

Fair Value	31 March 2018		31 March 2019	
	Reporting Value £ 000	Fair value £ 000	Reporting Value £ 000	Fair value £ 000
Financial assets				
Investments and cash	75,569	75,414	48,968	48,969
Cash	59	59	37	37
Leasing debtor				
Long-term receivables	3,977	3,977	4,202	4,202
Financial liabilities				
Cash	(820)	(820)	(1,119)	(1,119)
Borrowing				

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

We disposed of the investment in the Royal London Fund during the financial year.

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique to measure fair value	31st March 2018	31st March 2019
Local Authority Property Fund	Level I	Unit Prices	6,620	6,723
Royal London Fund	Level I	Unit Prices	4,997	
Total			11,617	6,723

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

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

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

Credit risk: Treasury Investments

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

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

We present reports to Council meetings at the beginning of every year and half way through it to agree who we can lend money to. The type of investment we choose can help to reduce the risk of failure. The table below gives the types and the maximum amounts that can be invested, as set out in the Council's Treasury Management Strategy (limits approved at February 2019 Full Council meeting).

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

2017/18		Credit Rating	2018/19	
Short term £000's	Long term £000's		Short term £000's	Long term £000's
2	3,005	AAA		3,011
		AA+		
		AA		
6,004		AA-	3,004	
		A+		
3,024		A	1	
		A-	486	
816		BBB+		
32,601	5,000	Unrated local authorities	15,552	5,055
		Unrated Building Societies		
		Unrated Housing Associations		
18,702	6,620	Credit Risk not applicable	15,136	6,723
61,148	14,625	Total	34,179	14,789

The table below details the counterparties approved in the Council's Treasury Management Strategy for 2018/19:

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
NatWest /Royal Bank of Scotland.	BBB	£3m	Instant Access
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years
UK Banks	A-	£3m each group	364 days
Building Societies	A-	£3m	364 days
Money Market Funds (per fund)	AAA	£6m each fund	Instant access
Non-UK Banks	AA-	£3m each	364 days
Non-UK Banks	A-	£3m each	100 days
Registered Social Landlord Loans (these deposits would be guaranteed on RSL assets or similar)	A-	£3m each	364 days
Covered Bonds (per bond)	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	364 days
Supranational Bonds (per institution)	AAA	£6m	3 years
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m	
Mixed asset or bond funds or a second property fund	AA-	New addition to strategy - any new investment activity will be authorised by Cabinet	

The Council calculates expected credit losses with reference to historic default data, credit ratings and any collateral protecting an investment. 12 month expected credit losses are not material for the Council's investment portfolio. Losses will be allowed for against an investment that suffers a significant increase in credit risk, but none have been experienced in the year ending 31/03/2019.

Credit risk: trade receivables

Debtors are our customers for services which are not included in Council Tax and non-domestic rates payments. In the past, some customers have failed to pay us money they owe us, so credit risk applies to them. The level of past default is based on our provision for bad debts from our customers over the last three years. We have adjusted this to reflect the number of customers we think are unlikely to pay their debt. The nature of these debts varies, and this determines how we control and collect them. The debts are monitored so that at set trigger points, such as the age of the debt, or size of debt, we take specific action. Sometimes we have to accept that it would cost more to recover money than to lose it. However, because we are a public service we sometimes have to provide services even if the risk of the customer being unable to pay is higher than private companies would accept.

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

2017/18 £ 000	Age of debt	2018/19 £ 000
9,972	Less than three months	12,039
783	Three to six months	712
709	Six months to a year	1,268
2,850	More than a year	3,349
14,314		17,368

We monitor repayment of all debts rigorously.

Liquidity risk

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

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

2017/18 £ 000	Financial assets returned to the Council	2018/19 £ 000
41,110	Less than three months, including cash	34,238
10,029	Three to six months	-
10,009	Six months to a year	-
14,625	More than a year	14,730
75,773		48,968

Market risk: interest rates

This is the possibility that the value and amount of income we receive from our investments will fall because of changes in interest rates or market prices. The Council plans its investment to invest more at fixed rates when interest rates are falling and more at variable rates when interest rates are rising.

As a significant proportion of our investments are in bank and local authority deposits, their value does not change in our accounts. We must note in our accounts the effect, if there had been one, of a 1% change in interest rates on our variable investments in 2018/19. The effect of a 1% increase in interest rates would have resulted in an extra income of £314,000 (or £157,000 just on variable rate investments). If interest rates had fallen by 1%, the loss of interest would have been the same amount.

The table below sets out the impact on our accounts of a 1% rise in interest rates; covering both the interest gain and the impact on the value of our pooled funds.

2017/18 £ 000	Impact of 1% change in interest rates	2018/19 £ 000
217	Increase in interest receivable on variable rate investments	157
(47)	Decrease in fair value of investments held at fair value through profit and loss	(20)
170	Impact on comprehensive income and expenditure	138
(200)	Decrease in the fair value of investments held at amortised cost	(80)
(200)	Impact on other comprehensive income and expenditure	(80)

Market risk: price risk

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

However, the Council's CCLA property fund investment is subject to price changes arising from a change in the value of commercial property, although any losses would be unrealised unless the Council elected to sell the asset.

A 5% fall in commercial property prices at 31st March 2019 would result in a £336k (2018: £318k) charge to the Comprehensive income and expenditure statement, which would be reversed out unless the asset was sold.

The original CCLA investment of £5m means that an unrealised gain is currently held of £1.7m which helps protect capital values against future losses.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The changes the way we classify and measure our financial assets. The transitional provisions in IFRS 9 do not require us to restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are shown below:

	IAS 39 31/03/2018	Reclassification	Remeasurement	Impairment	IFRS 9 01/04/2018
Financial Assets					
Loans & Receivables /					
Amortised Cost	40,662	3,005	2		43,670
Available for sale / Fair Value through other comprehensive income	9,625	(9,625)	(2)		(2)
Fair Value through profit and loss		6,620			6,620
Total Investments	50,287	-	-	-	50,287
Cash and cash equivalents					-
Loans & Receivables /					
Amortised Cost	6,926				6,926
Available for sale / Fair Value through other comprehensive income	18,620	(18,620)			
Fair Value through profit and loss		18,620			18,620
Total Cash and cash equivalents	25,545	-	-	-	25,545
Debtors					-
Loans & Receivables /					
Amortised Cost	18,293				18,293
Available for sale / Fair Value through other comprehensive income					-
Fair Value through profit and loss					-
Total Debtors	18,293	-	-	-	18,293
Total Financial Assets	94,126	-	-	-	94,126
Financial Liabilities					
Cash overdrawn - amortised cost	(820)				(820)
Borrowing - amortised cost	-				-
Creditors - amortised cost	(8,138)				(8,138)
Total Financial Liabilities	(8,958)	-	-	-	(8,958)
Net Financial Assets	85,168	-	-	-	85,168

17 Major commitments under capital contracts

We were legally committed to the following scheme on the 31st March 2019;

Riverside Sports Centre Redevelopment £8.2m

18 Debtors

Accounting Policy

We reduce debtors for known uncollectable debts first, and then make a further reduction for other debts that we may not be able to collect.

2017/18		2018/19
£ 000	Debtors	£ 000
865	Government departments and NHS ***	1,573
4,004	Other local authorities ***	6,228
16,343	Other organisations and individuals	19,456
(1,901)	Debts we may not be able to collect	(1,924)
19,311		25,333

*** Balances with related parties

19 Cash and cash equivalents

Accounting Policy

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

2017/18		2018/19
£ 000	Cash & cash equivalents	£ 000
59	Cash held by officers	37
(820)	Bank current accounts	(1,119)
25,486	Cash equivalents (short-term deposits)	23,628
24,725		22,546

20 Creditors

2017/18		2018/19
£ 000	Creditors	£ 000
7,925	Government departments ***	7,046
5,707	Other local authorities ***	7,514
6,950	Sundry creditors	10,746
1,420	Receipts in advance	1,808
22,002		27,114

*** Balances with related parties

21 Provisions
Accounting policy

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

Provisions	NDR appeals
	£ 000
Balance at 1 April 2017	4,315
Transfers in	-
Transfers out	(506)
Balance at 31 March 2018	3,809
Transfers in	-
Transfers out	(121)
Balance at 31 March 2019	3,688
Explanation	The amount that may be repayable if appeals against NDR valuations are successful

22 Unusable reserves

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

Unusable Reserves	Revaluation reserve	Financial Instruments Adjustment account	Capital adjustment account	Deferred capital receipts	Available for sale financial instruments reserve	Collection fund adjustment account	Pension reserve (note 33)	Accumulating compensated absences adjustment account	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2017	68,479		158,715	4	1,279	1,730	(120,409)	(430)	109,368
Change on the reserve during the year	(2,986)		11,873	(2)	335	(1,355)	15,231	(44)	23,052
Balance at 31 March 2018	65,493	-	170,588	2	1,614	375	(105,178)	(474)	132,420
Adjustment to Opening Balance		1,614			(1,614)				
Change on the reserve during the year	(6,041)	108	32,295	(2)		576	7,885	(15)	34,806
Balance at 31 March 2019	59,452	1,722	202,883	-	-	951	(97,293)	(489)	167,226
Explanation	The gains on revaluing our assets since 1 April 2007	The unrealised gains on financial instruments held at fair value through Profit and Loss, as a result of changes in market prices	Capital spending to be financed from future resources	The debt we are owed on our mortgage advances	This category no longer exists under IFRS9 compliant financial reporting	Adjusting for paid and accrued council tax and NNDR	Our liability to pay future pensions	The value of the leave that our employees have not taken at the end of the year	

Revaluation reserve

2017/18	Revaluation Reserve	2018/19
£ 000		£ 000
68,479	Opening balance	65,493
1,506	Revaluation of assets	1,624
(3,725)	Impairment losses	(5,745)
(8)	Write-out of revaluations of assets we have sold	(286)
(759)	Difference between fair value and historic cost	(1,634)
-	Depreciation and amortisation chargeable to the revaluation reserve	-
65,493	Closing Balance	59,452

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

Capital adjustment account

2017/18	Capital Adjustment Account	2018/19
£ 000		£ 000
158,715	Opening balance	170,588
(3,959)	Allowance for depreciation and amortisation	(7,012)
759	Less depreciation and amortisation charged to the revaluation reserve	1,634
(2,370)	Revenue expenditure funded from capital under statute	(4,875)
339	Impairments and amortisation charged to revenue	(2,200)
-	Transfer from revaluation reserve on disposals	-
176	Adjustment plus MRP split on final	-
16	Repaid Capital loan receipts	(27)
17,906	Application of receipts and contributions	47,895
(1,543)	Assets disposed of	(529)
549	Movements in the value of investment properties in the	(2,591)
-	Movements in the value of donated assets in the CI&ES	-
170,588	Closing balance	202,883

23 Cashflow

2017/18	I&E to cash flow	2018/19
£ 000		£ 000
	Revenue shortfall or (surplus)	
(371)	Movement on the General fund	408
226	Provision for bad debts	(23)
2,370	Revenue funded by capital under statute	4,875
(176)	Minimum revenue provision	
(435)	Asset replacement reserve	(15,026)
1	Housing Capital Receipts pool	1
-	Proceeds from asset disposals	(416)
(56)	GF - contribution (to)/from reserves	11,620
1,559		1,439
1,356	Our part of the collection fund	(577)
2,915		862
	Non-cash transactions	
550	Transfers to reserves	136
(2,491)	Net throughput on the collection fund	397
(1,941)		533
	Change in	
1	Stock	(12)
4,149	Debtors	6,268
58	Creditors	(5,112)
4,208		1,144
5,182	Net cash (inflow) or outflow from revenue activities	2,539

24 Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income. We have restated some of the amounts for 2017/18. The detail for these restatements can be found in note 39.

2017/18 Restated £ 000	Expenditure and Income Analysed by Nature	2018/19 £ 000
	Expenditure	
36,332	Employee benefits expenses	38,299
25,151	Other services expenses	25,513
5,654	Depreciation, amortisation, impairment	14,087
19	Interest payments	26
2,391	Precepts and levies	2,461
1	Payments to Housing Capital Receipts Pool	2
3,148	Pension interest and return on investment	2,634
(18,525)	Remeasurement of the assets of the pension fund	(16,239)
(13,421)	Gain or loss on the disposal and revaluation of Assets	5,961
40,750	Total Expenditure	72,744
	Income	
(34,000)	Fees, charges and other services income	(34,145)
(707)	Interest and investment income	(820)
(14,289)	Income from Council Tax Government grants and other contributions incl Business	(14,886)
(14,390)	Rate income	(14,292)
(10,565)	Capital Grants and contributions	(17,976)
(73,951)	Total Income	(82,119)
(33,201)	Total expenditure and income	(9,375)

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

2017/18 £ 000	Revenues from contracts with service recipients	2018/19 £ 000
(34,329)	Revenues from contracts with service recipients	(33,054)
262	Impairments of receivable or contract assets	234
(34,067)	Total included in Comprehensive Income and Expenditure Statement	(32,820)

25 Trading operations

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

2017/18			Trading accounts not shown in Spending on current services	2018/19		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			Other operating expenditure			
2,768	(2,706)	62	Grounds maintenance	2,857	(2,717)	140
523	(464)	59	Vehicle maintenance	599	(497)	102
3,291	(3,170)	121		3,456	(3,214)	242
			Financing and investment			
352	(4,681)	(4,329)	Investment properties	264	(4,669)	(4,405)
352	(4,681)	(4,329)		264	(4,669)	(4,405)
3,643	(7,851)	(4,208)	Total trading activity	3,720	(7,883)	(4,163)

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

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

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

26 South Essex Parking Partnership (SEPP)

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

2017/18		Revenue expenditure	2018/19	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
1,871	481	Expenditure	2,061	505
(2,406)	(961)	Income	(2,338)	(923)
(535)	(480)	Net position	(277)	(418)

27 Councillors' allowances

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

2017/18	Councillors allowances	2018/19
£ 000		£ 000
328	Basic allowance	333
168	Special responsibility allowance	160
5	Other expenses	4
15	Mayor and Deputy Mayor allowance	17
516	Total we paid in the year	514

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

28 Employee pay

Accounting policy

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

Under the Accounts and Audit Regulations 2015 we must show the number of our staff costing more than £50,000 a year. Cost includes salary, travel and living costs, but not the employer's pension contributions. Where appropriate, we have also included subsidies for leased cars and redundancy payments. The table below does not include chief officers' details, which are shown in the next table.

Employee pay band	Number of employees		Number who left in the year	
	2017/18	2018/19	2017/18	2018/19
£50,000–54,999	10	10		
£55,000–59,999	9	9		-
£60,000–64,999	4	3		-
£65,000–69,999	2	4		-
£70,000–74,999	3	3	-	-
£75,000–79,999		3	-	-
£80,000–84,999		-	-	-
£85,000–89,999				-
£90,000–94,999	-	-	-	-
£95,000 – 99,999	-	-	-	-
£100,000 - 104,999		-		-
£105,000 – 109,999		-		-
£110,000 - 114,999	-	-	-	-
£115,000 – 119,999	-	-	-	-
£120,000 - 124,999		-		-

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

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

Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind	Employer pension contributions ****	TOTAL
2017/18	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh) Started 22 Feb 18	17,060				187	2,515	19,762
Chief Executive (Mr S Packham) Up to 24 Oct 17	83,898				2,881	11,265	98,044
Directors of:							
Corporate Services	122,534				2,250	18,042	142,826
Financial Services Changed position 22 Feb 18	105,767				7,035	16,163	128,965
Public Places	120,848				1,800	17,696	140,344
Community Services	116,592				7,880	18,042	142,514
Sustainable Communities	87,300				11,623	13,532	112,455
Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind ***	Employer pension contributions ****	TOTAL
2018/19	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh)	167,704				2,343	24,712	194,759
Directors of:							
Corporate Services	124,728				2,343	18,403	145,474
Financial Services started 3/9/18	65,758				479	9,649	75,886
Public Places	122,841				1,874	18,050	142,765
Community Services (Ms A.Price) left 15/4/18	7,886			233,974	225	767	242,852
Sustainable Communities	89,046				15,043	13,802	117,891

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £152,174.

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

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

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

2017/18 £ 000	Termination benefits	2018/19 £ 000
525	Termination benefits	412
151	Redundancy costs	56
	Additional pension costs	
676	Total spending	468
18	No of employees whose employment was terminated	18

2017/18		Exit packages	2018/19	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
8	74	£0 - £20,000	13	89
7	265	£20,001 - £60,000	3	107
4	345	£60,001 - £250,000	2	272
19	684	Total	18	468

We made five employees compulsorily redundant in 2018/19, and six in the previous year.

29 External audit costs

The table below gives details of the amounts we paid to our external auditors during the year.

2017/18 £ 000	External audit costs	2018/19 £ 000
88	Fees we paid to the auditor	69
	Basic audit	
	Other Audit Services	
88	Total we paid in the year	69

30 Grants

Accounting policy

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

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

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

2017/18		2018/19
£ 000	Grants and contributions	£ 000
43,922	Housing benefits grants	42,614
3,201	Other grants and contributions	4,616
47,123		47,230

We also received a number of grants, contributions and donations that have conditions attached to them that may force us to return them to the donor. Once we have met these conditions we will recognise them as income. The amounts involved are shown in the tables below.

2017/18		2018/19
£ 000	Capital grants received in advance	£ 000
4,206	Opening balance	3,541
(665)	In-year movements	(692)
3,541		2,849

31 Related party transactions

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

Central Government controls us and sets the legal framework that we operate in, provides grants and sets out how we deal with other agencies and organisations (eg Council Tax collection and Housing Benefits). The details of our dealings with Central Government are shown in notes 13, 18, 20, 30 and 38 and in the Cash Flow in section 6 and the Collection Fund in section 8.

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

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

Some of our Members are also Parish Councillors. We receive funds for the Chelmsford Development fund from the Developers some of which we then pay over to other organisations when agreement conditions are met. During 2018/19 we paid from the Chelmsford Development fund the amounts to the following parishes Boreham, £10,803, Broomfield, £231,177, Chignal, £13,117, Danbury, £3,198, Galleywood, £6,196, Great Baddow, £20,977, Great & Little Leighs, £34,861, Great Waltham, £3,010, Highwood, £18,074, Little Waltham, £3,255, Pleshey, £1,561, Rettendon, £13,986, Roxwell, £3,410, Runwell, £25,242, South Hanningfield, £9,404, South Woodham Ferrers, £18,139, Springfield, £61,344, Stock, £15,517 West Hanningfield, £4,959 and Woodham Ferrers & Bicknacre, £5,490.

We give grants to the following groups and some of our Members sit on their Boards or are trustees, but do not have a controlling interest.

Chelmsford Age Concern, £5,000
Chelmsford Citizens Advice Bureau (CAB), £113,000
Chelmsford Council for Voluntary Services (CVS), £54,000
Chelmsford YMCA, £25,000

During 2018/19 we paid Event Sound and Light Limited £76,745 a Member's son is a partner in this company, and we also paid the Museum Association £1,218 a Councillor is a Board Representative.

During 2018/19 we paid £9,588 in rent payments to a Member that owns a property the Council leases to provide temporary housing accommodation.

In addition, the following groups paid us rents: Chelmsford CAB £30,151 and Chelmsford CVS £11,814.

32 Leases

Accounting policies

Leases we get from other organisations

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

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

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

Leases we give to other organisations

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

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

The Council's other rental agreements are operational leases. Information about them is shown in the table below. Most of the income shown comes from shopping centres (High Chelmer and Meadows). The 2017/18 figures have been restated following the review.

2017/18 Restated £ 000	Operational Leases Income	2018/19 £ 000
4,202	Lease payments due in less than a year	5,137
16,809	Lease payments due from 1 to 5 years	20,547
190,158	Lease payments due in more than 5 years	181,066
211,169		206,750

Our spending on current services in the Comprehensive income and expenditure account includes the following lease payments.

2017/18 £ 000	Lease Payments for Current Services	2018/19 £ 000
315	Operating lease payment made	384
315		384

33 Pensions

Accounting Policy

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

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

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

Members of the scheme are entitled to defined benefits when they retire under the terms of the scheme. This part of the scheme is funded through the contributions to the scheme. If members of the scheme retire early, the additional cost of that commitment is calculated and paid by the employer at the same time as the member retires.

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

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

contributions we make to the scheme. The actual charge we made to the General fund, and so to council tax payers, is shown in the table below.

2017/18	Charges to the Comprehensive income and expenditure account	2018/19
£ 000		£ 000
	Spending on services	
	Service cost	
7,717	Current service cost	7,541
199	Previous service cost	1,984
-	(Gain)/loss from settlements	-
59	Administration expenses	75
	Other spending	
3,148	Net interest on the defined liability	2,634
	Charge to the spending on current services in the comprehensive income and expenditure statement	
11,123		12,234
	Other charges	
(10,751)	Remeasurement of the pension liability	(5,943)
(7,774)	Return on scheme assets (excluding interest)	(10,296)
	Other charges to the comprehensive income and expenditure statement	
(18,525)		(16,239)
	Total charges to the comprehensive income and expenditure statement	
(7,402)		(4,005)
	Employer's contributions charged to the General fund	
7,829		3,880

In addition to the gains and losses we have included in the Comprehensive income and expenditure statement, we have included a remeasurement surplus identified by the actuaries of £16.2m in 2018/19 (a surplus of £18.5m in 2017/18).

31 March 2018	Movements on pension fund assets and liabilities	31 March 2019
£ 000		£ 000
	Scheme liabilities	
290,267	Value at 1 April	288,871
7,717	Current service cost	7,541
1,325	Member contributions	1,375
7,754	Interest costs	7,277
	Remeasurement	
-	Scheme members	-
(10,751)	Financial returns	(5,943)
199	Past service (gains) or costs	1,984
(7,640)	Benefits paid	(8,535)
-	Liabilities extinguished on settlements	-
288,871	Value at 31 March	292,570
	Scheme assets	
169,858	Value at 1 April	183,693
4,606	Interest	4,643
	Remeasurement	
7,774	Return on assets (excluding interest)	10,296
-	Other	-
-	Changes in foreign exchange rates	-
(59)	Administration expenses	(75)
7,829	Employer contributions	3,880
1,325	Employee contributions	1,375
(7,640)	Benefits paid	(8,535)
-	Settlement prices received/ (paid)	-
183,693	Value at 31 March	195,277
105,178	Net pension liability	97,293

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

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

Pension fund balances	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(204,878)	(237,842)	(235,624)	(290,267)	(288,871)	(292,570)
Fair value of assets	126,054	145,141	145,063	169,858	183,693	195,277
Surplus or (deficit) on the pension fund	(78,824)	(92,701)	(90,561)	(120,409)	(105,178)	(97,293)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £97m has a large effect on our net worth, resulting in an overall balance of £206.5. However, the formal rules for funding the pension-fund deficit mean the Council's financial position remains healthy. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit will be met by contributions over 22 years. We expect to pay £3.2m to the fund next year.

The actuaries have made an estimate of the pensions that will have to be paid in future years based on their assumptions, for example, about life expectancy and salary levels. The pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation in 2016. The next full valuation will be in 2019.

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

2017/18 %	Assumptions used in the valuations of the fund	2018/19 %
	Years we expect to pay current pensioners	
22.2	Men	21.3
24.7	Women	23.6
	Years we expect to pay pensioners retiring in 20 years	
24.4	Men	22.9
27.0	Women	25.4
3.4	Rate of inflation – RPI	3.4
2.4	– CPI	2.4
3.9	Rate of increase in salaries	3.9
2.4	Rate of increase in pensions	2.4
2.6	Discount rate	2.4
50	Percentage of employees choosing to take a lump-sum payment	50
10	Percentage of employees paying a 50% contribution for 50% pension	10

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

	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	10,765	(10,379)
Rate of increase in salaries (increase or decrease by 0.1%)	523	(519)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	4,713	(4,630)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(5,144)	5,241

The weighted average duration of the pension obligation for scheme members is 18 years in 2018/19 (18 years 2017/18).

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

31 March 2018	Scheme assets	31 March 2019
£ 000		£ 000
6,317	Cash and cash equivalents	5,143
	Stocks and shares (by type)	
	UK investments	8,782
111,444	Overseas investments	103,818
111,444		112,600
	Bonds (by sector)	
6,824	UK Corporate	11,413
12,220	UK Government	10,364
19,044		21,777
	Property (by type)	
6,302	Listed	6,438
11,122	Unlisted	10,925
17,424		17,363
8,445	Private equity	8,977
	Other investment funds	
8,435	Infrastructure	9,814
3,117	Timber	5,889
2,934	Illiquid and Private Debt	3,337
7,450	Other Managed Funds	10,377
21,936		29,417
(917)	Derivatives	
183,693	Total	195,277

31 March 2018	Stocks and Shares	31 March 2019
£ 000		£ 000
	Stocks and shares (by company size)	
111,444	Listed	112,600
-	Unlisted	-
111,444		112,600

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

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

34 **Contingent liabilities**

Accounting Policy

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

There is an outstanding claim made by the NHS trusts for mandatory relief on their Business Rates payable. We do not know at this stage if we will have to make any refunds.

We do not know how much we may have to pay on any of the contingent liabilities or when we may have to pay.

35 **Contingent assets**

Accounting Policy

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

We have four appeals outstanding with HMRC over payments of VAT and we will also be claiming interest. We await the outcome of these claims.

36 Exceptional items

We do not have any such items.

37 Community Infrastructure Levy (CIL)

We started receiving CIL payments from 1 April 2014. We have billed £9,338k which was credited to the Capital Grants Unapplied account. The levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area.

38 Government and non-government grants

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

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

2017/18	Grants	2018/19
£ 000		£ 000
	Grant received in advance	
3,541	Money received as part of planning agreements	2,851
	Capital grants unapplied	
	Money received as part of planning agreements	
2,377		4,395
5,231	Growth Fund grant	-
1,679	Government grants	774
2,665	Empty Homes grant	2,560
13,666	Community Infrastructure Levy	19,808
284	Other	277
25,902		27,814
29,443	Total	30,665

39 Restatements

Accounting Policy

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

Following amendments to accounting standard IAS1 presentation of Financial Statement, we are now required to change the presentational format of Comprehensive Income and Expenditure statement and Expenditure and Funding Analysis table to reflect the management reporting format. These changes do not result in a change to the totals.

We have included £2,628k for internal trading charges in the Other services expenses and Fees and Charges income, to reflect these charges consistently with the Comprehensive Income and Expenditure statement.

<u>Notes to the main financial statements</u>	2017/18 £'000	Amendment £'000	2017/18 Restated amount £'000
<u>Note 24. Expenditure and Income Analysed by Nature</u>			
Expenditure			
Employee benefits expenses	36,332		36,332
Other services expenses	22,523	2,628	25,151
Depreciation, amortisation, impairment	5,654		5,654
Interest payments	19		19
Precepts and levies	2,391		2,391
Payments to Housing Capital Receipts Pool	1		1
Pension interest and return on investment	3,148		3,148
Remeasurement of the assets of the pension fund	(18,525)		(18,525)
Gain or loss on the disposal and revaluation of Assets	(13,421)		(13,421)
Total Expenditure	38,122	2,628	40,750
Income			
Fees, charges and other services income	(31,372)	(2,628)	(34,000)
Interest and investment income	(707)		(707)
Income from Council Tax	(14,289)		(14,289)
Government grants and other contributions incl			
Business Rate income	(14,390)		(14,390)
Capital Grants and contributions	(10,565)		(10,565)
Total Income	(71,323)	(2,628)	(73,951)
Total expenditure and income	(33,201)	-	(33,201)

8 - Collection fund

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

2017/18			Collection Fund	Notes	2018/19		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000			Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
(104,558)		(104,558)	Income				
			Council tax	1	(111,221)	(111,221)	
	(80,224)	(80,224)	Transfers from the General fund				
	4,420	4,420	Non-domestic rates	2		(81,631)	
			Transitional protection			1,828	
(104,558)	(75,804)	(180,362)			(111,221)	(191,024)	
			Spending				
			Council Tax precepts and demands				
74,937		74,937	Essex County Council		80,018	80,018	
14,225		14,225	Chelmsford City Council		14,845	14,845	
10,113		10,113	Essex Police Authority		11,070	11,070	
4,445		4,445	Essex Fire Authority		4,609	4,609	
			Non-domestic rates precepts and demands				
	38,307	38,307	Central Government			38,995	
	30,646	30,646	Chelmsford City Council			31,196	
	6,895	6,895	Essex County Council			7,019	
	766	766	Essex Fire Authority			780	
			Subsidy paid towards the costs of collecting				
	217	217	National non-domestic rates			218	
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
(88)		(88)	Council tax		113	113	
	44	44	Non-domestic rates			76	
			Amounts written off				
465		465	Council tax		253	253	
	287	287	Non-domestic rates			960	
	(1,265)	(1,265)	Provision for appeals			(303)	
			Distribution of previous year's Council Tax surplus or (shortfall)				
977		977	Essex County Council		730	730	
184		184	Chelmsford City Council		139	139	
131		131	Essex Police Authority		99	99	
59		59	Essex Fire Authority		43	43	
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
	1,497	1,497	Central Government			(412)	
	1,198	1,198	Chelmsford City Council			(329)	
	270	270	Essex County Council			(74)	
	30	30	Essex Fire Authority			(8)	
105,448	78,892	184,340			111,919	78,118	
			Movements on the Collection Fund				
890	3,088	3,978	(Surplus) or shortfall for the year		698	(1,685)	
(1,505)	(3,811)	(5,316)	(Surplus) or shortfall at start of the year	3	(615)	(723)	
(615)	(723)	(1,338)	(Surplus) or shortfall at end of the year	3	83	(2,408)	

Accounting Policy

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

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

Notes to the collection fund

I Council tax

Council tax income comes from charges we make depending on the value of homes. Each home is put into one of eight valuation bands using their value on 1 April 1991. We work out each charge by estimating the amount of income each of the preceptors on the collection fund needs for the coming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion of the band D charge. In 2018/19, the council tax base was 65,496 (in 2017/18 it was 64,396). The basic amount of council tax for a property in band D was £1,688 (£1,611 in 2017/18). This is multiplied by the appropriate proportion for the particular band to give the actual amount due for that band.

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

Council tax band	Total number of properties	Number of chargeable properties	Proportion of Band D charge	Number of Band D equivalent properties
A	4,508	3,598	6 / 9	2,399
B	10,281	8,617	7 / 9	6,702
C	22,699	20,534	8 / 9	18,252
D	16,929	11,345	9 / 9	11,345
E	10,394	9,799	11 / 9	11,977
F	5,664	5,447	13 / 9	7,868
G	3,895	3,764	15 / 9	6,274
H	372	339	18 / 9	679
Total	74,742	63,443		65,496

2 Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – 48.0p in 2018/19 (47.9p in 2017/18). Depending on the effects of any changes, local businesses pay rates that are worked out by multiplying their rateable value by that amount. We are responsible for collecting the rates due in our area and pay these into the Collection fund. We share the money collected between the Government, Essex County Council and the Essex Fire Authority.

On 31 March 2019, our NDR income after relief totalled £81,394,374 based on the total non-domestic rateable value for our area of £192,889,242.

3 Contributions to the collection fund – surpluses and shortfalls

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

2017/18			Contributions to the collection fund - surpluses and shortfalls	2018/19		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000		Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
	(362)	(362)	Central Government		(1,204)	(1,204)
(84)	(289)	(373)	Chelmsford City Council	11	(963)	(952)
(444)	(65)	(509)	Essex County Council	61	(217)	(156)
(60)		(60)	Essex Police Authority	8		8
(27)	(7)	(34)	Essex Fire Authority	3	(24)	(21)
(615)	(723)	(1,338)		83	(2,408)	(2,325)

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

4 Non-domestic rate appeals

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

Non-domestic rate appeals	Share	Provision
	%	£ 000
Central Government	50	(152)
Chelmsford City Council	40	(121)
Essex County Council	9	(27)
Essex Fire Authority	1	(3)
	100	(303)

5 Non-domestic rate pooling

On 1 April 2018, Chelmsford joined a Non-domestic rating pool with 14 other authorities for the 2018/19 financial year. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool.

6 Business Improvement District

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

9 - Independent auditors' report

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

Opinion on the financial statements

We have audited the financial statements of Chelmsford City Council ("the Council") for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Financial Services use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Financial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Financial Services is responsible for the other information. The other information comprises the Narrative Report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Director of Financial Services and the Council

As explained more fully in the Statement of the Director of Financial Services Responsibilities, the Director of Financial Services is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Director of Financial Services is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Chelmsford City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Chelmsford City Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lisa Clampin
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

4 February 2020

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

10 - Glossary

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

Actuary

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

Amortisation

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

Audit Committee

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

Balance sheet

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

Cabinet

The Cabinet is made up of ten members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for a specific service.

Capital financing costs

These are costs, such as interest, which we charge because we have spent money on fixed assets.

Capital receipt

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

Capital spending

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

Cash-flow statement

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

Collection fund

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

Community assets

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

Comprehensive income and expenditure statement

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

Corporate governance

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

Councillor

An elected Member of the Council.

Creditors

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

Current assets

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

Current liabilities

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

Curtailments

The cost of the extra pension or lump sum an employee receives if their retirement benefits are increased to above the basic pension-scheme benefit.

Debtors

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

Deferred contributions

Amounts paid to us for future activities.

Depreciation

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

Earmarked reserves

Money we set aside for a specific purpose.

Fair value

The value of the asset on the open market.

Green flag

An award that recognises how good our parks are.

Gross spending

The total cost of providing a service.

Gross up

Changing a cost that is made up of two parts, into its separate parts. In this case, increasing the pension contributions to the full cost of pensions (for IAS19 purposes), and then reducing the cost later in the accounts for the money paid to the pension fund.

IAS19

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

Impairment

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

Infrastructure

Assets we cannot sell, so only have a nominal value.

Intangible assets

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

Leases

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

LCTS (Localised Council Tax Support Scheme)

The means tested scheme that replaced Council tax benefit, and reduces the Council tax bill of those who qualify.

LGPS (Local Government Pension Scheme)

The fund that pays and manages our staff pensions.

Liabilities

Our debts and responsibilities.

Liquid resources

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

Management Team

A meeting of the Chief Executive and the Directors.

Member

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

Minimum revenue provision

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

NDR – Non-domestic rates

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

Net book value

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

Net spending

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

Nominal value

Where an asset cannot be sold, it is given a very low value in the Balance sheet to recognise that it has no resale value.

Non-distributed costs

We must make an extra payment to Essex County Council to maintain the value of the pension fund. Under the accounting rules, we do not get this cost back from our services.

Non-operational assets

Any asset that is not an operational asset, or an asset that we do not need any more, for example, depots we no longer use.

Operational assets

Assets that we use in our day-to-day activities for delivering our services to the public, for example, the town hall.

Parish Council

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

Performance indicators

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

Precept

A demand made by Essex County Council, the Police and Crime Commissioner for Essex, Essex Fire Authority, and Town and Parish Councils for money they want us to collect for them.

Provision

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

Realised gain

The extra money we receive over the value shown in the accounts when we sell the asset.

Registered social landlord

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

Repurchase of borrowing

Repaying a loan from a lender before it is due. We will usually do this if it means we can pay less interest.

Reserve

Savings we have built up from surpluses.

Restatement

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

Revenue contribution to capital outlay (RCCO)

Capital spending that is directly paid for from revenue.

Revenue spending

Spending on the day-to-day running of services – mainly salaries, running expenses of building and equipment, and debt charges. These costs are met from the council tax, government grants and our own fees and charges.

Reverse out

We have to prepare the accounts in a certain way to comply with the law. This means we have to put amounts in the accounts that we do not have to raise council tax for. These amounts are taken out - that is reversed out - to get the amount we have to charge to council tax.

Surplus

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

Tangible assets

Assets we plan to own or use for more than one year.

Tax base

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

Trading undertakings

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

II - Our structure chart as at 31 March 2019





CHELMSFORD CITY COUNCIL

Annual Audit Letter

Year ended 31 March 2019

IDEAS | PEOPLE | TRUST



EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

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

Responsibilities of auditors and the Council

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

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the Council's financial statements; and
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Audit area	Conclusion
Financial statements	Unmodified opinion
Use of resources	Unmodified conclusion

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

We issued our audit opinion on the financial statements and use of resources conclusion on 4 February 2020, which was after the national deadline of 31 July 2019 due to resource constraints within the audit team.

BDO LLP

9 March 2020

FINANCIAL STATEMENTS

Audit opinion on the financial statements

We issued an unmodified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Final materiality

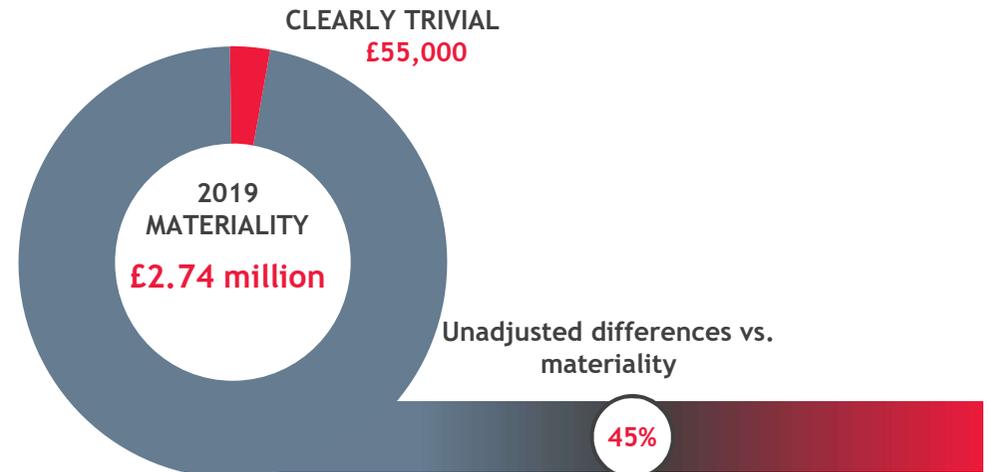
Materiality was calculated at £2.74 million based on a benchmark of 1.75% of gross expenditure.

Material misstatements

We did not identify any material misstatements.

Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the deficit on the provision of services by £395,000 and increase net assets by £850,000.



FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;• Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and• Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.	No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Revenue and expenditure recognition	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Tested an increased sample of grants included in income to documentation from grant paying bodies and checked whether recognition criteria had been met; and• Tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end had been.	<p>No issues were identified by our audit of grants or expenditure either side of the year end.</p> <p>Our testing of other expenditure identified amounts relating to 2017/18 that were included in 2018/19, resulting in a projected overstatement of expenditure of £209,000. This was reported as an unadjusted audit difference.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Land and building valuations	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we could rely on the management expert;• Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage;• Reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes;• Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appeared unusual; and• Confirmed that the assets not specifically valued in the year had been assessed to ensure that their reported values remain materially correct.	<p>We found that the gross internal areas used in the valuation of some assets were incorrect, resulting in a projected understatement of the value of land and buildings of £455,000.</p> <p>We identified a further projected understatement of land and buildings of £114,000 as a result of our testing of the indexation of these properties.</p> <p>We also identified one error relating to the accuracy of the valuation calculation, resulting in a projected understatement of the value of investment properties of £64,000.</p> <p>All of the above misstatements were reported as unadjusted audit differences.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
Pension liability valuation	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Agreed the disclosures to the information provided by the pension fund actuary;• Reviewed the competence of the management expert (actuary);• Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;• Reviewed the controls for providing accurate membership data to the actuary;• Contacted the administering authority auditor and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and• Checked that any significant changes in membership data had been communicated to the actuary.	<p>Recent legal cases regarding transitional protection for members of certain public sector pension schemes where the terms of the benefit provided by the scheme have changed determined that these protections were age discriminatory. No allowance was made for these judgements in the information provided to the Council by the actuary for the purposes of preparing its Statement of Accounts due to the uncertainty surrounding the impact on the Local Government Pension Scheme (LGPS).</p> <p>Following publication of the Council's unaudited 2018/19 Statement of Accounts, the government's request for an appeal relating to one of these cases was refused by the Supreme Court. The Council requested the actuary to prepare updated information recognising the impact of the judgements, resulting in an increase in both past service cost and the net pension liability of £1.856 million.</p> <p>The actuary also reported a further increase in the net pension liability of £1.448 million arising from a lower return on assets compared to the estimate available at the time the unaudited accounts were prepared.</p> <p>The financial statements were amended to reflect the updated values provided by the actuary.</p>

USE OF RESOURCES

Audit conclusion on use of resources

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that, in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risks that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Digital Transformation Programme	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed the steps taken by the Council to address the weaknesses identified by the predecessor auditor in the following areas:<ul style="list-style-type: none">• Options appraisal and scenario planning• Governance framework supporting implementation, scrutiny and monitoring of the Digital Transformation Programme• Compliance with agreed procurement procedures• Confirmed that procedures implemented to address the above matters have operated effectively• Interviewed key officers.	<p>In early 2018/19, the Council took steps to address the weaknesses identified in the governance of the Digital Transformation Programme. We obtained evidence to demonstrate that these improved governance processes were implemented.</p> <p>The Council is currently developing a business case for the next stage of the digital transformation programme.</p> <p>Detailed financial information regarding the cost of the programme to date was presented to members at the June 2019 meeting.</p> <p>The Council has engaged a consultant to assist with the development of the programme. New project management arrangements are being implemented, with direct accountability to the Chief Executive. These arrangements were still being finalised at the time of our audit work.</p> <p>The Council has successfully implemented the key applications which will help it to deliver the organisational transformation envisaged at the start of the project.</p>

REPORTS ISSUED AND FEES

Fees summary

	2018/19 Final £	2018/19 Planned £
Audit fee - PSAA scale fee	46,985	46,985
Non-audit assurance services:		
Fees for reporting on government grants:		
• Housing benefits subsidy claim	16,800	12,800
Total fees	63,785	59,785

The difference between the planned and final fees for the housing benefit subsidy claim is due to additional audit work arising from the identification of errors in the initial sample of housing benefit claims tested.

Communication

Reports	Date	To whom
Audit plan	March 2019	Audit and Risk Committee
Audit completion report	February 2020	Chair of Audit and Risk Committee



FOR MORE INFORMATION:

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

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Annual Governance Statement 2018/2019

Chelmsford City Council

1.0 Our responsibilities

- 1.1 We have a duty under the Local Government Act 1999 to make arrangements that ensure we continuously improve the way we work in terms of economy, efficiency and effectiveness. This includes a responsibility to ensure that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 1.2 To fulfill this responsibility, we have put in place arrangements for the governance of our affairs and carrying out our functions, which includes arrangements for managing risk.
- 1.3 We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 Edition)*. A copy of the code is on our website [here](#).
- 1.4 This Annual Governance Statement (AGS) sets out the specific aspects of the Code that were reviewed during 2018/19. It also meets the requirements of regulation 6(1) & (2) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2.0 Our Governance Framework

- 2.1 The Governance Framework is made up of:
 - the systems, processes, culture and values by which the Council is directed and controlled, and
 - the Council's activities, through which it accounts to, involves, works closely with and leads the community.
- 2.2 The Framework enables us to monitor how far we achieve our strategic objectives and to consider whether those objectives have led us to provide appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve our policies, aims and objectives, so it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
 - identify and prioritise the risks to us of achieving our policies, aims and objectives
 - evaluate the likelihood of those risks happening and the effects if they do occur, and
 - manage those risks efficiently, effectively and economically.
- 2.4 The following diagrams indicate our established governance framework and how this is then monitored. The remaining sections of this statement describe the key elements of the systems and processes that make up our governance arrangements, which have been in place for the year ended 31 March 2019 and up to the date of the approval of this Statement and the Statement of Accounts.
- 2.5 Following the local elections held on 2nd May 2019, the political make-up of the Council changed significantly and at the Annual Council meeting on 22nd May 2019, the new administration made changes to the Cabinet responsibilities, bringing these in line with Directorate responsibilities, with Deputies to concentrate on key priority areas. In addition, the Development Policy Committee was replaced with the Chelmsford Policy Board, which

will have a wider remit and be responsible for the review and development of all policies, not only planning policy. The Board, which will be politically balanced and meet 6 times per year, will have the following terms of reference:

1. To review existing and develop new policies in relation to any function for which the City Council is responsible and to make recommendations to the Cabinet and Council, as appropriate. and
2. To establish working groups to examine in detail existing policies, develop new ones and to make recommendations on new or revised policies to the Chelmsford Policy Board. The Working Groups may, where appropriate, invite non-Board members to attend their meetings.

The introduction of the Policy Board should strengthen governance by providing a wider input into policy development, and the Council's vision and Corporate Plan will be realigned with the priorities of the new administration.

2.6 Much of this document therefore refers to how the council was organised in the year just ended, rather than how it will be going forwards.

Council's Governance Framework:

Suite of Documents dealing with the Council's approach

- Council Vision and Priorities
- Corporate Values and Behaviours
- Budget and Budgetary Control
- Risk Management Strategy
- Anti-fraud and Corruption Strategy
- Corporate Business Continuity Plan
- Fire risk assessment
- Policies, procedures, Codes of Conduct
- Partnership Protocol
- Code of Corporate Governance and Annual Governance Statement

Corporate Officer Group

- Responsible for drafting Annual Governance Statement, maintaining assurance framework and supporting evidence.
- Reporting the Annual Governance Statement to the Governance and Audit Committees for approval in June each year.

Statutory Officers

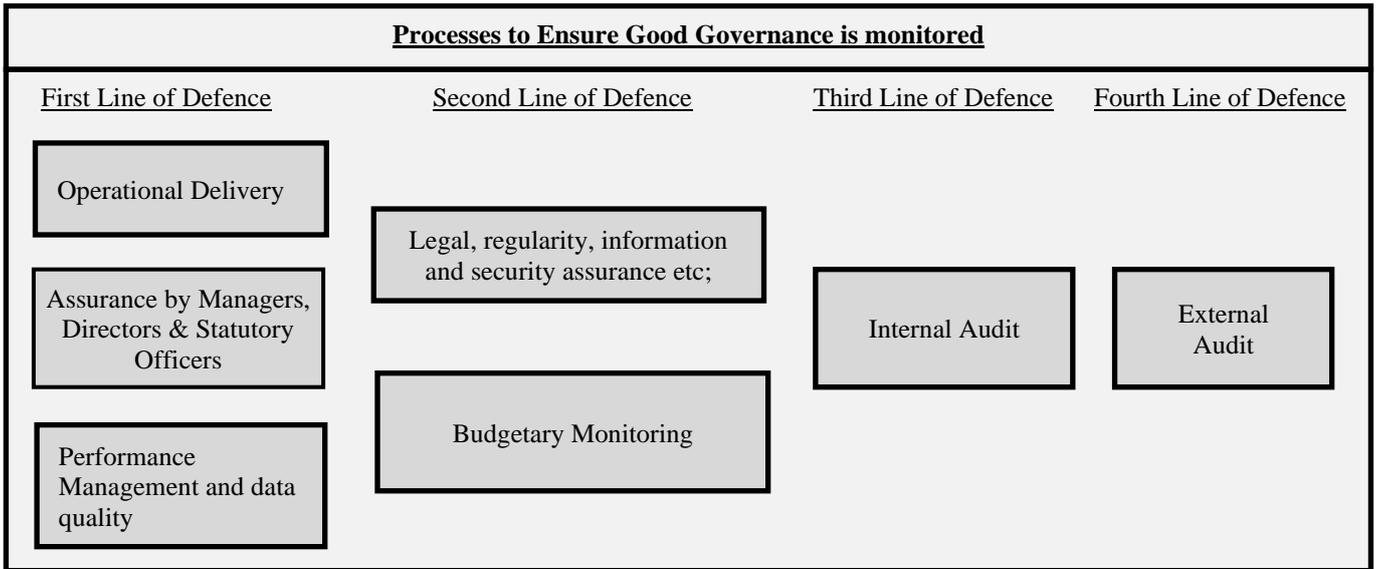
- Head of Paid Service – Chief Executive
- Section 151 Officer – Director of Finance
- Monitoring Officer – Legal & Democratic Services Manager

Governance Committee

- Approve and monitor the Council's Code of Corporate Governance statement
- Review and approve for publication the Council's Annual Governance statement (Jointly with the Audit Committee)
- Oversee the Council's arrangements for dealing with complaints including complaints under the Code of Conduct for Councillors, to the Local Government Ombudsman and the Annual Whistleblowing report
- Review of the Constitution and governance rules and arrangements

Audit Committee

- Monitor the Council's revenue budget
- Monitor the Council's capital programme
- Monitor effectiveness of Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements,
- Review the assessment of fraud risks and potential harm to the Council from fraud and corruption,
- Approve Internal Audit's charter, strategy, resources, risk-based plan and significant interim changes to the plan as well as its Annual Report and the Internal Audit Services Manager's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and controls.



3.0 The Council's Vision

- 3.1 The long-term vision for Chelmsford, previously agreed by the Council and its partners, is to enhance the economic, cultural, leisure and environmental setting of our city and to become a leading regional centre in the East of England. The Council's Corporate Plan is under review.
- 3.2 The existing plan sets out the following five key priorities for Chelmsford and its residents:

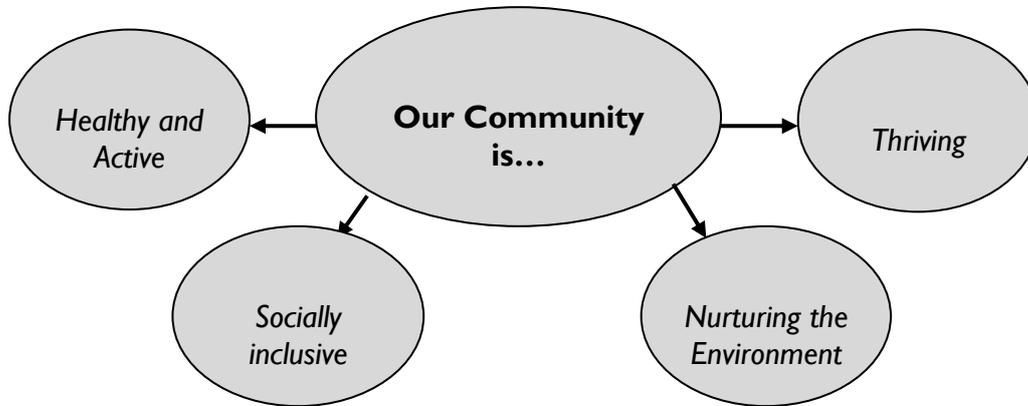
Promoting sustainable growth to stimulate a vibrant balance economy and provide more housing of all types.	Making Chelmsford an even more attractive place, promoting Chelmsford's green credentials and creating a distinctive sense of place.
Promoting healthy, active lifestyles and encouraging people to live well, making Chelmsford an even more enjoyable place in which to live, work and visit.	Being outward looking, willing and committed to work in partnership to secure investment in the City, deliver key infrastructure projects and build community capacity.
Investing in the organisation, its people and the working environment to ensure that the City Council is effective, high performing and successful in delivering its goals.	

The Plan will be reviewed to reflect the priorities of the new administration in delivery of a more connected, safer, greener and fairer Chelmsford.

- 3.3 Overall responsibility for delivering our Corporate Plan vision, sits with the Council's Cabinet Members and Directors, who have the responsibility for delivering individual actions assigned to individual officers. Officers will monitor progress on a continual basis using Pentana, the Council's risk and performance management system. Pentana will link together all the information from our performance framework (such as the Corporate Plan, Service Plans, and Performance Indicators at corporate and local level) and will enable full alignment with Principal and Directorate risks recorded through the Council's risk management framework.

Information contained within Pentana will evolve as Service Plans, which underpin the new Corporate Plan, are developed and individual actions and projects are completed.

The key priorities of the Community Plan:



3.4 To communicate the Corporate Plan and vision, we publish our Annual Report and Statement of Accounts, and an annual Medium-Term Financial Strategy. We also extensively use our website and newspaper “City Life” to keep residents informed throughout the year.

4.0 Assessment of the Effectiveness of key Elements of the Governance Framework

4.1 We focus on delivering services against the priorities set out in our Corporate Plan. We prioritise where we should allocate resources depending on how appropriate they are for these themes. Risk management arrangements are aligned to the Corporate Plan to ensure the Council’s Principal Risks are managed and mitigated.

4.2 The Council has shown that its performance has improved consistently through target-setting and improvements to service delivery. Performance is reviewed and challenged in various ways. Examples for this year are as follows and details of what was reported and when can be found in the links in **Appendix A**:

4.2.1 Performance information is accessed via Pentana. This system allows staff to access and update information relating to the progress of local actions, projects and performance indicators. Corporate performance indicators are also collated through Pentana, with performance reports generated automatically from the system.

4.2.2 Directors regularly meet their Cabinet Member to discuss progress against their service plans

4.2.3 Corporate performance reports are reviewed regularly by the Overview and Scrutiny Committee.

4.2.4 Directors regularly meet with the Chief Executive to discuss performance and progress against their action plans.

4.2.5 PPA (Personal Performance Appraisal) – The overall objective of the appraisal scheme is to help each employee to maximise their performance for the joint benefit of the employee and the Council. It also provides the line manager with a forum to

communicate the aims and future direction of the council and service area and to manage the performance of the individuals within their service area.

- 4.2.6 Going forward, as new Service Plans are developed to support the new Corporate Plan, corresponding performance indicators will be monitored through Pentana, enabling regular reporting to Management Team.
- 4.3 The quality of our services is also assessed through satisfaction surveys and customer feedback. Significant examples for this year are set out below and included in **Appendix A**.
- 4.3.1 Customer Service awards – The Customer Service Award Panel meets every three months to review all the nominations that have been submitted. The panel includes; the Council’s Cabinet Member for Corporate Services, the Director of Corporate Services, the Customer Services Manager, the Chief Officer of Chelmsford Volunteering Service and two members of the Citizen Panel. Employees can be nominated for a variety of reasons, including ‘going the extra mile’ and ‘dealing well with a challenging situation’.
- 4.3.2 Continuous improvement – the Council ensures this by the Corporate Management Team identifying areas of the organisation which could be more effective or benefit from undergoing a review. Directors are responsible for the reviews undertaken within their service areas and report findings from the reviews back to the Senior Management Team before change is implemented, examples of which are included in **Appendix A**
- 4.3.3 Investors in People Gold (IiP) - This was initially awarded in 2014, then reaccredited in 2016 and work is ongoing ahead of the next scheduled reaccreditation in October 2019. It indicates the highest level of achievement in developing staff and continues therefore to create better resources to deliver services to the public.
- 4.4 Examples of the work undertaken in 2018/19, in accordance with the core Cipfa/Solace principles referred to in paragraph 1.3, are:
- 4.4.1 Riverside development target – work commenced on site in July 2017 on this significant capital project with a June 2019 completion. External endorsement of the project received from Sport England with a contribution of £1.5m.
- 4.4.2 Joint working on traveller incursions through membership of the Essex Countywide Traveller Joint Committee with Essex County Council, and a number of other Essex local authorities, the Police and Fire service, for more effective use of resources.
- 4.4.3 Joint working on council tax recovery data sharing with Essex authorities.
- 4.4.4 Joint working through the Local Government Association resources to assist with preparation of our approach to increase temporary housing as well as the overall strategy to identify how housing delivery can be improved in the City’s area.
- 4.4.5 Review of the Local Plan, including working with neighbouring authorities and other statutory bodies through the ‘Duty to Co-operate’ on strategic cross-boundary planning issues.

5.0 Roles and Responsibilities for the Development and Maintenance of Our Governance Arrangements

- 5.1 Our Constitution clearly sets out the roles and responsibilities of the Cabinet (Executive), Committees approved by full Council and other bodies where Councillors have a decision-making role. The Executive functions are the responsibility of the Leader of the Council who has adopted a scheme that most decisions will be taken by the Cabinet and no individual responsibilities have been granted to individual Councillors.
- 5.2 The Constitution also sets out officers' responsibilities for operational and financial matters. Financial Rules that form part of the Constitution define the financial responsibilities. There is a comprehensive scheme of delegating functions to officers, which sets out the scope of delegation and any restrictions.
- 5.3 The various Codes of Conduct for Councillors and officers and the Councillor/Officer Protocol ensure that roles and responsibilities are defined and understood. The protocol describes and regulates the way Councillors and officers should work together effectively.
- 5.4 The roles and functions of the key officers and Committees responsible for Governance monitoring are set out in Part 3 of the Constitution. Details can be accessed [here](#).

6.0 Core principle A: Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

General Principles

- 6.1 Following the major review of the Council's Constitution in 2016/17 there were only minor changes required in 2018/19. Those changes introduced were considered by Councillors at various stages before formal adoption by Full Council. All these changes directly address the way in which Councillors and Officers are expected to behave and are available through the Council's website for easy access to those engaging with the Council. This ensures that the rules under which the Council operates are up to date and reflect the latest legislative provisions.
- 6.2 We aim to ensure that Councillors and senior officers have the skills, knowledge and capacity they need to fulfil their responsibilities. We recognise the value of well trained, competent people in effective service delivery as employees play an important role in delivering change. Our People Strategy and associated Workforce Development Plan, which ensures we have those people, are linked to and integrated with our vision and priorities for the future, as set out in our Corporate Plan.
- 6.3 The Terms of Reference for all member Panels and Committees have been included in the Constitution. This reflects the importance placed on transparent decision making. Examples are:
 - 6.3.1 Museum Lottery Bid Project Board
 - 6.3.2 Riverside Redevelopment Project Board
 - 6.3.3 Community Infrastructure Spending Panel
 - 6.3.4 ICT Strategy Board
 - 6.3.5 Mayoral Working Group
 - 6.3.6 Civic Centre Panel
 - 6.3.7 Leader's Property Panel

Councillors

- 6.4 We regularly communicate these changes and particularly those related to Councillor's conduct to ensure they are understood. In 2018/19 examples of the briefings provided and the dates changes were introduced though formal adoption procedures are contained in **Appendix A**.

Officers

- 6.5 Our Workforce Development Action Plan and Learning and Organisational Development Strategy both ensure that employees have opportunities to develop their skills and knowledge to keep up-to-date with the changing requirements of the Council and their role.
- 6.6 The Council's People Strategy and Workplace plan sets out the Council's plans on how it should creatively use its employees to meet its vision for the future of the city of Chelmsford, linking with the Council's Corporate Plan. It is recognised that all the Council's services are provided directly and indirectly through its employees in order to meet the strategic vision for the future. The Council must be able to recruit the right people with the right attitude, skills and expected behaviours to the right jobs, at the right time and at the right cost to enable delivery of excellent services in our community.
- 6.7 During 2018/19, the Council has been developing a new set of Values and Behaviours for its staff, complementing the Codes of Conduct and creating a strong ethical framework. Roll out of the Values and Behaviours has begun across the organisation, with many staff being involved with focus groups, provoke sessions and workshops. This is being supported through Leadership and Management Training based around conversational leadership, which is to be followed by work to embed and sustain the new values and behaviours and the associated skills. Our appraisal framework is already underpinned by a behavioural framework which sets out the standards of behaviour expected by all staff and this will be updated to reflect the new Values and Behaviours of Accountability, Creativity, Learning and Encouraging, Collaboration and Trust.
- 6.8 The Council is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Council aims to create a work environment where everyone is treated with dignity and respect. The Council has established an Equality and Diversity Champions Group to support the achievement of the Council's equality and diversity objectives and enable equality and diversity to be embedded within Service activity. All staff are encouraged to attend learning events to enable an understanding of equality, diversity and inclusion. The Council's website [page](#) sets out our responsibilities and priorities under equality and diversity and the Council's intranet provides appropriate guidance and resources for all employees.

New Starter Induction

- 6.9 Before commencing employment a successful applicant is required to read and sign key documents including the following:
- 6.9.1 Code of Conduct for Employees
 - 6.9.2 Corporate Information Security Policy
 - 6.9.3 Safeguarding Induction Booklet
 - 6.9.4 Financial Rules
 - 6.9.5 Whistleblowing Policy
 - 6.9.6 Anti-Fraud and Anti-Corruption Policy

- 6.10 The Council acknowledges that most of its employees can be relied on to conduct themselves in an exemplary manner, irrespective of formal rules. However, in a large organisation such as the Council it is necessary for there to be a formal document in force which identifies conduct which is unacceptable to the Council as an employer; indicates the likely consequences of such conduct and provides a framework for managers and employees that helps ensure that the required high standards of job performance and conduct are met and maintained.
- 6.11 The Council is committed to promoting the welfare and protection of vulnerable people and has a well-developed Safeguarding Policy. Disclosure and Barring Service checks are in place for eligible roles to ensure that the right people are hired and to minimise the risk to children, young people and vulnerable groups.

7.0 Core Principle B: How We Ensured Openness and Comprehensive Stakeholder Engagement with Individuals and Institutions

Ensuring Openness

- 7.1 As referred to in the section above the Council's methods and processes for taking decisions are set out in its Constitution and adopted plans and Strategies. However, these need to change over time to remain relevant. The last review of the Constitution improved the transparency of decision making by simplifying the structure, the use of plain English, greater consistency and introduction of Practice Notes to provide greater explanation and clarity.

How do we engage with our stakeholders?

- 7.2 The Council has an established Consultation and Engagement Strategy. It guides our staff when they consult and engage with local communities, and is accompanied by a toolkit for staff, providing practical information to help and guide them when involved in activities aimed at encouraging participation in Council work. Examples of how this is implemented are:

7.2.1 Community events - The Council organises a programme of these throughout the year to engage with all groups of the community, promote the work of the Council and signpost residents to relevant support and services. Events involve a wide selection of groups from the public and business communities.

7.2.2 "The 3 Foot People Festival" and "Fling Festival" – These unique Chelmsford events enjoy long running popularity and 2018 saw the 10th birthday of Fling Festival. The 3foot People Festival attracted 12,480 visitors (fractionally lower than in 2017) and Fling Festival saw visitors increase to 3,211. Following full implementation of all recommendations from the audit review, the festivals in 2018 were operationally a success. Despite overall income being slightly lower than the previous year, sponsorship income was increased from £14,450 in 2017 to £23,500 in 2018 – much of this increase related to 3foot which is considered an attractive proposition to sponsors due to the demographic.

7.2.3 Events & Engagement Programme – Following a restructure which led to the creation of the Events & Engagement Team at the end of 2016, the existing offer of events and engagement initiatives has been reviewed and an extensive events programme implemented with the aim to engage a wider cross-section of audiences.

- i) The revised events and engagement programme includes "Chelmsford Restaurant Festival", "City Photography Competition", "SWFest", "Discovery Festival", "Older People's Information Day" and "Holocaust Memorial Commemoration". The team

also assisted the Mayor's Office with organisation of the Remembrance Sunday celebrations.

ii) "We Are Chelmsford" - After a review in 2017, it was agreed that the High Street presence was not really engaging with a sufficient number of the public when compared to the resources and staff time involved across the organisation. Therefore, for WAC 2018, a number of exclusive or behind the scenes tours, activities or talks were arranged along with an improved online presence as opposed to a High Street presence. In addition, the focus was to make it more inclusive of other organisations and companies who are as much part of Chelmsford as the Council. Despite the campaign, most events did not see an increase in public engagement and following review it was decided that WAC is no longer viable. In its place the new events and engagement programme will be implemented, and residents engaged through the Chelmsford City Life and Visit Chelmsford platforms.

7.2.4 Citizens' and Youth Panel – The Council has an established process for consultation with the Citizens' Panel..

i) The Citizen's Panel was relaunched in late 2017 after the recommendations were adopted from a Task & Finish group and the membership refreshed; there are now 496 people on the panel. A newsletter is distributed after there have been any consultations. Regular requests go out to council departments asking if they have any consultations that they want the Citizens' Panel to feedback on.

ii) The Youth Panel was also reviewed at this time as engagement with this audience (14-18-year olds) was very low and difficult to achieve. It was agreed that the former Youth Panel would be disbanded, as the report found that young people were reluctant to respond to emails and passive communications. Therefore, going forward it was agreed that when a youth audience needed to be consulted with, we would work with existing youth orientated groups (schools, youth clubs, Essex Youth Service etc) to identify their views and feedback.

7.3 We work closely with Parish/Town Councils in a bid to improve relations and cross-tier working. A quarterly newsletter for Parishes is produced and circulated electronically. The content of the newsletter has recently been improved. A Parish Charter has been adopted by 18 of the 26 Parish Councils. The Monitoring Officer continues to provide guidance for Parish Councils on the standards regime. For example:

7.3.1 Working with Parish Councils to investigate complaints prior to determinations being made.

7.3.2 The Council organises a Parish and Town Council Planning Forum where a number of presentations have been held in relation to how the planning process works as well as on the review of the Council's Local Plan policies.

7.3.3 The Council organises annual presentations to Parish and Town Councils in relation to parking and highways. These are occasionally delivered in partnership with Essex Highways officers.

Partnerships and Joint Working Arrangements

7.4 We work extensively in partnership with other organisations and agencies, and currently we classify six partnerships as 'significant' in terms of their strategic importance to the

Council as they help us achieve the Corporate Priorities. These six significant partnerships are:

7.4.1 One Chelmsford Partnership (a merger of the Chelmsford Partnership and the Safer Chelmsford Partnership)

7.4.2 South Essex Parking Partnership – This was reviewed and extended to allow for the delegation of additional powers to agree the making of Traffic Regulation Orders and the re-allocation of contingency funding to assist with that work.

7.4.3 Essex Waste Partnership

7.4.4 Chelmsford Local Delivery Mechanism

7.4.5 Essex Online Partnership

7.4.6 Mid Essex Children's Partnership

7.5 A Protocol for Partnership Working and an accompanying checklist cover key aspects of governance arrangements that need to be satisfied when the Council enters into a new partnership working arrangement. These include having adequate and documented financial, risk, legal, performance, and audit arrangements in place, as well as ensuring that that covers many areas such as roles and responsibilities, decision-making and communication.

7.6 The council also aim to work closely with other Essex authorities wherever appropriate. In addition to key partnerships mentioned above, during 2018/19 the Council continued to take an active part in the following joint projects:

7.6.1 An Essex-wide data matching agreement was completed. Data sets from individual Councils are being shared to identify any inconsistencies mainly through Council Tax, to reduce the discounts claimed improperly. As at March 2019, £1,121,000 of improperly claimed discounts across Essex have been identified.

7.6.2 The Council Tax Sharing agreement between Essex Billing and Major Precepting authorities that was completed in 2014/15, continues to operate allowing the partners to share the costs of discretionary Council Tax discounts and fund schemes that aim to maximise the Council Tax income collected.

How We Enhance Accountability for Service Delivery and Effectiveness of Other Public Service Providers

7.7 Chelmsford City Council has a role in improving public health and reducing health inequalities. It carries this out through a local strategic partnership (One Chelmsford), Chelmsford Health & Wellbeing Group and by fully engaging with Mid Essex Clinical Commissioning Group and Essex County Council's public health team. Whilst Chelmsford City Council has an important role to play the statutory duty for public health rest with Public Health England and Unitary or County Councils.

7.8 Chelmsford City Council has a duty of care under section 11 of the Children's Act 2004 to safeguard and promote the welfare of children and young people. Moreover, it has a duty under section 47 of that Act to cooperate with Essex County Council in discharging its safeguarding duties as a Children's Services Authority through the Essex Safeguarding Children's Board. The Council works closely with the Essex Safeguarding Adults Board to

ensure that adults who live in the City, or receive local services, are safe from harm and are not subjected to exploitation or abuse.

7.9 The Council continues to refresh its Safeguarding Policy and related documents at least annually. Regular training is being provided to staff and Councillors on an ongoing basis. A dedicated safeguarding section has been created on the intranet for both staff and Councillors and it contains all the relevant documents, forms and information in one place.

8.0 Core Principle C: How We Defined the Outcomes Required and Clarified the Sustainable Economic, Social and Environmental Benefits We Expect to Deliver

Corporate Plan & Community Plan

8.1 The Corporate Plan sets out the fundamental principles as to how the Council will operate and, under the Community Plan, how these are applied in the wider context.

Local Plan Review

8.2 The Council has embarked on a review of its adopted Local Development Framework. The new Local Plan covers the period up to 2036. The Council's Development Policy Committee will continue to make the planning policy key decisions. Further details of the new Local Plan and its progress [can be found here](#).

Ensuring Effective Arrangements for the Delivery of Infrastructure

8.3 The Council approved the basis for assessing applications for use of Community Infrastructure Levy funds. The procedures for allocating and spending the Community Infrastructure Levy funds [can be found here](#).

8.4 The form for the agreements used for ensuring delivery of infrastructure under section 106 of the Town and Country Planning Act 1990 was reviewed this year and a new and simpler template document has been introduced, which developers have already indicated is an improvement in terms of clarity. This will streamline the preparation and completion of these documents in future and make better use of resources as well as swifter release of planning decisions.

Working with other agencies

8.5 As referred to under Principle B we work closely with Partner agencies within the Chelmsford area, utilising the skills and resources of the combined agencies to deliver in an effective and efficient way. Examples of the agencies with which we have had close working relationships are:

8.5.1 Government Departments and Agencies, such as:

- i) Sport England – Riverside Leisure Centre Project
- ii) Environment Agency- Flood Alleviation Scheme
- iii) Heritage Lottery Fund – Museum “No Borders” Project

8.5.2 Essex County Council - to deliver the required highway infrastructure improvements for the City Centre such as:

- i) The Riverside Leisure Centre Development;
- ii) Improvements to Mill Yard and the area surrounding the Chelmsford Railway Station utilising South East Local Economy Partnership funding;
- iii) Delivery and improvements to the two Park and Ride facilities in Chelmsford;
- iv) The Beaulieu Park redevelopment and the wider infrastructure requirements;

- v) Consultation as regards the review of the Local Plan
- vi) The process for allocating Community Infrastructure Levy funds

8.5.3 Other Local Authorities eg:

- i) Museum “No Borders” Project with Broxbourne Borough Council and Epping Forest District Council, including joint funding bids to develop local museum strategies;
- ii) Management of Traveller Incursions through a Joint Committee with 12 other agencies including 10 Essex Councils as well as the Fire Service and Police.

8.5.4 Other Organisations eg:

- i) Abellio Greater Anglia as occupier of the land and organisation running the facilities at Chelmsford Railway station and Network Rail as land owners
- ii) Landowners and developers, related enabling development through property transactions such as, The Marconi and Chelmer Waterside sites.

9.0 Core Principle D: How We Identified and Established the Actions necessary to Ensure We achieved the Intended Outcomes, Planned for Them and Made Sure We Achieved the Optimum Results

9.1 The Council establishes and monitors progress of key projects through the use of programme plans. There is also a co-ordinated assessment of how the key objectives have been achieved as well as monitoring risks and taking action to address these. A number of Advisory Panels have been established involving Councillors as well as key officers, to advise on progress and risks, to ensure decisions required are reached in accordance with project plan timelines. The Terms of Reference for those formally established are set out in Part 3 of the Council’s Constitution. Examples of those where work has been ongoing in 2018/19 or have recently been established are shown in **Appendix A**.

9.2 Where appropriate there are formal agreements between the agencies to ensure that all aspects of the joint working are appropriately addressed, for example the Mill Yard project funding agreement.

10.0 Core Principle E: How We Developed the Capacity and Capability of our Organisation to Deliver the Required Outcomes

10.1 Where the Council lacks the skills or capacity to deliver projects assistance has been brought in. This is with a view to the transfer of skills where possible such as with the Digital Strategy. In other cases, consultants have been appointed, such as to:

10.1.1 Provide the design and project management for the Riverside Leisure Centre development;

10.1.2 Prepare the paperwork and strategy for the changes to the Chelmsford Museum;

10.1.3 Prepare the designs and options for the acquisition of modular units.

11.0 Core Principle F: How We Manage Risks and Performance through Robust Internal Controls and Financial Management

Fraud, Internal Audit and Risk Management

- 11.1 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 Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 11.2 The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement in line with the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Statement on the Role of the Head of Internal Audit. The annual opinion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 11.3 In assessing the level of assurance to be given, the following has been taken into account:
- 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.
- 11.4 It is the Audit Service Manager's opinion that the adequacy and effectiveness of the Council's arrangements is: Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required 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.
- 11.5 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 in the Internal Audit Annual Report 2018/19.
- 11.6 The Internal Audit annual opinion considers the number of limited assurance reports issued and their overall impact on the control environment. Key issues arising from these reports relating to governance arrangements include Digital Strategy, Cyber Security and Corporate Property.
- 11.7 The roles of internal and external audit complement each other. Both are concerned with the Council's control environment and both use an objective, risk-based approach in reaching their conclusions.

- 11.8 The Council employs an Accredited Financial Investigator who has been successful in assisting this and other councils in recovering money through the use of the Proceeds of Crime Act 2002.
- 11.9 The role of the Council's risk management function is to assist the Council to identify, understand and manage risks to its objectives.
- 11.10 In January 2019, the Council initiated a project to refresh its risk management framework. A revised Risk Management Strategy was presented to Management Team on 10 April and recommended to Audit Committee for approval in September. A new risk reporting format (including revised criteria for risk assessment) has been agreed to facilitate regular reporting of the Council's Principal Risks to Management Team and Members. As the revised framework is rolled out, Directorate risk registers will capture risks at local level.
- 11.11 The use of Pentana, the Council's risk and performance management system, is also being refreshed as part of the Risk Project. Following the planned relaunch of the Risk and Assessment modules, further work is being scheduled to support the roll out of Service Plans and performance indicators underpinning the new Corporate Plan.

Monitoring for fraud, corruption and maladministration

- 11.12 We have the following policies that aim to prevent or deal with such occurrences. Examples are set out in **Appendix A** as to how and when such issues are considered by Councillors and officers:

- Anti-fraud and Corruption Strategy
- Whistleblowing Policy
- Human Resources policies regarding disciplinary measures for staff involved in such incidents, and
- Fraud Response Plan for managers.
- Investigation Officer Guidance

Using Complaints Procedures to Identify Performance Concerns

- 11.13 The Council has well-established Whistleblowing as well as Comments, Compliments and Complaints schemes. Details of these are accessible on the Council's website and can be viewed [here](#). All these help us to assess whether there are any fundamental issues with the way the Council is operating. No major issues were identified in 2018-19 and the reports to the Governance Committee identified in **Appendix A** show that:

- 11.13.1 The Local Government Ombudsman's Annual Report indicated no issues of concern.
- 11.13.2 11 complaints were received under the Code of Conduct for Councillors relating to City and Parish Councillors. 3 cases merited full investigation of which 1 is subject to a Governance Committee hearing in June 2019. Two further cases were subject to a Governance Committee hearing which found no breaches of the Code of Conduct.
- 11.13.3 7 complaints received through the Whistleblowing Procedure.
- i) 2 were addressed by the services
 - ii) 1 was a complaint about policy
 - iii) 1 was not factually accurate
 - iv) 1 complaint did not wish to pursue the matter
 - v) 2 related to other local authorities' services

How we effectively manage our performance and the Council's approach to ensuring Robust Internal Controls

11.14 Details as to how we do this are captured in earlier parts of this AGS.

Managing Data

11.15 The Council has established Policies for dealing with Freedom of Information, Environmental Information and Data subject requests. The processes for dealing with them are included [on the Council's website](#) and there is a dedicated team that deals with requests and also complaints as regards Data Handling. 1,014 requests were dealt with during 2018/19 and 36 data breaches were identified.

11.16 The council has continued to progress the digital strategy which was approved in May 2017. In the past year we have migrated all the council's file data to outside buildings. This has allowed Councillors and officers to access all their file data outside of the office. It has given us much stronger data control with individuals being able to set the permissions and data expiry dates without the involvement of digital services. The foundations of the CRM platform have been completed with data security and permissions as a core requirement to everything we do. The ongoing simplification of the Council's IT estate has also given us much more control over the data we hold, more granular permissions and allowed us to start automating data retention.

Strong Public Financial Management

11.17 Our Financial Rules provide a concise set of principles to encourage the intended users to act in an empowered and accountable way when conforming to the rules. To ensure that the principles defined by the Financial Rules could be fully understood, we publish a set of practice notes to provide further guidance. They focus on various areas of Financial Management processes including the following:

- Assets control and security
- Fraud and Corruption
- Preparation of Budget
- Purchase Ordering and Invoice Payment
- Budgetary Control
- Insurance and Risk Management
- Contracts, External Partners and Third Party Working
- Income and Debt Management

11.18 We have established a financial planning process including a Medium-Term Financial Strategy, the preparation of a robust budget including a review of balances, and a reporting system of controlling spending against approved budgets.

11.19 We regularly review our financial systems, rules and risk arrangements to make sure they meet our needs and comply with best practice. We present regular reports to the Audit Committee on the work of Internal Audit, revenue and capital monitoring, risk management and the annual report and Statement of Accounts.

11.20 Containing spending within the allocated budget is a high priority for Directors and managers when managing performance. The Council has a rigorous revenue-monitoring process. Management Team and Cabinet Members are given a detailed monthly report, and a quarterly report is presented to the Audit Committee.

11.21 Our purchasing process identifies opportunities for better use of resources. The process is designed to encourage competition and ensuring compliance, giving a better deal for us and our purchasing partners.

12. Core Principle G: How We Implemented Good Practice in Transparency Reporting, and Measuring How We Delivered Effective Accountability

Implementing Transparency and Good Practice in Reporting

12.1 The Council complies with all legislative requirements in terms of publishing notices of executive key decisions to be taken and the Cabinet agendas in which the details are set out for Councillors to take these. The definition of “key decisions” are contained in Part 2 - Article 14 of the [Council’s Constitution](#).

12.2 Where such decisions are taken by officers, these too are documented and the Notices of the Decisions taken are published on the Council’s website. Occasionally decisions need to be taken urgently and the Chief Executive or in their absence the relevant director is authorised to do so under the Officer Scheme of Delegation in Part 3.4 of the Constitution. In such cases the procedures for taking these are included in the Executive Rules in Part 4.4 of the Constitution.

12.3 As regards, Full Council functions and decisions, a number of Committees have been established, the terms of reference for which are set out in Part 3 of the Constitution and where officers have been authorised to take these decisions, the terms for doing so are set out in the Officer Scheme of Delegation.

12.4 Template reports are available and used to ensure that any matter requiring approval at Committee identifies the legislative and legal issues that need to be addressed. Legal and Democratic Services are required to be consulted in the preparation of all reports and for executive decisions they are also considered by the Council’s Chief Finance Officer, Monitoring Officer and Director of Corporate services before they are published to ensure compliance with all legal and governance requirements.

Assurance and Effective Accountability

12.5 At least once a year we are responsible for reviewing the effectiveness of our governance framework, including the system of internal control. The review is informed by the following:

12.5.1 Managers in the Council who are responsible for developing and maintaining the governance environment and include the Chief Finance Officer and Monitoring Officer.

12.5.2 They meet regularly to monitor and where necessary review actions required under the Code of Corporate Governance and Annual Governance Statement.

12.5.3 The work of the internal auditors, and

12.5.4 Comments made by the external auditors and other inspection agencies.

12.6 The process listed below has been applied to maintain and review the effectiveness of our governance framework during the year and has been used as the evidence base for this AGS.

- 12.6.1 **Cabinet** - The Cabinet is responsible for monitoring overall financial and performance management and receives comprehensive quarterly reports about this. It is also responsible for monitoring the Corporate Plan's critical performance indicators and key projects, and completes this quarterly: details as to when this occurred appear in **Appendix A**.
- 12.6.2 **Overview & Scrutiny Committee** - There is a well-supported Overview and Scrutiny Committee with a work programme for the 12 months ahead and reviewed at each meeting of the Committee. A report on the work of the Committee is produced each year. Those addressed in 2018/19 are shown in **Appendix A**.
- 12.6.3 **Governance Committee** - The Committee has met regularly during the year and received reports on a wide variety of issues as identified in **Appendix A**. Of particular note are:
- i) The Committee received regular reports from the Monitoring Officer to ensure lawful decision-making and high ethical standards. Of specific note are that:
 - a) 10 complaints were received under the standards regime in 2018-19, none of which required formal investigations. The reporting on the outcomes are shown on the Council's website [here](#) and in **Appendix A**.
 - b) The Committee also received an annual report on Whistleblowing.
 - c) The Annual report was made on the Committee's work by the Chairman to Full Council and means that all the Committees responsible for monitoring the Council's governance continue to report annually to Full Council.
- 12.6.4 **Audit Committee** - The Committee met regularly during 2018/19. The Committee monitored budgets and the work of Internal Audit and deals with issues such as risk management, financial control systems and the relationship with external audit.
- 12.6.5 In accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice an annual report on the work of the Audit Committee was submitted to Full Council.
- 12.6.6 The Chief Financial Officer (CFO) makes regular reports to Cabinet and the Audit Committee on the state of our finances, the budget process, monitoring of expenditure against budget, the medium-term financial forecast and the annual report and statement of accounts. The CFO also presents other financial reports as necessary and therefore has the opportunity to add financial considerations to any reports.
- 12.6.7 **Internal Audit** - Internal Audit provides an independent and objective assurance service to Council management. It completes a risk-based programme of reviews throughout the year to provide an overall opinion on internal control, risk management and governance arrangements. Investigations is also responsible for fraud investigation and detection, which includes reviewing the control environment in areas where fraud or irregularity has happened. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

12.6.8 Performance Management - Corporate Performance Indicators are collated by Financial Services and presented to Overview and Scrutiny Committee every quarter. Directors meet the Chief Executive regularly to discuss performance and progress against their objectives. As new Service Plans are developed to support the new Corporate Plan, corresponding performance indicators will be reported regularly to Management Team.

12.6.9 Risk Management – Operational risk information on fire risk actions, business continuity testing outcomes, information security breaches and corporate health and safety recommendations continues to be recorded and managed through Pentana, the Council risk and performance management system. These sources of risk information act as key risk indicators for the Council.

12.7 The year-end review of governance arrangements and the control environment also included the following:

12.7.1 Obtaining assurance from the Chief Financial Officer under section 151 of the Local Government Act 1972 that they are content with information that all managers of key financial systems have given them about the adequacy of existing systems.

12.7.2 Reviewing external inspection reports received during the year.

12.7.3 Reviewing comments received from our external auditor on last year’s AGS.

12.7.4 Our financial management arrangements conform to the governance requirements of the 2016 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

12.7.5 Appendix A provides a more comprehensive listing of key governance processes and events that took place during 2018/19.

13.0 Targets for Improvement

13.1 The main improvements made to governance arrangements in 2018/19 are captured in **Appendix B**.

13.2 The following governance related matters have been identified to be monitored in 2019/20:

Important areas of governance for 2019/20	Responsible Officer
<p>Digital Transformation Project</p> <ul style="list-style-type: none"> - <i>Close monitoring whilst the project continues</i> - <i>Anticipating any future issues</i> 	<p>Director of Corporate Services</p>
<p>New Riverside leisure centre performance monitoring</p> <ul style="list-style-type: none"> - <i>Monitoring visitor numbers and bookings to see if the forecasted income revenue will be delivered.</i> 	<p>Director of Public Places/Director of Finance</p>
<p>New Corporate Plan performance monitoring</p> <ul style="list-style-type: none"> - <i>Work with new Cabinet to realign Corporate Plan to new priorities and monitor progress as plan is implemented.</i> 	<p>Management Team</p>

<p>Cabinet Members reporting to Overview and Scrutiny Committee</p> <ul style="list-style-type: none"> - <i>Feedback from the Overview & Scrutiny Committee as to whether this is beneficial.</i> - <i>Feedback from the Monitoring Officer and Director of Corporate Services on how this progresses.</i> 	<p>Director of Corporate Services/Monitoring Officer</p>
<p>Cyber Security</p> <ul style="list-style-type: none"> - <i>Implementation of Cyber Security strategy and ongoing monitoring of cyber security risk</i> 	<p>Director of Corporate Services</p>

14. Certification

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

Signed.....
 Leader of the Council

Signed.....
 Chief Executive

Signed.....
 Director of Financial Services

Date: 2019

2018/19 Calendar of key Governance events

June 2018

Development Policy Committee-

- Chelmsford Local Plan – Submission for Examination in Public

Treasury Management Sub Committee-

- Treasury Management Outturn Report 2017/18

Overview & Scrutiny Committee-

- End of Year Key Performance Report 2017/18
- Annual Report on the Scrutiny Function 2017/18

Joint Audit & Governance Committee-

- Review of Local Code of Corporate Governance and Annual Governance Statement 2017/18

Governance Committee-

- Annual Report of the Governance Committee 2017/18
- GDPR Update
- Interim Polling District Review for the Beaulieu Park Development Area

Audit Committee-

- Revenue Outturn Position for 2017/18
- Capital Programme Update and Outturn
- Audit Committee Annual Report 2017/18
- Audit Committee Terms of Reference
- Internal Audit Annual Report 2017/18

Employment Committee

- Decision on the Appointment of the Director of Financial Services

July 2018

Cabinet-

- Treasury Management Outturn Report 2017/18
- Capital Programme Outturn 2017/18
- Medium Term Financial Strategy
- Changes to Housing Allocations Policy

Audit Committee-

- Audit Results Report 2017/18
- Digital Transformation progress
- Update on Housing Services and Modular Units

Development Policy Committee-

- Strategic Land Availability Assessment Annual Publication

Full Council-

- Annual reports from the Overview & Scrutiny Committee, Governance Committee and Audit Committee

September 2018

Licensing Committee-

- Gambling Act 2005 – Statement of Policy

Regulatory Committee-

- Review of the Current Operator Licence Conditions
- National Anti-Fraud Network Database

Audit Committee-

- Digital Transformation progress
- Annual Audit Letter
- Revenue Budget Monitoring

October 2018

- Internal Audit External Quality Assessment

Cabinet-

- Leisure Services Pricing Strategy
- Air Quality Strategy
- Gambling Act 2005 – Statement of Licensing Policy

Governance Committee-

- Complaints to the Local Government and Social Care Ombudsman – Annual Review
- Annual Whistleblowing Report
- Review of the Council’s Constitution

Treasury Management Sub Committee 2018/19

- Treasury Management Mid-Year Review 2018/19
- Update on Treasury Issues

November 2018

Development Policy Committee-

- Chelmsford City Council Authority Monitoring Report
- Planning Obligations SPD Consultation Feedback

Cabinet-

- Treasury Management Mid-Year Review 2018/19
- Mid-Year Budget Review 2018/19
- Amendments to Constitution

Overview & Scrutiny Committee-

- Quarter One & Two 2018/19 Performance Report
- Task and Finish Group on Voter Registration
- Terms of Reference for Task and Finish Group

December 2018

Full Council-

- Amendments to the Constitution
- Treasury Management Mid-Year Review 2018/19
- Mid-Year Budget Review 2018/19
- Gambling Act 2005 – Statement of Policy

Audit Committee-

- Digital Transformation Budget Report
- Housing Services Transformation & Modular Housing Project Review
- Capital Programme Update & Monitoring
- Certification of Claims and Returns Annual Report 2017/18
- Risk Management Update
- Internal Audit Interim Report

Treasury Management Sub Committee-

- Treasury Management Strategy 2019/20

January 2019

Governance Committee-

- Annual Governance Statement Objectives Update
- Appointment of Independent Persons
- Standards Complaints

Cabinet-

- Options for Local Council Tax Support Scheme 2019/20
- Amendments to Business Rate Discretionary Relief Policy
- Council Tax – Changes to Charges and Discounts for Empty Properties

February 2019

- Treasury Management Strategy 2019/20
- Revenue Estimates 2019/20
- Capital Strategy
- Capital Programme Update
- Allocating and Spending Community Infrastructure Levy

Overview & Scrutiny Committee-

- Quarter Three Performance Information Report
- Annual Presentation by Safer Chelmsford Partnership
- Annual Presentation by Essex Police
- Annual Report on Housing Delivery
- Terms of Reference for Task and Finish Group

Full Council-

- Pay Policy Statement 2019/20
- Designation of Monitoring Officer
- Finance reports from January Cabinet

Development Policy Committee-

- Chelmsford Draft Local Plan – Post Examination Hearing Update
- Essex County Council Chelmsford Park and Ride Consultation

March 2019

Cabinet-

- Business Continuity Planning for an EU Exit
- Modern Slavery & Human Trafficking Statement 2019
- Corporate Plan

Audit Committee-

- Annual Audit Plan 2018/19
- Digital Programme Budget
- Revenue Budget Monitoring
- Draft Internal Audit Plan 2019/20
- Internal Audit Charter 2019
- Risk Management Update
- Annual Investigation Report
- Accounting Policies for the 2018/19 Statement of Accounts

May 2019

Annual Council-

- Arrangements for and Appointments to City Council and Outside Bodies

Progress of outstanding Governance Issues identified for 2018/19

Governance Issue	Progress	Outcome	Core Principle
Ensuring compliance regarding the governance arrangements for the Riverside Ice and Leisure Centre redevelopment.	As this project has progressed through the contract implementation stage project governance has focused on regular [monthly] client co-ordination meetings attended by representatives of the Council, the appointed professional services team and the project manager. A corresponding contract progress review meeting also takes place on a similar frequency including those attending the client meeting + representatives of the main contractor and the contract administrator. All meetings have full minutes, but circulation is restricted due to the commercial sensitivity of much of the content. Any key political issues arising are reported through regular Cabinet Member briefings.	To provide overview of the project a monthly meeting between the Council's Senior Management Team, the project manager and the professional services team also takes place. This is led by the Director of Public Places. All meetings have full minutes, but circulation is similarly restricted due to the commercial sensitivity of much of the content.	F&G
Ensuring compliance regarding the governance arrangements for the Digital Transformation.	We have made several changes to the governance of the digital transformation programme; including creating a business committee where the programme better integrates the delivery into the wider council as well as providing additional oversight.	The programme continues to be monitored by the IT strategy board and continues to engage the wider authority in a number of ways	F&G
Ensuring compliance regarding the governance arrangements for the new Local Plan.	The Hearing Sessions of the Examination in Public into the Submitted Draft Local Plan was completed in December 2018 by a Government Inspector. Proposed modifications to the Plan arising from this examination have been agreed with the Inspector and will be subject to a final round of public consultation in the Summer of 2019.	Adoption of the Local Plan is programmed for the Autumn of 2019.	F&G

Appendix B

<p>Ensuring compliance regarding the governance arrangements for the changes in Housing Services.</p>	<p>The transformation of the housing service has continued throughout 2018/19, with the new staffing structure being implemented and all posts recruited to. A suite of Key Performance indicators has been developed to monitor performance, alongside regular budget monitoring. New staff have undergone training and have been supported by the internal support process to ensure roles are well understood.</p>	<p>KPIs are reported regularly to the Cabinet Portfolio holder and Director. Additional KPIs are being added to improve monitoring during 2019/20. Issues causing overspend against the 2018/19 budget have been identified and corrective measures are being put in place for 2019/20.</p>	<p>E,F&G</p>
<p>Ensuring compliance regarding the governance arrangements for the Museum redevelopment.</p>	<p>Throughout 2018/19 the Museum Project Board have met to receive update reports and reviewed the project progress against the agreed programme. They have reviewed the management of risk, monitored the financial budget and assessed the development of the project against the agreed aims and objectives of the project.</p>	<p>This has included reviewing the procurement process of the main contracts (main works contractor, fit-out contractor, café operator), as well as the approval and challenge of decisions involving the Museum branding and communications strategy, as well as the value engineering elements of the main contract and fit-out contract, resulting in the overall project remaining within budget.</p>	<p>F&G</p>

- Core Principle A** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Core Principle B** Ensuring openness and comprehensive stakeholder engagement
- Core Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
- Core Principle D** Determining the interventions necessary to optimise the achievement of the intended outcomes
- Core Principle E** Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Core Principle F** Managing risks and performance through robust internal control and strong public financial management
- Core Principle G** Implementing good practices in transparency, reporting and audit to deliver effective accountability

CHELMSFORD CITY COUNCIL

NOTICE OF APPOINTMENT OF A LOCAL AUDITOR

For audits of accounts from 2018/19, Public Sector Audit Appointments limited (PSAA) is designated as an 'appointing person' under regulation 3 of the Local Audit (Appointing Person) Regulation 2015 and is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. Chelmsford City Council has opted into this arrangement.

Under regulation 13 of the Local Audit (Appointing Person) Regulation, at its meeting held on 14 December 2017, the PSAA Board appointed BDO LLP to audit the Chelmsford City Council accounts for a period of 5 years from 2018/19 to 2022/23.