

# Audit and Risk Committee Agenda



**21 June 2023 at 7pm**

**Marconi Room, Civic Centre, Chelmsford**

## **Membership**

Councillor N. Walsh (Chair)

## **and Councillors**

N. Bugbee, D. Clark, N. Dudley, K. Franks, I. Grundy, B. Knight, J. Raven, and A. Sosin

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

# Audit and Risk Committee

21 June 2023

## AGENDA

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

To consider the minutes of the meeting held on 15 March 2023.

### 4. Declaration of Interests

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

### 5. Public Question Time

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

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

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

### 6. Announcements

7. Risk Management Report – Spring/Summer 2023
8. Update on External Progress
9. Provisional Revenue Outturn Report for 2022/23
10. Capital Programme Update and Provisional Outturn 2022/23
11. Internal Audit Annual Report 2022/23
12. Audit & Risk Committee Annual Report 2022/23
13. Audit & Risk Committee Terms of Reference and Compliance with New CIPFA Audit Committees Position Statement
14. Work Programme
15. Urgent Business

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

MINUTES OF THE  
AUDIT AND RISK COMMITTEE  
held on 15 March 2023 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors, D.J.R. Clark, N.A. Dudley, J.M.C. Raven, M. Sismey, and A.B. Sosin

Also present: Councillor C. Davidson

### 1. Attendance and Apologies for Absence

Apologies for absence were received from Councillor Daden and Councillor Sampson

### 2. Minutes

The minutes of the meeting on 14 December 2022 were confirmed as a correct record.

### 3. Declarations of Interests

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

### 4. Public Questions

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

### 5. Announcements

The Chair thanked the Committee and officers for their contribution and hard work over the last year.

## 6. External Audit Update (Verbal)

The Committee received a verbal update from the Section 151 Officer on the progress made by the external auditors. It was noted that the external auditors had signed off the 2020/21 accounts. The delays in signing off the accounts was, as previously reported, due to lack of external audit resource. The Audit completion report had yet to be finalised but would be circulated to committee members shortly. The Committee was informed that an update and presentation from the external auditors was set to happen at the June Audit and Risk Committee meeting. The inspector had received the timetable and this would be reported back to the Committee.

RESOLVED that

- the verbal update be noted, and
- the Committee thanked the officers for their work.

(7.03pm to 7.06pm)

## 7. Internal Audit Plan 2023 and Charter

The Committee received a report detailing the Internal Audit Plan and the Internal Audit Charter 2023.

The Committee was informed that the Internal Audit Plan 2023 was being presented ahead of its start in April 2023. As with previous years, the Committee was informed that the Internal Audit Plan that was developed was based on a prioritisation of the audit universe using a risk-based methodology and focusing on the key risk areas and considering the available resources. The plan highlighted the role of independent assessment against those risks and any other local or national risks that emerge. The plan had been shared with the senior management team for opportunity to suggest any work.

The Committee was also informed of the slight change in the approach. It was informed that before, a twelve-month approach was planned however this created limitations as various risks sometimes emerge throughout the year which could cause changes to the original plan. A six-month approach has instead been suggested which will create flexibility and capacity to respond to higher risks that could emerge in that period. There remains capacity for follow ups and revisiting previous work. The Committee was informed that the indicative scopes were deliberately broad to allow flexibility and be able to focus and develop the scope at the time of the review.

The Committee was then updated on the Internal Audit Charter 2023 which was the governance framework for Internal Audit. It set out the standards and statutory requirements. It was also noted that there were no material changes from the last year.

In response to the query regarding communication, it was noted that the Charter would be amended to additionally reflect the annual report which is sent from Audit & Risk Committee to Full Council.

RESOLVED that;

- the Internal Audit Plan for 2023 and Internal Audit Charter be noted, and
- the Committee thanked the officers for the robust report.

(7.06pm to 7.14pm)

## 8. Counter Fraud Strategy Action Plan Update

The Committee received a report detailing the update in relation to the Counter Fraud Strategy Action Plan to March 2023. Actions that were to be undertaken were:

- Updating the Council's Fraud Risk Register
- Producing a revised Fraud Response Plan
- Reviewing the Whistleblowing Policy
- Developing and refreshing training and awareness activities for employees
- Developing National Fraud Initiative (NFI) operations protocol.

With regards to updating the Council's Fraud Risk Register, it was noted by the Committee that the overall Principal Risk of fraud was broken down to 20 different risk areas that were susceptible to fraud based on consideration of CIPFA's annual Counter Fraud and Corruption Tracker adapted for the Council. Risks identified had been assessed to calculate a more accurate rating. The adequacy of controls in place would be reviewed, supported by independent assurance from internal audit, and highlight where further mitigation would be required. There is also an anti-bribery and corruption risk assessment in the process of being developed. It was noted that the risk register was a live document and that it would be kept updated.

Regarding anti-fraud training, the Committee was informed that this training would be rolled out to all Council members and officers including temporary and agency workers. Following the Bribery and Corruption risk assessment, the training would be more targeted. This would take a bit of time, however members were assured that this would be a worthwhile exercise and it is anticipated would have started to be rolled out by June.

RESOLVED that the Counter Fraud Strategy Action Plan Update be noted.

(7.14pm to 7.22pm)

## 9. Accounting policies for the 2022/23 Statement of accounts

The Committee received the updated accounting policies for the 2022/23 statements of accounts which represent specific principles that will be applied in the annual statements of accounts. The Committee was informed that the accounting policies were aligned to the CIPFA Code of Practice that is updated annually with new legislation and international standards. The Committee was informed that there were no significant changes to the 2022/23 Code and the expected implementation of a new financial standard on leasing (IFRS 16) was postponed until the 20224/25 accounts. This was in recognition of the additional workload as consequence of the external audit

delays. There had been some minor changes to the wording to give more clarity. The accounting policies highlighted critical judgements and the different treatments to grants from the government.

Regarding the proposed audit deadlines, which had not been formally confirmed; the Committee noted that the auditor deadlines had been reverted back to 30<sup>th</sup> September for 2022/23 accounts from 30<sup>th</sup> November for the 2021/22 accounts. The local authority publication deadline was also reverted to 31<sup>st</sup> May for 2022/23 accounts from 31<sup>st</sup> July for the 2021/22 accounts. The Council would aim to produce the accounts by 31<sup>st</sup> May however there would be difficulty for many authorities to meet this. This was due to strain on resources caused by audit delays and other challenges in the current economic climate.

RESOLVED that;

- the Accounting policies for the 2022/23 Statements of accounts be noted, and
- the Committee thanked officers on bringing the policies together.

(7.22pm to 7.26pm)

## 10. Audit and Risk Committee Work Programme

The Committee was updated of the rolling work programme setting out the future reports and work. They were informed that there were no changes made to the work programme.

RESOLVED that the work programme be noted.

(7.26pm to 7.27pm)

## Exclusion of the Public

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

## 11. Counter Fraud Investigations Update

The Committee received a detailed update regarding the two fraud investigations that were highlighted in the last meeting.

RESOLVED that the update be noted.

(7.27pm to 7.44pm)

## 12. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 7.45pm.

Chair

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Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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## **Risk Management Report – Spring/Summer 2023**

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Report by:

Director of Connected Chelmsford

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Officer Contact:

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

Graham Page, Risk and Insurance Manager, [Graham.page@chelmsford.gov.uk](mailto:Graham.page@chelmsford.gov.uk)

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### Purpose

This report:

- summarises the current position for the Council's Principal Risks
- Outlines risk management activity for 2022/23

### Recommendation

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

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## 1. Background

- 1.1. It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:
- ✓ encourage responsible, informed risk taking within our risk appetite
  - ✓ reduce exposure to a tolerable level using a justifiable level of resources
- 1.2. An effective risk management framework should:
- ✓ provide risk information to support decision-making and resource allocation

- ✓ improve compliance with policies, procedures, laws and regulations and stakeholder expectations; and
- ✓ provide assurance to internal and external stakeholders that the Council is well-managed

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

## 2. Risk management activity for 2023/24

2.1 The Council has a new Risk and Insurance Manager in post, so we are in a period of change and review. This will result in a review of the Council's risk profile, risk appetite and the insurance programme to ensure the correct level of protection is in place for the key risks identified in the review.

2.2 The Council's Risk Management Strategy was last reviewed by this Committee in December 2022. Progress against the agreed priorities is summarised below:

Priority	Objectives for 2022-23
Corporate Risk Maintaining the Principal Risk Register and detailed risk work according to priority.	<ul style="list-style-type: none"> <li>✓ Principal Risks Register review and refresh with the senior management team – Q3 2023</li> <li>✓ Implementation of Lighthouse, the new risk management and compliance tool.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>✓ Quarterly Health and Safety (H&amp;S) and Fire Risk Assessment (FRA) compliance reporting to Management Team.</li> <li>✓ Corporate risk reporting to Management Team.</li> <li>✓ Our Chelmsford, Our Plan (OCOP) and Climate and Ecological Emergency (CaEE) Action Plan performance reporting to Overview and Scrutiny Committee</li> <li>✓ Support the Health and Wellbeing Action Plan</li> </ul>
Insurance Refresh Reviewing claims, underwriting and reporting	<ul style="list-style-type: none"> <li>✓ Full insurance programme review to ensure it is in line with our risk appetite and good value for money, in preparation for insurance tender in 2024/25</li> <li>✓ Ongoing development of claims reporting and claims analysis to improve financial forecasts for the Council's insurance reserve</li> </ul>

Priority	Objectives for 2022-23
processes, with staff development taking place to support this work.	<ul style="list-style-type: none"> <li>✓ Ongoing reviews into systems, record keeping and up to date valuations for Fine Arts, Motor, Contract Works and General Property cover</li> <li>✓ Risk management training for newly elected members.</li> </ul>
Operational Risk Exploring how work to maintain the Council's insurance programme can boost operational risk management across the Council	<ul style="list-style-type: none"> <li>✓ Health and Safety Driving at Work Policy developed in conjunction with Public Health and Protection to address driving risk and satisfy insurers requirements.</li> <li>✓ Motor Insurers operational review of current policies and procedures and ensuring completion of their risk improvement actions.</li> <li>✓ Pending implementation of a more user-friendly risk and compliance tool, insurance data will contribute toward populating operational risk registers, ensuring that they become a useful and relevant management tool at local level.</li> </ul>

- 2.2 The focus of the next two quarters will be to fully implement the Lighthouse Actions Manager software solution across the organisation and support all users. The other key priority is to review and refresh the key strategic risks with management team and report these through Lighthouse Risk Module.

### 3. Principal Risk Summary

- 3.1 The Principal Risk Register is central to the risk management framework. The Principal Risks (which may include strategic, operational, project or compliance risks) are those which require regular oversight at senior level. Management Team receive detailed information from the Register to ensure that, where necessary, action is taken to further mitigate risks outside the Council's indicative risk appetite.
- 3.2 A summary of the Council's Principal Risks can be found in [Appendix 1](#). Much of the detailed information contained within the underlying Register is operational and may, in some cases, be sensitive. Councillors are, therefore, invited to request further detail on risks of particular interest or concern to them for circulation after the meeting.
- 3.3 PRR022 Theatre Refurbishment and Rebranding
- The refurbishment of the Theatre has been a key risk for recent Risk Management Reports, but is now complete, pending final legal completion and handover. In view of this, the refurbishment project has been removed as a strategic risk.

- 3.4 Any apparent lack of change to other risk scores is not a direct reflection of the level of work carried out by Services or the Council as a whole, as:
- Some risks may be heavily influenced by external factors outside the Council's control
  - Where inherent risk is increasing, additional work may have been undertaken to maintain the same current risk level
  - A full risk refresh will be undertaken in August 2023 and presented to Audit Committee in December 2023

## 4. Conclusion

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

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### List of appendices:

Appendix 1 – Principal Risk Summary

### Background papers:

None

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## Corporate Implications

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

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

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

**Personnel:** The corporate risk management framework is being implemented within existing staff budgets.

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

role in overseeing the effective operation and development of risk management at the Council.

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

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

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

**Other:** None

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#### Consultees:

Management Team, Audit Services Manager, Section 151 Officer,

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#### Relevant Policies and Strategies:

Risk Management Strategy

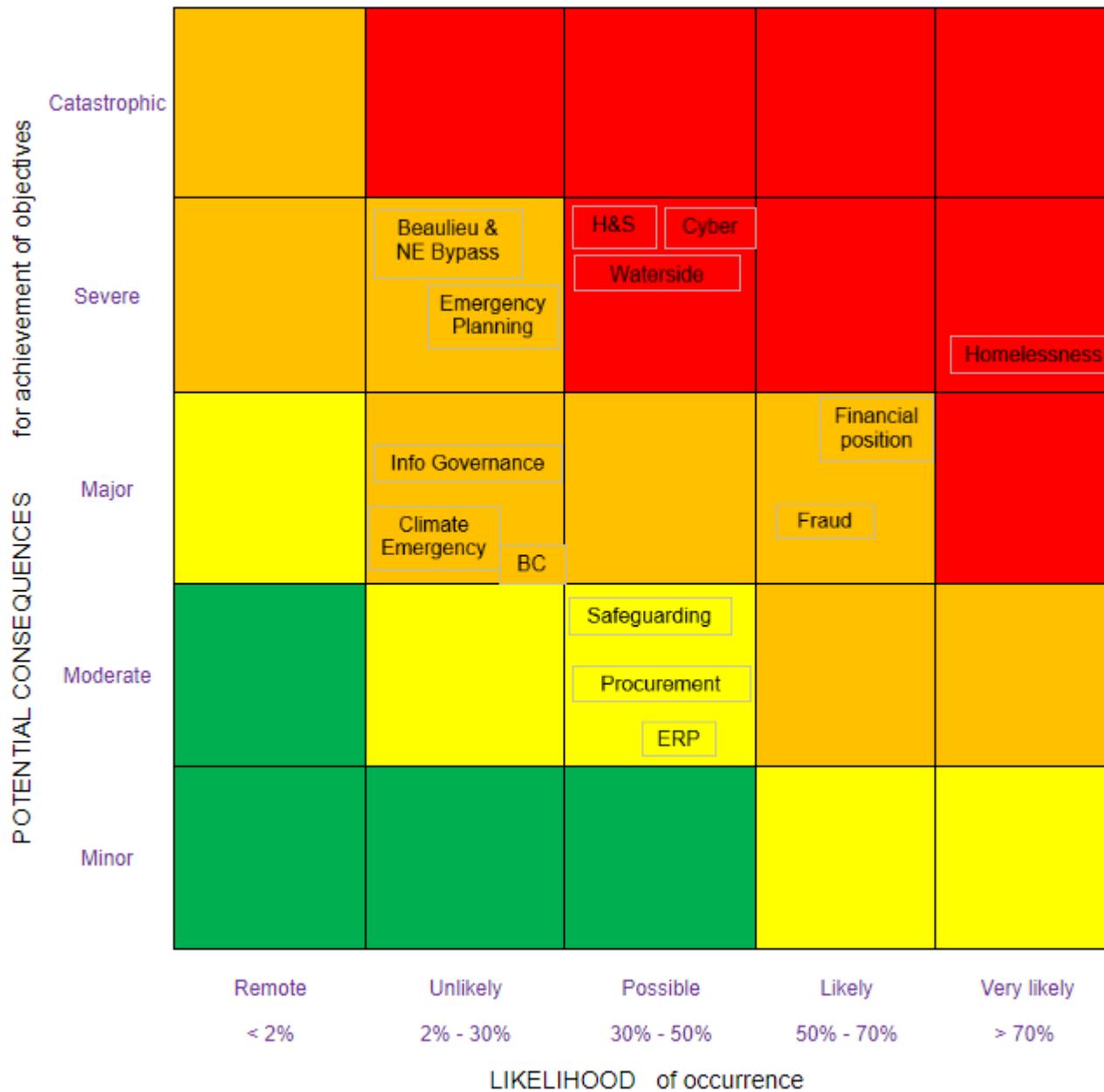
Our Chelmsford, Our Plan

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Comments
PRR 006	Homelessness	Operations	Fairer and Inclusive Chelmsford	David Green	Very High	22		Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	A Housing Action Group has been recently formed to address current housing challenges and consists of senior officers across the authority lead by Revenues and Benefits Services Manager. This group will update Management Team of its progress. Increased provision for rough sleepers remains in place.
PRR 001	Cyber Security	Operations	All Themes	Louise Goodwin	Very High	18		Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer.
PRR 014	Health and Safety	Legal and Regulatory	Safer and Greener Place	Keith Nicholson	Very High	18		A serious health and safety incident occurs	The Council annual Health and Safety (H&S) audit programme continues using H&S specialists, Peninsula, with outstanding actions monitored on TechOne and submitted regularly to Management Team for review.

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Comments
PRR 012	Chelmer Waterside Development	Projects	Safer and Greener Place	David Green	Very High	18		The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan	While short-term financial exposure is increasing as the programme progresses, in line with expectations and inflationary pressures, good progress on the infrastructure delivery continues to be made. Planning permission has been granted for both the new access road/bridge and the relocation of the gas infrastructure, and the first phase of land contamination has begun. Consultant project managers monitor and report monthly on project risk and performance.
PRR 019	Income and Financial Position	Financial	All Themes	Nick Eveleigh	High	16		The sustainability of the Council's financial position is challenged	Ongoing financial pressures are being monitored and mitigated through Council's Medium-Term Financial Strategy, budget setting, and capital and revenue monitoring cycles. The 2022-23 budget and strategy papers were submitted to Full Council in February 2023 and discuss financial risk in detail.
PRR 005	Fraud	Financial	All Themes	Nick Eveleigh/ Louise Goodwin	High	16		Major fraud attempt (potentially undetected) is successful and there is little or no recourse for the Council	Inherent risk remains high due to the ongoing effects of the pandemic, including increased cyber-enabled fraud attempts. Detailed fraud risk assessment has been completed and a fraud action plan is in place. Counter-fraud e-learning for high-risk roles is being planned for officers.

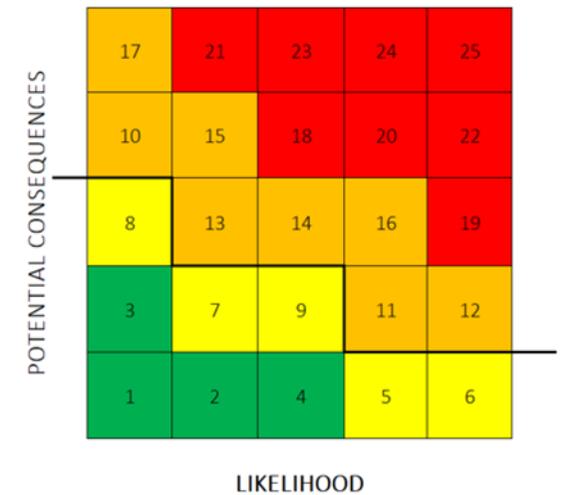
Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Comments
PRR 004	Emergency Planning	Operations	Safer and Greener Place	Keith Nicholson	High	15		Ineffective emergency planning response breaches the Council's duties under the Civil Contingencies Act	The Council continues to work with Essex Resilience Forum to ensure it is well-placed to respond.
PRR 020	Beaulieu Station & Chelmsford NE Bypass	Projects	Fairer and Inclusive Chelmsford	David Green	High	15		Funding is partially or wholly withdrawn resulting in non-delivery of key infrastructure	Essex County Council continues to lead on risk management, and good progress on both projects continues to be made. Planning permission for the Bypass was granted in March 2022 and the reserved matters application for the Station has been submitted. Both projects are currently on schedule and within budget.
PRR 016	Information Governance	Legal and Regulatory	All Themes	Louise Goodwin	High	13		A serious data breach occurs and/or other significant instance of non-compliance with data legislation	Implementation of the Council's GDPR action plan continues. Inherent risk of the very highest financial penalties for non-compliance being issued to local government bodies appears reduced.
PRR 021	Climate and Ecological Emergency	Reputation	Safer and Greener Place	Keith Nicholson	High	13		The Council fails to effectively engage with the environmental agenda	Implementation of the Council's <a href="#">Climate and Ecological Emergency Action Plan</a> continues.

Ref	Risk Title	Category	Our Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Trend	Risk Event	Comments
PRR 003	Business Continuity	Operations	All Themes	Keith Nicholson	High	13		Ineffective business continuity response enables an event to disrupt Council operations to a greater extent than planned for	Council strategy is being adapted (a) for changes to working patterns and the digital environment (b) to focus on operational resilience (rather than specific events). The Council remains well-placed to respond.
PRR 017	Procurement Strategy	Financial	All Themes	Louise Goodwin	Medium	9		Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation	Central procurement processes are more agile and robust and wider contract oversight is improving with the use of One Council. Residual risk lies with the Services.
PRR 010	Enterprise Resource Planning	Projects	All Themes	Louise Goodwin	Medium	9		The intended benefits of the TechOne system are not realised in full	Priorities for TechOne development are under review by TechOne Board/ Management Team in conjunction with the Digital Services.
PRR 015	Safeguarding	Legal and Regulatory	Safer and Greener Place	Keith Nicholson	Medium	9		A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented	The most recent Section 11 safeguarding audit (by Essex Safeguarding Board-moderated self-assessment) in September 2021 gave positive assurance that safeguarding objectives are being met. Audits are normally every 2 years so we would be expecting to complete another audit later on this year.



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

Indicative risk appetite



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

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

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## Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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### Update on External Process

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Report by:  
Accountancy Services Manager (Section 151 officer)

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Officer Contact:  
Phil Reeves, Accountancy Service Manager (s151) , Email: [phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk) :  
(01245) 606652

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#### Purpose

This is an update on the backlog of external audit assessments nationally and at the City Council. A delegation is requested to Chair to review and agree the overdue 2020/21 Value for Money Assessment once completed by the Council's external auditor.

#### Recommendations

1. That the Committee notes the information on the current delays in external audit assessments of the Council
  2. That Committee approves a delegation for the Chair to review and agree the contents of the 2020/21 Value for Money Assessment once completed by the Council's external auditor.
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## 1. Introduction

1.1 As reported at previous committee meetings, there are significant delays to the external audits at Chelmsford Council and in nearly all local authorities nationally.

1.2 With the start of a new electoral cycle, it is appropriate to provide a position statement on the audit of Chelmsford accounts.

1.3 The lateness of the audits over the last few years has implications not just for the scrutiny of accounts, but also for the workload of the Council.

## 2. Background

The table below shows deadlines set by Government for the publication of draft accounts and their audit. It also identifies how City Council and external auditors have performed against those deadlines.

Year	Audit Firm	Draft Accounts published	Accounts statutory date for publication	Audit Sign off	Audit deadline
2017/18	EY	31/05/18	31/05/18	18/07/18	31/07/18
2018/19	BDO	31/05/19	31/05/19	4/02/20	31/07/19
2019/20	BDO	17/07/20	31/08/20	18/05/21	30/11/20
2020/21	BDO	26/07/21	31/07/21	9/03/23	30/09/21
2021/22	BDO	20/07/22	31/07/22	TBA	31/11/22
2022/23	BDO	15/06/23 target	31/05/23	TBA	30/09/23

Around 2015/16, the statutory publication and audit completion deadlines were moved forward to 31st May and 31<sup>st</sup> July respectively. This was in response to HM Treasury wishing to consolidate all public sector bodies into Whole Government Accounts.

The publication and audit deadlines have been moved back on several occasions reflecting mostly Covid driven issues. The deadline for 2022/23 has been brought forward post-pandemic to 31st May 2023, though it should be noted that this is in context nationally of most English local authority audits being several years behind. The audit deadline is 30th September for the next 6 years (ending 2027/28).

The City has one outstanding audit for 2021/22, having had its 2020/21 audit signed off on the 9<sup>th</sup> March 2023. The audit has not yet started for 2021/22 and the timetable to start has not yet been put forward to Council by BDO. When available, this timetable will need to be agreed by the S151 officer to ensure it is practical for the Council.

Nationally, the position regarding late audits is dire with ( as of March 2023) only 16% of 2021/22 audits having been finalised. There is a significant number of authorities whose audits for accounts prior to 2021/22 have not yet been completed. In December 2022, it was identified nationally that there were 630 uncompleted audits stretching back in some cases as far back 2017-18.

The Council's auditors make a separate Value for Money (VFM) assessment each year on the Council finances. It must be completed 3 months after the statement of accounts audit. BDO are in the process of completing the 2020/21 VFM assessment. Given the difficulty of determining when the VFM assessment will finish and it relates to 2020/21, it is pragmatic to delegate to the Chair of Audit and Risk Committee authority to review and sign off the VFM assessment. Should a material matter be identified by the Auditor, it would be formally reported to the next available Audit and Risk Committee.

The table of deadlines above shows the Council has always met the publication deadlines. However, the committee has been previously advised by the S151 officer that this is increasingly difficult due to the disproportionate resources officers now must put into supporting the external audit process due to its demands and length. An audit used to last 5-10 weeks but now takes over 12 months. An example of this additional workload is that the 2021/22 accounts now have to be adjusted in the light of changes in pension fund assumptions on top of completing the 2022/23 accounts. If the 2021/22 accounts had been audited on time, this would not have been necessary. The 2022/23 publication of draft accounts is now expected to be 2 weeks late and take place in mid-June rather than 31<sup>st</sup> May. Feedback from other local authorities and CIPFA (the national accounting body for local authorities) has highlighted that the late publication of the 2022/23 accounts seems to be a common issue nationally.

### 3. National Arrangements Governing External Local Audit Provision

3.1 The Council, like nearly all English authorities, procures its auditors through a joint purchasing body: the PSAA.

3.2 The cost of the external audit fees fell dramatically from 2010 and the PSAA arrangements continued that trend.

3.3 However, for the latest procurement exercise running for 5 years from 2023/24, the fees increased from £88k per year to £186k. Reflecting that, some audit firms are no longer prepared to deliver to local audit services. It could be hoped this will deliver a higher level of resources for audits.

3.4 The regulatory body governing auditors, the FRC (Financial Reporting Council), does not allow any auditor to be judged on the timeliness of their audit. The measures of audit quality can only relate to meeting the regulatory determined standards of the audit process. The City Council nor PSAA can therefore neither penalize nor reward the auditor to finish on time. However, the new audit contracts do allow for the client not to pay the auditor until certain stages of the audit are complete.

3.5 The PSAA, when tendering for new contracts, found a number of audit firms withdrew from the local authority market. From 2023/24, the City Council's auditor

will be the firm EY.

#### 4. Causes of National Problem of Audit Delays and national solutions

4.1 There is some disagreement between external auditors and local authority officers over the causes. Broadly, the causes are viewed to be:

- i) Staff shortages in the audit sector, which have been made worse as audit delays have made the job less attractive
- ii) The pandemic caused delays making existing pressures unmanageable
- iii) Overly complex local authority accounting rules
- iv) Requirements placed on the auditors by regulatory bodies which are not appropriate to public sector audits and excessively time consuming
- v) Inflexible audit approach not suited to local stance and risk, driven by over-prescriptive FRC regulation of auditors.
- vi) Failure of some Councils to provide quality and timely accounts which diverts limited audit resource
- vii) The earlier deadlines for audit which do not fit external audit firms' other workloads such, as the NHS
- viii) Local Authority audits are possibly given lower priority than other clients.

4.2 Various proposals are being considered to resolve the crisis and it now appears that the Government is strongly pushing for solutions to fix the problems. Additionally, the FRC has created a new post: the Director of Local Audit. They have shown a strong willingness to seek constructive solutions to the problem(s).

4.3 There have been several workshops, consultations, and a Parliamentary committee being run with stakeholders. Officers from the City Council have responded whenever asked. Indications from some of those stakeholders are that national initiatives could be announced soon.

4.4 It should be noted that the Council's officers have provided all information requested by the external auditor in a prompt manner. BDO have not identified the provision of information from the Council as a cause of the delays.

#### 5. Summary

5.1 BDO have been consulted on the contents of this report.

5.2 The council's external audit process is significantly behind where it should be, and it seems likely to remain so for the foreseeable future.

5.3 The resolution of the audit delays will likely only come from actions taken at national level.

5.4 Unless solutions are found nationally to the audit backlog, Council staff will continue to find it difficult to complete the accounts by the earlier 31<sup>st</sup> May deadline.

5.5 The lateness of the audits will result in an increased number of restatements (changes) of previous year's figures, as new information comes to light. This creates additional workloads, and gives the impression that the accounts were incorrect when published, which is not the case.

5.6 Officers will present the draft audited 2022/23 accounts to the September Audit and Risk committee and will provide appropriate training relating to them.

5.7 Recommend a delegation to the Chair of Audit and Risk Committee giving authority to review and sign off the VFM assessment. Should a material matter be identified by the Auditor, it would formally be reported to the next Audit and Risk Committee.

List of appendices:

None

Background papers:

Nil

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## Corporate Implications

Legal/Constitutional:

The report needs to be presented to comply with the Accounts and Audit Regulations 2015

Financial:

None

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity: None

Health and Safety:

None

Digital:

None

Other:

None

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Consultees:

None

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Relevant Policies and Strategies:

None directly relevant

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## Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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### **Provisional Revenue Outturn Report for 2022/23**

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#### **Report by:**

Accountancy Services Manager (Section 151 Officer)

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#### **Officer Contact:**

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#### **Purpose**

This report is for noting and informs Members of the revenue outturn position for 2022/23.

#### **Recommendations**

1. It is recommended that the revenue outturn position for 2022/23 and actions arising be noted.
  2. Note that supplementary estimates will be sought to approve the items for carry forward budgets in 23/24 due to 22/23 underspends as highlighted in 3.2 below
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#### **1. Summary**

- 1.1. This report identifies Council expenditure and income for 2022/23 compared to the approved budgets. This assessment is needed for members to consider financial performance in the year but to also consider how current and future budgets may need to be changed in the light of this experience.

1.2. Service budgets: the provisional outturn showed a total overspend against the approved budget of £0.865m and an overspend against the original budget of £3.317m. A high level explanation of the £3.317m variation is explained in the table below:

<b>Description</b>	<b>Amount</b>
Loss of Car Parking Income	£1.034m
Other Service Variations (Explained further below)	(£0.169m)
<b>Sub-Total Service Variations to Latest Approved Budget</b>	<b>£0.865m</b>
22/23 Pay Award	£1.477m
Supplementary estimates/Use of Reserves	£0.578m
Transfer not an overspend: Budget Transfer from Non-Service Level (Leasing from MRP budget)	£0.398m
<b>Sub-Total Additional Service Budgets Added in 22/23</b>	<b>£2.453m</b>
<b>Total Service Variations (Outturn vs. Original Budget)</b>	<b>£3.317m</b>

1.3. Non-service budgets: The significant favourable variations for the provisional outturn were £4m made up as follows:

- £2m additional income from Business Rates. Approximately 50% of this gain is believed to be one-off.
- £1.166m additional income from Interest Earnings. Higher interest rates generated this return and additional income is reflected in the 2023/24 budget
- £0.622m additional net income from the Leisure VAT claim case. This has been reflected in 2023/24 budget.
- £0.222m other net variations

1.4. The result of these variations above is that the 22/23 provisional outturn resulted in a contribution to the General Fund Balance of just under £200k. This was £3.1m better than the latest budget and £1.6m better than the 22/23 Original Budget.

1.5. Additional to this £3.1m improvement in the General Fund contribution is the prior year income relating to the Leisure VAT. Accounting practice requires prior year income to be treated as an adjustment rather than shown in the year it is received. Officers are confident (not certain) that reserves will be a £5.3m due the VAT refund. The majority of this is recorded in 21/22 and so increases the opening balance on the General Fund as seen in 3.2 below.

1.6. The 2023/24 budget report made to February Council allowed for many of the variations identified in this report, but not the VAT refunds for prior years and 2022/23. After allowing, for these VAT and the outturn the General Fund

Balance is estimated to be just over £6m above the projection (assumptions) put forward in the 23/24 Budget report.

## 2. Introduction

2.1. This report sets out the provisional outturn position in respect of revenue expenditure, income, and reserves for the financial year 2022/23.

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

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

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

## 3. Provisional Revenue Outturn 2022/23

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

- Income and expenditure cut offs. As stated earlier determining what financial period a transaction belongs to can be difficult. Officers continue to test transactions to ensure the correct accounting has been achieved up to the point of publication of accounts. Significant numbers of transactions are then tested

by external audit. It is not possible for finance officers to test every transaction undertaken in services, so errors will occur.

- Business Rates and Business Rate Retention, at the time of publishing, the figures for the Essex pool were not available. An estimate of £0.9m additional income has been included and is subject to change when the final pool figures are provided.
- At time of publishing this report the 2021/22 Audit has not yet been completed. For both members and the finance team external audit provides assurance that processes work correctly. No changes are expected arising from the audit, but the late audit is a matter of concern as previously reported.

3.2. Appendix 1 contains an Outturn Summary report (in the usual Revenue Monitoring format), showing variations, recommended actions, and potential risks. The outturn is compared to the latest budget which is the Original 2022/23 Budget plus approved supplementary estimates (additional funding added during the year under delegations).

The contents of Appendix 1 are:

**Page 1** contains a summary explanation and diagram identifying whether the services' net expenditure varies compared to the budget. The overall provisional net service outturn is £0.865m or 3.73% over the latest approved budget.

**Page 2** shows a list of key material variations. The notes show the amount and the cause of each variation. Actions and Risks are also identified, along with the movement since last reported if applicable.

The key projected service variations are below, including a comparison to the Revenue Outturn forecast reported to November 2022 Cabinet:

Description	Outturn +over /- under latest approved budget £ms	Change to Projected overspend reported to Cabinet November 2022
Loss of Car Parking Income	1.034	£266k better
Temporary Accommodation Subsidy Loss and Repairs costs for Temporary Accommodation	0.431	£229k worse
Inflationary pressures on areas of spend such as fuel, vehicle maintenance, insurance etc	0.305	£235k better
Electricity and Gas	-0.339	£339k better
Various Staffing Vacancies	-0.400	£400k better
Leisure Centre Net Income	-0.168	£168k better
Other Variations	0.002	£121k better

<b>Total Service Variation</b>	<b>0.865</b>	<b>-1.3m</b>
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\*Restated to remove impact of staff pay award approved during 22/23

Three items have been identified to have budgets carried forward to 23/24 due to underspends in 22/23 which are part of the service variations totalling £145,600 as follows and the MTFS (Cabinet & Council) will seek approval:

Description	Department	Amount
Cyber Security Costs – remaining cost from £100k grant received in 20/21	Digital Services	£51,600
HR Training – to allow purchase of training platform	Human Resources	£12,000
External Audit Costs – to cover costs of 22/23 external audit which has not yet begun	Accountancy & Exchequer	£82,000

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

Description	Outturn +over /- under budget £ms	Reported November* Cabinet
Interest Earnings	-1.166	£666k better
Business Rates Retention (net)	-2.000	Unchanged
Capital Contribution from revenue (funding discussed in reserves section below)	-0.804	£804k better
Other Grants	-0.180	£180k better
Exceptional Items (Leisure Income VAT Claim)	-0.622	£622k better
MRP & Interest Paid	0.141	£114k worse
<b>Total Projected Variation</b>	<b>-£4.631</b>	<b>-£2.386</b>

The additional business rate income mostly arises from lower than estimated appeals against valuations. It can take many years for a valuation challenge by business to fail or succeed, so estimating for losses is not robust. It is felt that approximately 50% of the extra income may be ongoing.

The business rate retention income also assumes a £0.9m gain from the Essex Pool, this is an estimated figure, as the pool has not yet reported its final figure.

Due to uncertainty surrounding appeals against the new valuation list published from 23/24 onwards and the Essex Pool income, £0.3m has been retained in the Business Rate Retention Reserve for future years to cover these risks.

The underspend on the Capital Contribution (from revenue), is actually deferral of the use of the funding until 2023/24. The underspend will be carried forward in the Chelmsford Development Reserve. By delaying the contribution to capital, the Council can choose to fund the capital programme in the most effective way to keep MRP costs lower for a longer period of time.

**Page 4** contains the position on the Council's reserves, both unearmarked (general) reserves and earmarked reserves.

The Original budget assumed a use of unearmarked (general) reserves of £1,449k in 22/23; the latest approved budget assumed a use of £2.950k after allowing for funding supplementary estimates (see paragraph 3.4).

The provisional outturn shows a £3.146m variation against the current approved budget (decrease) to the use of unearmarked reserves which in broad terms results from:

- Business Rates Retention (as above, a £2m gain)
- Interest Earnings ( a £1.166m gain)
- Exceptional Item VAT Leisure refund 2022/23 (a £0.622m gain)
- 

### 3.3 Reserves Compared to the 2023/24 Budget Assumptions

The 2023/24 budget is based on a projected level of reserves rather than the 2023/24 approved budget for 2022/23. This is to try to ensure that the budgets for 2023/24 are based on the latest information in February. The table below shows how the outturn position is different to the assumptions made in the 2023/24 budget.

The General Fund Balance closing position for 22/23 is £6.054m higher than expected in the February 23/24 budget report. This is predominantly due to the £5.3m Leisure VAT refund from HMRC being certain enough to account. However, of the remaining gain, a £150k is being carried over to spend in later years.

<b>Usable Reserves (Provisional Outturn)</b>									
	<b>2022/23 Final Forecast</b>				<b>2022/23 Provisional Outturn</b>				Variation
	Provisional / Opening Balance	Budgeted net (use of) contribution to reserves	Transfers	Closing Balance	Actual / Opening Balance	Actual net (use of) contribution to reserves	Budgeted Transfers	Closing Balance	
<b>Earmarked</b>	£000s	£000s		£000s	£000s	£000s	£000s	£000s	
1 Cultural Support Fund	132	-43		89	132	-40		92	3
2 Chelmsford Development	2,156	-2,156		0	2,156	804		2,959	2,959
3 Infrastructure Provision	1,259			1,259	1,259			1,259	0
4 Growth Fund	69			69	69	-50		19	-50
5 Insurance	910	-100		810	910			910	100
6 Local Development Framework	819	-207		612	819	-100	315	1,034	422
7 Pension Deficiency	1,833	867		2,700	1,833	413		2,246	-454
8 Park and Ride	176			176	176	53		229	53
9 Hylands House Reserve	3			3	3			3	0
10 Housing Initiatives	150			150	150			150	0
11 DPO Reserve	79			79	79			79	0
12 Project Evaluation Reserve	348	-6		342	348	-63		285	-57
Carry Forwards &									
13 Supplementary Estimate Reserve	286	-280		6	286	-443	303	146	140
14 Master Plan Income	65			65	65			65	0
<b>Total Earmarked Reserves</b>	<b>8,285</b>	<b>-1,925</b>	<b>0</b>	<b>6,360</b>	<b>8,283</b>	<b>575</b>	<b>618</b>	<b>9,476</b>	<b>3,116</b>
<b>Unearmarked</b>									
18 General Fund	15,137	-1,757		13,380	19,853	199	-618	19,434	6,054
	15,137	-1,757	0	13,380	19,853	199	-618	19,434	6,054
<b>Total other reserves</b>	<b>23,422</b>	<b>-3,682</b>	<b>0</b>	<b>19,740</b>	<b>28,136</b>	<b>774</b>	<b>0</b>	<b>28,910</b>	<b>9,170</b>
<b>Not Available to Support Spend, until financial year end when the actual position is determined.</b>									
19 Business Retention reserve	4,635	-4,299		336	4,635	-3,829		806	470

The Budget process for 2024/25 will review Reserves and their expected use in future years.

3.4 Please note the breakdown below which shows the latest budget includes approvals made, under delegations, for:

Portfolio Area	Department	Amount	Description	Funding From
Connected Chelmsford	Marketing and Communications	£21,400	Temporary Communications Officer	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Legal & Democratic Services	£81,100	Legal Agency Staff Cover	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Legal & Democratic Services	£20,000	Community Governance Review Final Round	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Culture	£14,000	Museum Parasols	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Legal & Democratic Services	£28,800	Legal and Democratic Restructure	Carry Forward and Supplementaries Reserve
Chief Executive	Accountancy & Exchequer	£19,200	Civica Pay Upgrade	Carry Forward and Supplementaries Reserve
Greener & Safer Chelmsford	Recycling & Waste	£16,000	Environmental Permit for the Depot	Carry Forward and Supplementaries Reserve
Greener & Safer Chelmsford	Recycling & Waste + Parks	£80,000	HVO Fuel	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Legal & Democratic Services	£14,500	Community Governance Review Implementation Stage	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Legal & Democratic Services	£5,000	Legal Agency Staff Cover for Vacant Post	Carry Forward and Supplementaries Reserve
Connected Chelmsford	Revenues & Benefits	£83,800	One-off Revs and Bens Staff Payments for administration of Business Grant schemes	Carry Forward
Chief Executive	Digital Programme Office	£11,000	Video Conferencing equipment costs for the Council Chamber	Carry Forward
Connected Chelmsford	Digital Services	£48,400	Cyber Security Costs from £100k government grant	Carry Forward
Fairer Chelmsford	Property Services	£57,600	Use of Project Evaluation Reserve for feasibility works on potential car parks development	Project Evaluation Reserve
Greener & Safer Chelmsford	Various	£10,900	Use of Project Evaluation Reserve for feasibility works on green initiatives	Project Evaluation Reserve
Connected Chelmsford	Culture	£42,500	Cultural Development Trust SLA	Cultural Support Fund
<b>Sub Total Earmarked Reserves</b>		<b>£554,200</b>		
Council Wide	Council Wide	£1,476,800	Pay Award for 22/23	General Fund
Connected Chelmsford	Legal & Democratic Services	£12,200	Legal Agency Staff Cover for Vacant Post	General Fund
Greener & Safer Chelmsford	Environmental Health	£11,400	Legal Appeal	General Fund
<b>Sub Total General Fund Balance</b>		<b>£1,500,400</b>		
<b>Grand Total</b>		<b>£2,054,600</b>		

## 4. Implications for Financial Planning

4.1. Several of the key variations either added to the budget during 22/23 as a supplementary estimate, or shown as a variation at outturn have already been reflected in the 23/24 budget. For example, the following have already been included in 23/24 budgets:

- £1.5m impact of 22/23 pay award
- £1.034m loss of car parking income
- £0.760m additional income from leisure VAT case
- £0.200m additional building maintenance costs
- Various other inflationary provisions

4.2. The result of this is that there are several variations against the 22/23 budget left over that require further investigation as part of the 24/25 budget cycle, to understand whether they are ongoing or not. Some of these areas are as follows:

- £0.4m underspends on staffing due to vacancies
- £0.431m overspends on Housing costs due to rising caseload and repair costs
- £0.107m net overspend due to a £0.275m overspend on casual leisure staff offset by £168k additional income
- £0.339m overspend on other HB Subsidy (not related to Temporary Accommodation)
- Business Rate Retention

These variations result in potential additional pressures (at current levels above) of just under £500k a year, so whether these are ongoing trends is important to determine. Additionally, of course inflation remains a problem for predicting future costs and income.

## 5. Conclusion

5.1. Service level budgets continue to overspend against the Original Budget as in the previous few financial years. The budgets for 2023/24 have been amended to allow for most but not all of these service overspends. Non-service level budgets have continued to underspend to offset the service overspends.

5.2. The level of Unearmarked Reserves is some £6m higher than would have been expected based on the 2023/24 budget, this is predominantly due to the estimated Leisure VAT refund from HMRC being included in the latest figures (£5.3m in total). (This is yet to be paid by HMRC)

5.3. The level of Reserves will be addressed in the 2024/25 budget process.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position for 2022/23

Background papers:

Nil

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Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

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Consultees:

None

Relevant Policies and Strategies:

Medium-Term Financial Strategy.

## Chelmsford City Council Variances - Outturn Summary 2022/23

### **SUMMARY**

#### Service Budgets and Net Expenditure

The original service budget has been increased by approved variations (approved overspends) for Pay (22/23 award) totalling £1.477m, other supplementaries/use of reserves of £0.578m and £0.398m for a transfer of budget from the non-service level. So the latest approved budget at the service level is in total £2.453m higher than that originally approved.

At the Service level, the provisional outturn showed a total overspend against the latest approved budget of £0.865m but an overspend against the original budget of £3.317m. The overspend against the original budget being made up of the following key variations:

-£1.5m cost of the 22/23 pay award (this has been reflected in the 23/24 budget)

-£1.034m loss of car parks income (this has been reflected in the 23/24 budget)

-Various other offsetting variations

#### Non-service Budgets and Net Expenditure

The overspend at service level was offset by a favourable position on non-service budgets compared to the original budget:

-£2m additional business rates income (some 50% of this is felt to be one-off but this will be reviewed in the 2024/25 budget process)

-£1.166m additional interest earnings due to higher interest rates (some of this gain has already been reflected in 23/24 budgets)

-£0.622m additional net income from VAT Leisure refund (£760k additional ongoing income has been added to the 23/24 budgets)

-a budget transfer to service budgets for lease costs of £0.398m

Overall non-service items where £4.6m underspent against the latest approved budget and £5m against the original budget

Earmarked Reserves; An additional £0.6m was contributed/not used compared to the latest approved budget and £0.1m compared to the original budget.

#### Overall Position

The original and the latest approved budgets assumed a use of the General Fund during 2022/23. The outturn was £3.1m better than the latest budget and £1.6m better than the 22/23 Original Budget, resulting in a small contribution to the General Fund balance in 22/23 of just under £200k.

Additional to the improvement identified in this outturn report, a further one-off windfall is likely and has been reflected in the 2022/23 Draft Statement of Accounts. The windfall from the VAT leisure refund for the years prior to 2022/23 has been submitted and officers are confident (not certain) that HMRC will refund a further £4.7m (net) of VAT from the leisure claim, on top of the £0.6m recorded in the 2022/23 outturn. The overall General Fund balance (reserve) is therefore estimated to be £5.3m higher than projected in the 2023/24 budget papers due to the VAT refund.

### Actual Year End Variation - Council Service Net Expenditure

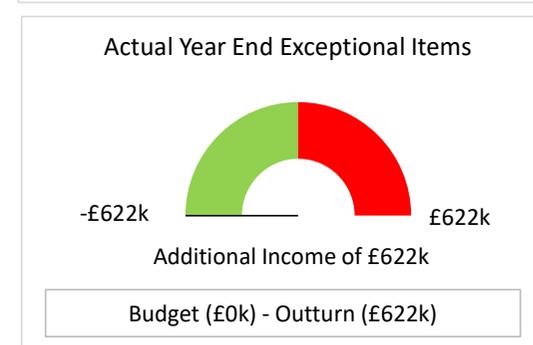
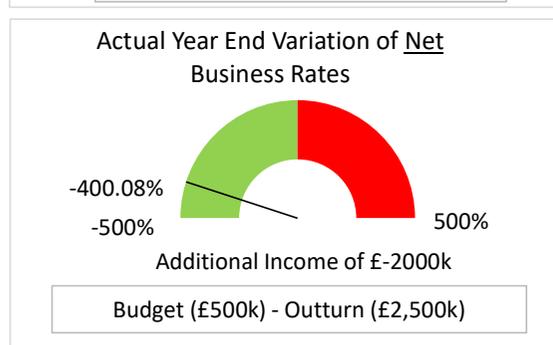
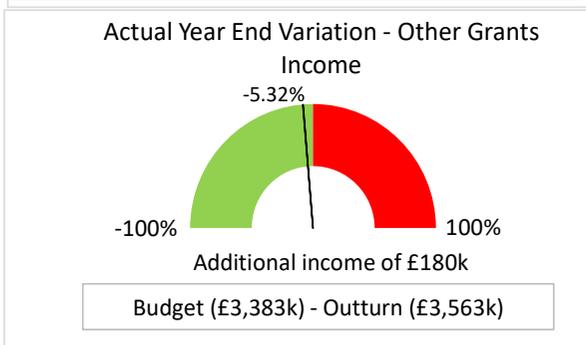
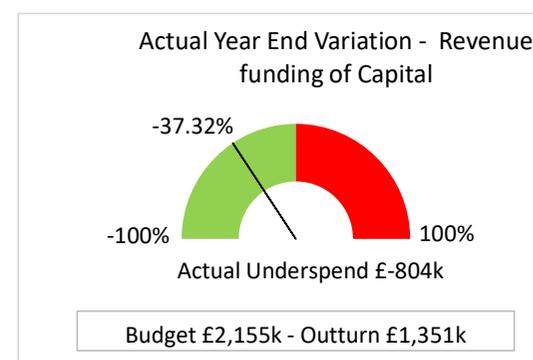
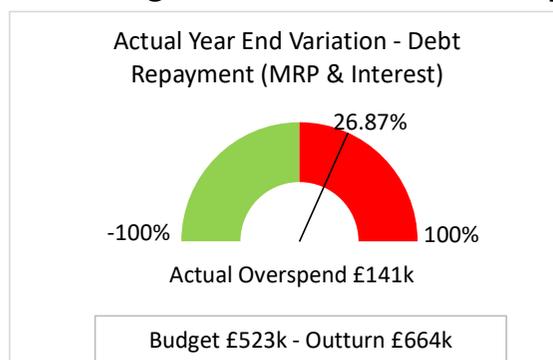
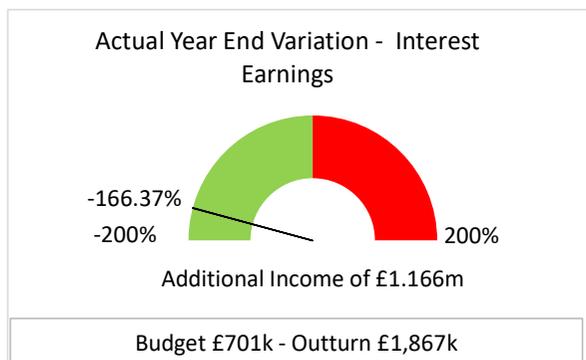


Actual Overspend £0.86m

Note	Key Variations against service budgets	Actions	Risks
1)	<b>Reduced income of £1,034k</b> from the Council's car parks. This is due to changing customer trends from the cost of living crisis, and the knock on impact of the pandemic on working from home.	Throughput levels at each tariff will be reviewed for 22/23 and taken into consideration for the MTFS report in July	Future car parking levels drop off compared to the reduced budgets put forward from 23/24 onwards
2)	<b>Net overspend £305k inflation</b> ; including overspends £126k cost of fuel, £221k vehicle maintenance costs, £100k grounds maintenance materials and contractor costs, £98k overspent on insurance premiums. Less £240k inflation provision now assumed applied.	Further inflation will impact on the 2023/24 budget. Budgets will be reviewed as part of the MTFS	Price rises continue but income does not increase. This would mean drawing on more reserves in 2023/24 and/or is a threat to current levels of service provision.
3)	<b>£290k additional net income from Hylands</b> , predominantly due to a higher number of weddings. This is largely due to rearranged weddings from Covid but there is some potential ongoing additional income also	Income levels will be reviewed as part of the MTFS, it is possible that some additional income will be able to be added to the budget from 24/25 onwards	Income falls below pre-pandemic levels once the catch-up of delayed weddings is completed. Though this felt be increasing less likely.
4)	<b>A £431k overspend on TA made up of a £125k overspend on Temporary Accommodation HB Subsidy Loss</b> due to rising case numbers in TA <b>plus a £306k overspend on TA repairs costs</b>	Costs for repair works and materials have increased given the global economy, the repairs costs also include some one-off costs from property acquisitions for TA. TA caseload and projections will be reviewed as part of the MTFS	There is significant risk of additional budget pressures from additional households in TA and further pressures on the TA repairs budgets. Additionally rent arrears are increasing which could lead to higher bad debt costs.
5)	<b>An additional £510k income</b> from Recycling income eg material sales and recycling credits	Income budgets have been assessed as part of the 23/24 budget process, and will be reassessed as part of the MTFS	Prices drop off for sales of commodities or the level of tonnage collected falls resulting in less income
6)	<b>A net £107k overspend due to a £275k overspend on casual staff at leisure centres</b> offset by some reduction in permanent staff costs <b>offset by £168k additional income</b>	Casual spend and income levels at leisure centres will be reviewed as part of the MTFS. Income is higher than expected and budget projections for future years will be reviewed.	Higher casual staff numbers are not offset with additional income, or additional income is one-off in nature
7)	<b>A £202k overspend on building services controlled building maintenance</b>	The 23/24 budget has been increased by approximately £200k. Budgets should be reviewed again as part of the MTFS and 2024/25 budget process.	Increases are ongoing and inflation continues to push up prices significantly, leading to the Council's buildings becoming too expensive to run.

Note	Key Variations against service budgets	Actions	Risks
8)	<b>£308k underspend</b> on electricity and gas across the Council's buildings due to lower usage than profiled	Indications for 23/24 budgets are that the Council could be underspent in the region of £600k due to new prices coming out lower than budgeted. This will be reviewed along with usage data as part of the MTFS	Predicting future energy prices has become almost impossible and therefore has implications for financial management
9)	<b>A £339k overspend on HB Subsidy</b> (not related to Temporary Accommodation)	This will be reviewed as part of the MTFS to understand whether the budgets need to be adjusted	Subsidy grant from the government continues to not be sufficient to cover the Council's payments out in HB and these overspends have to be built into the budget
11)	<b>£400k worth of net underspends in Connected Chelmsford and Sustainable Development</b> due to staff vacancies not being filled	Consider the vacancy factor provision for the Council as a whole as a part of the MTFS	High vacancies can impede on service delivery

## Other General Fund Budget Items of Income and Expenditure



Note	Key Variations	Actions	Risks
1)	£1,166k additional income from interest earnings mostly due to the rising Bank of England base rate	The 23/24 budget was increased to reflect additional earnings expected, further income could be earned if favourable cashflows occur	Capital values are at risk with some investments, or we hold less cash than we expected resulting in reduced income levels
2)	£804k underspend on Revenue funding of Capital, this is offset by higher contributions to reserves below	The lower level of funding of capital is as a result of carrying additional revenue reserves for funding capital spending in later years. This is aimed to achieve the most cost effective borrowing profile over the medium term.	Capital spending costs rise over the coming years
3)	£2,000k additional income from the Business Rates Retention Scheme - £0.3m has been retained for future years to cover risks on appeals and will form part of the MTF5	A new ratings list has now been published and so appeals could fluctuate significantly, it is therefore uncertain at this time what an ongoing position could be, this will be worked on as part of the 2024/25 budget over the summer	The outstanding information from the Essex pool significantly alters the figures
4)	£622k additional income from exceptional items relating to the Leisure VAT claim with HMRC	An income gain of £760k has been added to the 23/24 budgets. A refund relating to years before 2022/23 of £4.7m is shown in the statement of accounts, resulting in a total claim of £5.3m	HMRC reduce the Council's claim. Customer numbers reduce and this income is not fully realised

## Use of Reserves

Actual Year End Variation - Contribution/Use of Earmarked reserves against latest approved budget

Additional Contribution of £619k

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

The outturn position is a contribution to reserves of £575k compared to a latest approved budget use of £44k.

The higher contribution is predominantly due to an £804k underspend on Revenue Funding of Capital (shown above) which results in £804k of funding being contributed to reserves to be used in future for funding capital expenditure, offset with other smaller variations.

**It should be noted the use of earmarked reserves in the original and the latest approved budget allowed for £300k of additional expenditure (supplementary estimates) to be approved in 2022/23. At the end of 2022/23 some £300k of supplementary estimates to be funded from Earmarked Reserves had been approved. A further £1.5m of additional approved additional expenditure is funded from the General Balance. There is a provision for £200k of new supplementary estimates in the 23/24 budget.**

Actual Year End Variation - Contribution/Use of General balance (reserve) against latest approved budget

Reduced Use of £3.146m

The original budget allowed for a £1.449m use of General balance, which after approved variations in 2022/23 increased to £2.95m use (an increase of (£1.5m) . The largest cause being the pay award for 22/23 being added into the 22/23 budgets as an approved variation (£1.477m).

The total projected contribution to the General Fund Balance for 22/23 is £0.196m, so a reduced use of £3.146m (against the latest approved budget), reflecting variances shown in this report.

## Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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### **Capital Programme Update and Provisional Outturn 2022/23**

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#### Report by:

Accountancy Services Manager (S151 Officer)

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#### Officer Contact:

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#### Purpose

- a) To report the capital expenditure incurred in 2022/23.
- b) To provide an update on the approved Capital Schemes and variations in cost which have been identified at outturn and to date.
- c) To provide an update on the approved Asset Replacement Programme for 2022/23 and 2023/24 for variations in cost and timing which have been identified at outturn and to date. Those schemes requiring approval will be taken forward to July Cabinet.

#### Recommendations

It is recommended that

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

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

## 2. Introduction

There are two types of expenditure, capital and revenue.

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

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

## 3. Capital Programme

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

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

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

## 4. Capital Resources

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

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

## 5. Capital Reporting

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

It is important to closely monitor capital expenditure as this allows judgements to be made for the Council's cash investments. If a large scheme is likely to be delayed this will provide an opportunity to invest the money until it is required, therefore increasing interest earnings.

## 6. Methods of Approval

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

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

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

## 7. Capital Schemes

### 7.1 Monitoring Against Latest Approved Budgets

**Appendix 1** gives the overall capital outturn information for the completed Capital Schemes at the end of March 2023 and the latest forecast expenditure for the ongoing scheme costs. It identifies the anticipated variances in total individual scheme costs.

7.2 **Appendix 1** shows that the proposed cost of the Capital Schemes has increased by a net £0.183m against the latest approved budget of £123.876m, or 0.15% of the overall Capital Schemes' costs.

Approved Budget	£123.876m
Proposed Reductions in Scheme Costs – see <b>Appendix 1</b> Scheme number 36 - Mass Tree planting and Woodland Creation. Spend transferred to revenue not reduction in planting.	-£0.055m
Proposed Increases in Scheme Cost Requires Approval – see <b>Appendix 1</b> .	
Scheme number 5 – Various Land Disposal Costs.	£0.135m
Scheme number 59 – Public realm Tindal Square	£0.065m
Scheme number 81 – Garden Comm. Infrastructure Fund	£0.290m
Other Smaller Schemes - see Scheme 75 CIL Funded	£0.005m

Actual Increases in Completed Scheme Costs.	£0.004m
Actual Increases in Completed Scheme Costs Funded	£0.148m
Actual Reductions in Completed Scheme Costs.	-£0.409m
<b>Total Proposed Budget</b>	<b>£124.059m</b>

7.3 Officers have previously reported to Cabinet and Council that scheme number 61 Chelmer Waterside Infrastructure, is potentially going to be £9m above the approved estimate and may be materially higher. A report will be made to July Council providing a more robust cost. When that costing information is available Members can scrutinise and approve the next steps. The table above and **Appendix 1** have excluded the variation until complete information is available to members. Further details on the project are in 7.7.1 below.

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

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

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

7.6 The original forecast expenditure for the year 2022/23 was £67.076m. The actual expenditure for 2022/23 was £29.280m. This is a net reduction for the spend in-year of £37.796m or 56.4%. The table below provides details of the schemes and shows the major variations over £1.5m.

<b><u>Schemes</u></b>	
Scheme 6 Enabling Lockside Growth Area – The spend on this scheme is dependent upon negotiations with third parties and this has caused delays to the progress of the scheme. The budgets have been deferred to 2023/24.	-£3.379m
Scheme 8 Acquisition Cemetery Land – Suitable site has not been identified. The budget will be required when a suitable site is identified.	-£6.000m
Schemes 11,12,14,15 Housing Initiatives – (1) Acquisition of houses for temporary accommodation - remaining balance £1.571m rephased to 2023/24 (2) Railway Street development £1.758m – viability of scheme under review and investigating alternative solutions (3) Modular Units £3.510m – no suitable sites identified (4) Exceptions Sites £2m rephased to 2023/24.	-£8.839m

Scheme 18 Strategic Property Purchase – purchase did not proceed and the budget was removed	-£3.590m
Scheme 19 Property Purchase Housing Initiatives – new budget approved for purchase for temporary accommodation	£4.315m
Scheme 48 -Riverside Elevations spend deferred to 2026/27	-£1.978m
Scheme 61 – Chelmer Waterside Infrastructure - The scheme is not scheduled to complete until September 2024 and construction of the road and bridge did not commence in 2022/23 as previously planned. We are still awaiting final costs and a report is being taken to July Council which will include updated milestones for the project.	-£11.948m
Schemes 69–75 Various CIL Grants to third parties - spend dependent upon third parties. The budgets have been deferred to 2023/24.	-£1.608m
Scheme 76 CIL NE Bypass Bridge Forward Funding ECC - This has been deferred to 2023/24 as awaiting agreement from ECC.	-£1.500m
Other net variations below £1.5m on individual schemes spend deferred	-£4.755m
Other net variations below £1.5m on individual schemes cost increases	£1.486m
<b>Total In Year Underspend Against Original Forecast Spend</b>	<b>-£37.796m</b>

This delay in expenditure has been beneficial to the resourcing of the Council's 2022/23 capital expenditure and has delayed the use of finite Capital resources and reduced the requirement for internal borrowing in the year.

## 7.7 Update on Capital Schemes

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

Planning permission was granted in June 2021 and the Council has now completed the design and build stage of the road/bridge. This scheme is a two-stage design-and-build contract. Stage 1 is the detailed design and technical approval, and Stage 2 is the construction. Stage 1 has been completed and consultants are currently validating the price for the project. The Council have the option to proceed or not at this stage. Early indications were that the price for the scheme had increased significantly. This has previously been reported as £9m but is likely to increase further. A report will be taken to July cabinet and Council with the full estimated cost and seek approval for the next steps of for the scheme, including consideration of the budget. Any additional costs

are expected to be funded from CIL or higher capital receipts (sale proceeds) from nearby sites.

The City Council has drawn down the full £13.7m of the Housing Infrastructure Fund grant from Homes England. This is ahead of the final scheme cost and approval.

#### 7.7.2 Inflation

Many of the budgets set out in Appendix 1 are approved on the basis of the best advice available at the time the bid requests were submitted. However, as previously mentioned in the Council's Budget Report 2023/24 there is unprecedented inflationary pressure in the economy which makes the outcomes of tenders for goods and services erratic. Changes in project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

#### 7.7.3 Final Account Negotiations

Several large complex schemes were completed in 2022/23 and although recorded as completed schemes the final accounts with the main contractors are still being negotiated. There is a risk with these schemes that the scheme cost reported in this report may not reflect the final negotiated costs.

#### 7.7.4 Feasibility Studies and Design Works

It should be noted that the capital programme includes a number of feasibility studies and design works. There is a financial risk with such schemes that needs to be noted. Any capital scheme where costs are incurred but the scheme is not completed is likely to result in costs being re-classified from capital to revenue. The Council would have to use Revenue Reserves to meet such costs. A £1.2m reserve has been established within revenue for this should the need arise.

### 8. Asset Replacements

#### 8.1 Monitoring Against Latest Approved Budgets

**Appendix 3** shows that the final outturn for 2022/23 compared to the approved budget of £3.897m was a net increase of £0.076m, or 1.95%. £0.176m has been moved forward to 2023/24 or later years. The table below provides a summary.

Approved Budget 2022/23	£3.897m
Proposed Change in scheme phasing	-£0.176m
Variation in Asset Replacement Cost	£0.252m
<b>Total Outturn 2022/23</b>	<b>£3.973m</b>

8.2 **Appendix 3** also shows that the proposed budget for 2023/24 asset replacements is £5.235m compared to the approved budget of £5.013m. This is a net increase of

£0.222m, or 4.42%. £0.176m is due to the asset replacements being delayed from 2022/23 until 2023/24. The table overpage provides a summary.

Approved Budget 2023/24	£5.013m
Proposed Change in scheme phasing from 2022/23 Requires Approval – For detail see <b>Appendix 3</b> 2023/24 column “Rephasing from 2022/23 – Requires Approval”	£0.176m
Increases in Asset Replacement Cost Requires Approval – For detail see <b>Appendix 3</b> 2023/24 column “More/Less Than Approved Budgets – More Requires Approval” Line no. 53.	£0.046m
<b>Total Proposed Budget 2023/24</b>	<b>£5.235m</b>

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2022/23 and narratives for those variances in excess of £25k for 2023/24 against the Latest Approved Budgets.

## 9. Funding of Programme

This will be reported to Cabinet.

## 10. Conclusion

- 10.1 The total cost of the Capital Schemes is forecast to be a net £0.183m more than the latest approved budget.
- 10.2 A report on the Chelmer Waterside project will be taken to Council in July. The forecast budgets do not include any increase for this scheme which is likely to be a significant increase in cost.
- 10.3 There are some large schemes which have not been delivered against the originally agreed milestones due to circumstances outside of the control of the Project Officers.
- 10.4 The underspend on the Capital Schemes in 2022/23, £37.796m, is beneficial to the Council in terms of cashflow and financing as it has reduced the requirement to use cash backed resources and internal borrowing in this financial year. Some of the delays in spend will have impacted on income generation, savings and delivery of corporate priorities which will now be realised in later year.
- 10.5 The 2022/23 Asset Replacement Schemes are a net £0.076m more than the latest approved budget. £0.176m has been deferred to 2023/24. The

realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources

- 10.6 The 2023/24 Asset Replacement Schemes are forecast to be £0.222m more than the latest approved budget. The majority of this is due to the realignment of budgets from 2022/23, an additional £176k.
- 10.7 There is significant risk that the overall cost of the capital programme will increase as there are schemes which will require a full review of costs before they start as the estimates are now under stated due to inflation and cost increases due to supply and demand.

### List of appendices:

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

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

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

Also, the Asset Replacement Schemes for 2023/24, a comparison of the budgeted expenditure against the Directors of Service forecast.

**Appendix 4** Asset Replacement Schemes Major Variations Narratives for the years 2022/23 and 2023/24.

### Background papers:

Nil

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## Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

Acquisition of electric vehicles and green initiatives

Personnel:

None

Risk Management:

None

Equality and Diversity

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

Health and Safety:

None

Digital:

None

Other:

None

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Consultees:

All Services

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Relevant Policies and Strategies:

Medium Term Financial Strategy

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APPENDIX I								
CAPITAL SCHEMES		VARIATION IN TOTAL CAPITAL SCHEME COSTS						
Net Expenditure to 31/03/2023	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		
£000s		£000s	£000s	£000s	£000s	£000s		
	<b>Connected Chelmsford</b>							
3,133	1 Theatres' Modernisation	1,000	2,246	3,246		3,246	Main works complete - ongoing snagging and final account to be agreed Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022.	
11	2 Museum Roof Access Works Health and Safety	11		11		11	Yes Approved Council February 2022. Delegated authority to the director to spend within the approved budget.	
	3 Oaklands Museum Staff Room and Kitchen Refit	24		24		24	NEW Approved by Council February 2023 and scheduled for 2024/25	
	<b>Fairer Chelmsford</b>							
161	4 Land Development Site Investigations	365		365		365	Programme of works to be determined Approved Cabinet November 2021.	
561	5 Various Land Sites' Disposal Costs	612	120	732	135	867	Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council.	
2,577	6 Enabling Lockside Growth Area	450	5,506	5,956		5,956	In Negotiations - Late delivery A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022.	
1,592	7 Galleywood Hall Development Industrial Units	1,200	650	1,850	-218	1,632	Main Works completed Approved at Council February 2019. Following a reassessment of the budget £400k was removed. Additional £200k was approved November 2021 due to rising prices of materials and construction. An additional £850k was approved by Council February 2022.	
	8 Land Acquisition Cemetery/Crematorium	1,800	4,200	6,000		6,000	To identify potential Land Site Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council.	
	9 High Chelmer Roof	1,500		1,500		1,500	Awaiting Proposal Approved at Council February 2020 and programmed for 2021/22. These works have now been programmed to commence in 2026/27.	
962	10 Refurbishment of Commercially Leased Properties	720	1,480	2,200		2,200	No Approved at Council February 2020. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. An additional £380k was approved November 2021. Additional £1.1m agreed at Cabinet October 2022. Urgency approved November 2022.	
6,629	11 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisiton 20 x Houses	8,200		8,200		8,200	Yes Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. Budget deferred for 2 houses to 2023/24.	
	12 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Modular Units	3,510		3,510		3,510	Business Case to be Developed Approved at Council February 2022 and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Provision modular units.	
515	13 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Hostel Expansion	325	190	515		515	Completed Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2023/24. £150k approved by Cabinet June 2022 for increased cost of works to Hostel expansion. Additional £40k approved for Hostel expansion Cabinet November 2022.	

Net Expenditure to 31/03/2023	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		
£000s		£000s	£000s	£000s	£000s	£000s		
142	14 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - Development	1,900	0	1,900		1,900	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet. Completion estimated 2024/25. Provision for development Railway Street
	15 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing	2,000		2,000		2,000	Business Cases to be Developed	Approved at Council February 2020. Delegated authority to Cabinet.
	16 Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643		1,643		1,643	Business Case to be Developed	Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation.
1,890	17 Drakes' Lane Travellers Site	1,950		1,950	-60	1,890	Completed	Approved by Urgency March 2021.
	18 Strategic Property Purchase	3,590	-3,590	0		0	Withdrawn	Approved at July 2022 Council meeting. Removed November Cabinet 2022.
4,203	19 Property Purchase Housing Initiatives	4,315		4,315	-112	4,203	Completed	Approved by Urgency November 2022 acquisition of property for TA
	<b>Greener and Safer Chelmsford</b>							
	20 Cemetery and Crematorium Infrastructure	6,800		6,800		6,800	Business Case to be Developed	Approved Council February 2020 with a delegation for Cabinet to approve a final scheme.
	21 Cemetery Toilet Refurbishment	86		86		86	No agreed to defer to 2023/24	Approved at Council February 2022. Delegated authority to Director to spend within approved budget.
	22 Cemetery Lining of Foul Water Drain	29		29		29	NEW	Approved at Council February 2023. Scheduled for 2023/24.
	23 Crematorium Office Pyramid Roof	18		18		18	NEW	Approved at Council February 2023. Scheduled for 2023/24.
	24 Civic Offices Improvement Programme	460		460		460	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme.
145	25 Community Flood Improvements	184		184		184	Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.
72	26 Hylands' Outdoor Wedding Ceremony Area	75		75	-3	72	Completed	Approved supplementary estimate June 2021 £75k
	27 Beaulieu Park Pavilion Refurbishment	57		57		57	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2025/26.
	28 Chancellor Park Pavilion Works	46		46		46	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2023/24.
100	29 Chelmer Park Pavilion Roof	148	-50	98	2	100	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Budget reduced November Cabinet 2022.
	30 Beaulieu Pavilion Health and Safety Works	33		33		33	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
96	31 Beaulieu Park Conversion Tarmac Court to 3G Pitch and Flood lights	90	6	96		96	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	32 Oaklands Park Upgrade Tennis Courts	91	86	177		177	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget. Additional £86k budget approved February Council 2023 funded by contribution. Scheme has been amended from MUGA to upgraded tennis courts.
69	33 Central Park Lake Edge Works S106	62	7	69		69	Completed	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	34 Rivers and Waterways Improvements	600	-107	493		493	No - Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22.
46	35 Automatic Floodgates and Provision of Locks - Reasoning		107	107		107	No	Budget approved September 2020 Cabinet. Budget vired from Rivers and Waterways Improvements.

		Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Expenditure to 31/03/2023		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s			
70	36 Mass Tree planting and Woodland Creation	4,400	-69	4,331	-55	4,276		Reviewed Annually	Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places and the Director of Finance and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Now pushed out to 2029/30.
	37 Green Initiatives Phase 1	500	-102	398		398		Business Cases to be Developed	Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023.
	38 Green Initiatives Fund Phase 2	6,500		6,500		6,500	NEW	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets.
9	39 CIL Landscape Enhancement Scheme Chignal Road	11		11		11		Yes	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.
9	40 CIL Parks and Open Space	6	3	9		9		Completed	£6k CIL funding approved July 2019 for Coronation Park Basketball Court. £10k additional budget approved supplementary estimate. Location also changed to Lionmede Park.
533	41 Chelmsford Indoor Market Refurbishment	500	100	600		600		Indoor works completed, outdoor works progressing	Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020.
	42 Retail Market Drainage Improvements	31		31		31		Yes	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.
	43 Retail Market Traders' Conveniences Remodelling	102		102		102	NEW		Approved Council February 2023. Scheduled for 2023/24.
94	44 Market Road Toilet Roof	101		101	-6	95		Completed	Approved by Council February 2022. Delegated authority to the director to spend within the approved budget.
	45 Market Road Conveniences Accessibility	20		20		20	NEW		Approved by Council February 2023. Scheduled for 2023/24.
	46 Public Convenience Refurbishment - Admirals and Cent	168		168		168	NEW		Approved by Council February 2023. Two year programme scheduled to commence 2023/24.
	47 Freighter House Depot Resurfacing Works	216		216		216	NEW		Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
22	48 Riverside Elevations	2,000		2,000		2,000		Under Review	£2m approved at Council February 2020 with delegation to Cabinet to approve detailed scheme.
	49 Dovedales - Grant for Works	28	-2	26		26		Deferred	Approved at Council February 2020 and programmed for 2020/21. To be reviewed with potential refurbishment scheme in 2024/25.
46	50 Dovedales Sports Centre Refurbishment	1,464		1,464		1,464		Scheme to be developed	Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford.
73	51 Chelmsford Sports and Athletics Centre - Outdoor Track and External Upgrades	350		350		350		Yes	£350k approved at Cabinet October 2022. To be funded from £300k S106.
	52 Chelmsford Sports and Athletics Centre - Gym Improvements	168		168		168	NEW		Approved by Council February 2023. Delegated authority to Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford.
	53 South Woodham Fenners Pool Works and Plant	275		275		275	NEW		Approved at Council February 2023. Scheduled for 2024/25.
7	54 S106 Forever Active			0	7	7			S106 Grant to NHS to meet conditions of agreement.
	55 Hylands House Stable Block Toilets	44		44		44		Agreed to Defer to 2023/24	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24
152	56 Hylands House Basement Toilet	150		150	2	152		Completed	Approved Council February 2022. Delegated authority to Director to spend within the approved budget.
	<b>Sustainable Development</b>								
103	57 S106 Flood Resilience Programme	4,833	0	4,833		4,833		Business case to be developed	This is the unspent budget from the withdrawn EA scheme. A new programme of works will be brought back to Cabinet at a later date. S106 grants to Environment Agency.

Net Expenditure to 31/03/2023	SCHEME DESCRIPTION	Latest Approved Budget - Approved February 2023 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget		
£000s		£000s	£000s	£000s	£000s	£000s		
32	58 Public Realm Wayfinding Signs Phase 3	150		150		150	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.
4,388	59 Public Realm Tindal Square Design and Construction	160	4,163	4,323	65	4,388	Completed - final account for works still to be agreed	Approved at Council February 2018. The design works were completed until 2020/21. Additional £320k approved by Cabinet June 2020 for design and tender to be funded from S106. Report taken to Cabinet October 2021 and urgency letter requested for approval of the agreed scheme an additional £3.358m. Additional £485k approved at October 2022 Cabinet. Additional funding from ECC £450k.
5	60 Chelmer Waterside Infrastructure - CCC Budget		250	250		250	No	Virement allocated for HIF bid design works.
7,217	61 Chelmer Waterside Infrastructure (HIF) - Grant Funded	15,500	11,470	26,970		26,970	No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works.
1,461	62 S106 Beaulieu Park Station	100	1,550	1,650		1,650	Unspecified	Scheme approved for £100,000 via Director of Sustainable Communities delegated authority. £1,550,000 approved at Council February 2016. The expenditure on this scheme will be funded by S106.
2,865	63 S106 Beaulieu Park Station 2nd Phase	2,917	514	3,431		3,431	Unspecified	£2.917m approved at February Council 2018. The expenditure on this scheme will be funded by S106.
24	64 S106 Stonebridge Illuminations	37	6	43		43	No	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k.
2	65 S106 River Can Pathway Lighting Design	10	6	16		16	No	Approved by delegation £10k January 2020. Additional budget approved by delegation March 2020 £6k.
45	66 S106 Public Art Channels	21	79	100		100	No	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021.
60	67 S106 Strategic Borough Sport			0	60	60	N/A	Agreement with Runwell Sports and Social Club to make grant for costs incurred.
81	68 S106 Community Other Facilities			0	81	81	N/A	Agreement with NHS to undertake work to meet S106 Contribution conditions.
	69 CIL Sutherland Lodge Refurbishment	525		525		525	Business case Currently being reviewed	Approved Council July 2017.
	70 CIL St Andrew's Scout Hut Building	80		80		80	Dependent on Third party - Late delivery	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019.
62	71 CIL Integrated Cycling Infrastructure Grant	100		100		100	No	CIL funding approved at meeting of the CIL Panel 23/11/2020.
	72 CIL Trinity Road School Improvements	950		950		950	Dependent on Third party	Approved at Council February 2021
97	73 CIL Road Improvements Main Road Hospital Approach Grant to ECC	97		97		97	Completed	CIL funding approved January 2019. Spend approved Council February 2022
	74 CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.
17	75 CIL Green Initiatives - Various Schemes	15	13	28	4	32	No - dependent on Third party	£100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022.
	76 CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021.
	77 CIL Army and Navy Contribution to ECC	4,000		4,000		4,000	Dependent on Third party	Approved Council July 2022



## APPENDIX 2

### Capital Schemes - Reasons for Projected Variations to Latest Approved Total Scheme Costs More Than £25,000

Scheme Description	Latest Approved Budget £000's	Latest Estimated Expenditure - If Additional Budget Requires Approval £000's	Variation £000's	Variation Type	Percentage Change in Scheme Cost	Reason
<b>Fairer Chelmsford</b>						
5 Various Land Site Disposal Costs	732	867	135	Increase in budget	18.44%	The service plans to undertake more surveys and investigations than previously estimated in order to be in a position to bring the sites forward for planning permission with a view that some of the sites may be considered for development rather than disposal. Additional sites have also been included.
7 Galleywood Hall Development Industrial Units	1,850	1,632	-218	Reduction in budget	-11.78%	Majority of scheme completed. Only minor external works are outstanding. The Project Manager is reporting an underspend.
17 Drakes' Lane Travellers Site	1,950	1,890	-60	Reduction in budget	-3.08%	Scheme complete underspend reported
19 Property Purchases Housing Initiatives	4,315	4,203	-112	Reduction in budget	-2.60%	Property acquired and following negotiations original purchase price reduced.
<b>Greener and Safer Chelmsford</b>						
36 Mass Tree Planting	4,331	4,276	-55	Reduction in budget	-1.27%	Although this is being reported as a variation to the capital budget, this spend was incurred and has been transferred to revenue as it did not qualify as a capital spend. Appropriate revenue resources have been allowed for to fund this cost in financial planning.
<b>Sustainable Development</b>						
59 Public Realm Tindal Square	4,323	4,388	65	Increase in budget	1.50%	The scheme is now complete and the outturn reflects the current estimated cost of the scheme. The final account has still not been agreed with the contractor and once this is settled there may be a further increase to the final cost.
67 S106 Strategic Borough Sport	0	60	60	Increase in budget Funded	100.00%	Grant paid over funded from S106 contributions.
68 S106 Community Other Facilities	0	81	81	Increase in budget Funded	100.00%	Grant paid over funded from S106 contributions.
81 Garden Communities Infrastructure Fund	0	290	290	Increase in budget Funded	100.00%	Grant received an allocated for various schemes. Originally treated as revenue grant and transferred to capital.

**APPENDIX 3**

<b>CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME</b>																	
<b>2022/23</b>											<b>2023/24</b>						
<b>2022/23 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO LATEST FORECAST</b>											<b>2023/24 ASSET REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE PROJECTED VARIATIONS FROM LATEST APPROVED PROGRAMME AND REQUESTS FOR NEW BUDGETS</b>						
<b>VARIATION FROM 2022/23 BUDGET ONLY</b>											<b>2023/24 BUDGET</b>						
Net Expenditure to 31/03/2023	CAPITAL ASSET REPLACEMENT PROGRAMME	Original Approved Estimates for 2022/23	Additional/Reduced (-) Approved Budget	Reason for Change - see Key Below	Latest Approved Estimates for 2022/23	Analysis of Variations				Net Variance for 2022/23 Additional Cost	Total Outturn 2022/23	Original Approved Estimate 2023/24	Additional/Reduced (-) Approved Budget	Reason for Change - see key below	Latest Approved Estimate for 2023/24	Variations	
						Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	£000s							£000s	Re phasing from 2022/23 Requires Approval
£000's	SCHEME DESCRIPTION	£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	<b>Connected Chelmsford</b>																
16	1 Digital Services Replacement Programme	234	-216	PH, U, RD	18			-2	-2	16	995			995			995
	2 Digital Helpdesk System Replacement	25	-25	U	0				0	0	0			0			0
87	3 Website Upgrade	98	-11	PH	87				0	87	11			11			11
	4 Investment in Digital Technology - DPO	300	-150	PH	150	-150			-150	0	150	60		210	150		360
47	5 Theatres' Equipment	45	1	PV	46			1	1	47	0			0			0
6	6 Museum Equipment and Vehicles	6	1	PV	7			-1	-1	6	2			2			2
	7 Museum Platform Lift				0				0	0	12			12			12
	<b>Fairer Chelmsford</b>																
	No Schemes				0				0	0	0			0			0
	<b>Greener and Safer Chelmsford</b>																
2	8 CCTV Replacement Equipment	10	-7	PH	3			-1	-1	2	26			26			26
	9 CCTV Various Schemes Sites CIL	3	-3	PH	0				0	0	3			3			3
2	10 CCTV Safer Streets Bunny Walks	3	-1		2				0	2	0			0			0
18	11 Street Lighting Safer Streets Bunny Walks	20	-2		18				0	18	0			0			0
12	12 CCTV Home Office GRIP Funded	0			0		12		12	12							
41	13 Crematorium Equipment	84	-62	PH, PV	22	19			19	41	84			84	-19		65
	14 Crematorium Columbarium	0			0				0	0	14			14			14
1	15 Civic Centre Heating	33	-32	PH	1				0	1	0			0			0
37	16 Civic Centre Server Room Air Conditioning	40			40	-3			-3	37	0			0	3		3
	17 Civic Centre Floor Replacements	31	-31	PH	0				0	0	31			31			31
	18 Print and Post Room Replacement Equip.	3			3			-3	-3	0	0			0			0
	19 Street Lighting and upgrade to LED	21	-21	PH	0				0	0	0			0			0
4	20 CIL Street Lighting Meadows Car Park	5	-1		4				0	4	0			0			0
	21 Travel pool Cars	0			0				0	0	0			0			0
4	22 Dovedales Replacement Equipment	11	-8	PH, PV	3			1	1	4	17			17			17
	23 Riverside Replacement Equipment	43	-43	PH	0				0	0	145			145			145
	24 Riverside Plant	2	-2	PH	0				0	0	61			61			61
	25 CSAC Replacement Equipment	53	-53	PH	0				0	0	64			64			64
	26 CSAC Expansion Fitness Room Equipment				0				0	0	105			105			105
60	27 CSAC Floodlights	60			60				0	60	0			0			0
4	28 CSAC Plant	21	-6	PH	15	-11			-11	4	25			25	11		36
53	29 SWFLC Replacement Programme	63	-10	PH	53				0	53	20			20			20
9	30 SWFLC Plant Replacement	8	1	PV	9				0	9	19			19			19
18	31 SWF 3G Pitch	20	-2	PH	18				0	18	0			0			0
8	32 Hylands House Fire Alarm	15	-1		14	-6			-6	8	0			0	6		6
	33 Hylands House - Lift				0				0	0	20			20			20
	34 Hylands House Basement Pumps				0				0	0	11			11			11
	35 Hylands Pavilion Skins and Linings	60	-60	PH	0				0	0	73			73			73
15	36 Hylands pavilion Equipment	15	1		16	-1			-1	15	19			19	1		20



<b>APPENDIX 4</b>							
<b>Reasons for Variations Greater Than £25,000 in Asset Replacement Programme</b>							
Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason	
<b><u>2022/23</u></b>							
<b><u>Connected Chelmsford</u></b>							
4 Investment in Digital Technology - DPO	150	0	-150	Rephasing of spend to 2023/24	-100.00%	Budgets have been deferred to 2023/24 as business cases still being finalised and some proposals have been funded from revenue.	
<b><u>Greener and Safer Chelmsford</u></b>							
55 Recycling MRF	30	0	-30	Rephasing of spend to 2023/24	-100.00%	Replacements have been deferred to 2023/24 as works scheduled for April 2023.	
63 Disabled Facility Grants	600	854	254	Increase spend Fully Funded by grant	42.33%	Additional Spend incurred that is fully funded by grant. Demand and processing of grant applications.	
<b><u>2023/24</u></b>							
<b><u>Connected Chelmsford</u></b>							
4 Investment in Digital Technology - DPO	0	150	150	Rephasing of spend from 2023/24	100.00%	See above	
<b><u>Greener and Safer Chelmsford</u></b>							
52 Refuse Vehicles	495	516	21	Increase in cost	4.24%	Due to inflation price increases.	
55 Recycling MRF	0	30	30	Rephasing of spend from 2022/23	100.00%	See above	

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## Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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## Internal Audit Annual Report 2022/23

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### Report by:

Audit Services Manager

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### Officer Contact:

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

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### Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2022/23, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations.

### Recommendations

Committee are requested to note the content of the 2022/23 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

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## 1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2. The Internal Audit Annual Plan for 2022/23 was approved by Audit and Risk Committee in March 2022. This report summarises the work that Internal Audit has undertaken during the financial year 2022/23, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations. We have also undertaken a review of the effectiveness of Internal Audit and provided an update on progress against our IA Strategy.
- 1.3. The Public Sector Internal Audit Standards (PSIAS) require that the Audit Services Manager provides an annual audit opinion and report that can be used by the organisation to inform it governance statement in respect of the adequacy and effectiveness of the organisation's framework of internal control, risk management and governance.

## 2. Conclusion

The Internal Audit Annual Report 2022/23 is attached for Audit & Risk Committee to note.

### List of appendices:

Appendix 1 - Internal Audit Annual Report 2022/23

Background papers: None

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## Corporate Implications

### **Legal/Constitutional:**

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

### **Financial:**

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

### **Potential impact on climate change and the environment:**

None

### **Contribution toward achieving a net zero carbon position by 2030:**

None

### **Personnel:**

None

### **Risk Management:**

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and

effectiveness of governance, risk management, and control process for Chelmsford City Council.

**Equality and Diversity:**

None

**Health and Safety:**

None

**Digital:**

None

**Other:**

None

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**Consultees:** Management Team received the Internal Audit Annual Report in May 2023.

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**Relevant Policies and Strategies:** None

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## **Internal Audit Annual Report 2022-23**

### **1. Introduction**

#### **1.1. Purpose of this report**

1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2022-23 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

#### **1.2. The Role of Internal Audit**

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

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

1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2022/23. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in March 2023 and will continue to be updated and appended to the Internal Audit Plan each year.

#### **1.3. Overview of the Internal Audit Approach**

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

1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee, which should provide a reasonable level

of assurance, subject to the inherent limitations set out in Appendix C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the PSIAS.

1.3.4. The audit plan for 2022/23 was approved by Audit and Risk Committee in March 2022. Internal Audit Team resource comprised of Audit Services Manager and 1.5 FTE Senior Auditor during 2022/23.

## 2. Internal Audit Opinion

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

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

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

### OVERALL OPINION

**Moderate Assurance** – overall the Council's systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 4.

Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below. An explanation of the types of opinion that may be given can be found in Appendix A.

## 3. Other Sources of Assurance

### 3.1. Risk Management Framework

The Council's Risk Management Strategy recognises that risk management is an integral part of Council activities. Central to the risk framework is the identification and management of the Council's Principal Risks, aligned to Our Chelmsford, Our Plan objectives, each assigned to a Directorate lead. Reporting to Management Team and Audit and Risk Committee ensures arrangements are working effectively.

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

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

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

The 2022 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategy were set out in a corresponding action plan, which included updating the Council's Fraud Risk Register, development of new Fraud Response Plan and plans for developing and rolling out Council wide counter fraud training during 2023.

Internal Audit also align their Internal Audit Plan and individual assignments with the Fraud Risk Assessment to independently assess anti-fraud controls in place. Where instances of fraud are identified, Internal Audit undertake a review of the circumstances, including lessons learned and recommendations to assist with the design of controls.

The Council also participates in mandatory NFI exercises, of which the latest bi-annual main exercise was November 2022.

## 4. Summary of Findings

### 4.1. High Priority Findings

Report Title	Key Issues Arising
<b>Procurement Cards</b> <i>(Limited Assurance)</i>	Three high priority findings were identified relating to usage, supporting documentation and effectiveness and timeliness of approval. A further four medium priority findings were identified. Though individual transactions have small value, the overall annual spend on procurements card is circa £0.5m a year.
<b>Project Management</b> <i>(Management Letter)</i>	Internal Audit undertook an advisory cross-Council high-level review of the Council's approach to Project Management. Overall, Internal Audit discussion highlighted examples of good practice and successful approaches within individual projects, however a lack of corporate oversight of projects may lead to inconsistencies across the Council when managing projects, potentially resulting in delivery delays, increased costs and ability to demonstrate value for money.
<b>Housing Rent Deposit Scheme</b>	Two high priority findings were identified relating to Assessment of Client Eligibility and Property/Landlord Checks.

Report Title	Key Issues Arising
<i>(Management Letter)</i>	
<b>Procurement &amp; Contract Management</b> <i>(Moderate Assurance)</i>	One high priority finding was identified relating to the Council's approach to contract management whereby it is recommended that a formal contract management policy/ procedure is implemented to ensure a consistent approach across the Council.
<b>Leisure Centres</b> <i>(Moderate Assurance)</i>	One high priority recommendation was identified relating to the ongoing development of a new bank reconciliation.
<b>Temporary Accommodation</b>	<i>Internal Audit were due to undertake a review of Temporary Accommodation during 2022/23, however following discussion with management the review had to be postponed due to limited housing resource. Internal Audit are aware that Housing remains a Principal Risk to the Council and will undertake this review in Summer 2023.</i>

#### 4.2. Key Financial Systems (KFS) 2022/23

The KFS programme is a key indicator of the overall strength of the underlying control environment and each year Internal Audit carries out reviews of the Council's fundamental financial systems. For 2022/23, this included a full review of Procurement Cards (see above) and a key control review of Business Rates and Council Tax. This latter review is due to be completed by 30<sup>th</sup> June 2023.

#### 4.3. Grants Sign Off

During 2022/23, Internal Audit were required to carry out audit testing and review to ensure that the conditions attached to the Government COMF Test and Trace and TTSP (Test and Trace Support Payments) were complied with. No issues were noted.

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

Report Title	Link to PRR	Assurance Rating	High	Med	Low
Procurement Cards	005 Fraud / 017 Procurement & Contract Management	Limited	3	4	0
Project Management Governance	017 Procurement & Contract Management / 019 Income & Financial Position	n/a management letter but findings identified should be considered high priority			
Housing Rent Deposit Scheme	006 Homelessness	n/a management letter	2	2	0
Procurement & Contract Management	017 Procurement & Contract Management	Moderate	1	2	1

Report Title	Link to PRR	Assurance Rating	High	Med	Low
Leisure Centres	019 Income and Financial Position / 005 Fraud	Moderate	1	1	0
Car Parks	005 Fraud	Moderate	0	4	1
On Street Parking and Enforcement	005 Fraud	Moderate	0	4	1
Council Tax Base	019 Income and Financial Position	Substantial	0	1	0
Environmental Health	005 Fraud	Substantial	0	2	2
Payroll	005 Fraud	n/a management letter	n/a	n/a	n/a
Chelmsford Museum	005 Fraud	n/a management letter	n/a	n/a	n/a
Cheques Advice	005 Fraud	n/a management letter	n/a	n/a	n/a
Key Financial Systems 2022/23	019 Income and Financial Position / 005 Fraud	TBC	TBC	TBC	TBC
Theatres	Phased control design and assurance work timed as appropriate around re-opening, reviewing the processes for Theatre income collection and expenditure.				

Internal Audit have also continued to provide ad hoc advice and guidance during 2022/23, including to HR, Finance and Digital Services and in relation to the Community Governance Review.

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

A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. Performance relating to the implementation of recommendations during 2022/23 is tabled below.

Audit Title	Original Assurance Rating	Key Findings
Housing Allocations	Moderate	In the previous report, two medium recommendations were made. Based on the evidence presented, our follow up audit revealed that one recommendation had been partially implemented; and one recommendation has not been implemented. The outstanding recommendation relates to management information.
Mayor's Office	Moderate	In the previous report, two medium priority recommendations were made and accepted by management. Based on the evidence presented, our follow up audit revealed that one recommendation relating to cash handling had been partially implemented. The

Audit Title	Original Assurance Rating	Key Findings
		remaining recommendation is no longer applicable.
CiL/S106 Contributions	Moderate	In the previous report, one medium priority recommendation was made. Based on the evidence presented, our follow up review revealed that the agreed action was completed, and the recommendation has been fully implemented.
Health and Safety	Moderate	In the previous report, two medium priority recommendations were made and accepted by management. Based on the evidence presented, our follow up audit revealed that both had been fully implemented.
Planning	Substantial	In the previous report, one medium priority recommendation was made relating to the inclusion of the Bribery Act in staff training and awareness. This will be implemented when planned wider corporate anti-bribery training is rolled out during 2023.
Waste and Recycling	Substantial	In the previous report, one medium priority recommendation was made relating to the inclusion of the Bribery Act in staff training and awareness. This will be implemented when planned wider corporate anti-bribery training is rolled out during 2023.
Community Funding Scheme	Substantial	Work in Progress, due for completion Summer 2023.

## 5. Review of the Effectiveness of Internal Audit

5.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2022/23 is shown in the table below.

KPI	Target	Result 2022/23	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	<b>82%</b>	Missed by 1 report, subsequently issued 06/04/23
Audit Plan delivered to final report stage by 30 <sup>th</sup> April:	100%	<b>67%</b>	All reports due to be finalised by 30th June.
Overall customer satisfaction score for the year to meet or exceed acceptable level (i.e. very good or good) for at least 90% of completed surveys	90%	<b>100%</b>	

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

The Internal Audit Strategy 2020-22 was approved by Audit and Risk Committee in September 2020. Progress is documented below.

A new Strategy was produced for 2023/24 which was approved by Audit and Risk Committee in December 2022.

Original Strategy Goal	2021/22 Progress
<p>Develop a planning process which identifies the Council's most significant internal and external risks and deliver an Annual Internal Audit Plan focussing on these key risks, and which meets stakeholder needs.</p>	<p>The 2022/23 Internal Audit Plan was developed using a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks. The plan was discussed and agreed by Senior Managers, Management Team and Audit and Risk Committee. A contingency was also included in the plan to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).</p>
<p>To contribute to the Council's delivery of its governance and assurance framework</p>	<p>Risk and Internal Audit discuss and exchange risk information, including progress updates on development of the risk framework and any emerging issues. Risk consequence criteria have been aligned to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments. Internal Audit will bring any serious, emerging issues to the attention of Risk.</p> <p>A Corporate Governance Group, which the Audit Services Manager attends, was formed in 2020. The purpose of the CGG is to oversee, co-ordinate and advise on the effective development and consistent operation of corporate governance arrangements in the Council.</p>
<p>To be a trusted advisor to Senior Managers and the Audit and Risk Committee</p>	<p>As demonstrated through the Internal Audit Annual Report and organisation feedback.</p>
<p>To monitor the critical skills and resource blend required to ensure Internal Audit deliver their mission and objectives.</p>	<p>In-house team training needs are monitored and co-sourced arrangement utilised with an external provider where alternative delivery/additional skills are required.</p>

## 7. Quality assurance and improvement programme

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

Annual Opinion Categories

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

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

## Key to Assurance Levels in Individual Reports

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

## Key to Risk Ratings for Individual Findings in Reports

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

## Limitations and Responsibilities

### Responsibilities of management and internal auditors

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

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

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

- **Opinion**

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

- **Internal control**

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

- **Future periods**

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

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

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## Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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### **Audit and Risk Committee Annual Report 2022/23**

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#### Report by:

Audit Services Manager

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#### Officer Contact:

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

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#### Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2022/23 in line with CIPFA's Position Statement for Audit Committees 2022.

#### Recommendations

Committee are requested to note the content of its 2022/23 Annual Report prior to submission to Full Council.

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### 1. Introduction

- 1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 1.2. In Chelmsford, the Audit and Risk Committee has been delegated governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 1.3. The CIPFA Position Statement for Audit Committees 2022 outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. Part of this includes reporting regularly on their work, and at least annually reporting an assessment of their performance.

## 2. Conclusion

The Audit and Risk Committee Annual Report 2022/23 is attached for Committee to note and agree.

List of appendices: Appendix 1 - Audit and Risk Committee Annual Report 2022/23

Background papers: None

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### Corporate Implications

#### Legal/Constitutional:

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

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

#### Financial:

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

#### Potential impact on climate change and the environment:

None

#### Contribution toward achieving a net zero carbon position by 2030:

None

#### Personnel:

None

#### Risk Management:

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

#### Equality and Diversity:

None

#### Health and Safety:

None

Digital:  
None

Other:  
None

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

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**Relevant Policies and Strategies:** None

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## Appendix 1

### **Audit and Risk Committee Annual Report 2022/23**

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

I am pleased to present the Annual Report of the Audit and Risk Committee which outlines the Committee's work and achievements for 2022/23.

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

To provide ongoing assurance over the Council's risk management, governance and internal control arrangements, the Committee has been supported during 2022/23 by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors.

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

**Cllr Nora Walsh**

**June 2023**

## 1. Overview

- 1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 1.2. In Chelmsford, the Audit and Risk Committee has been delegated some governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 1.3. As outlined in CIPFA Position Statement for Audit Committees 2022, the core functions of the Audit Committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.
- 1.4. The specific responsibilities include:

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

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

- **Financial and governance reporting**

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

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

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

- promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

1.5. In addition to the CIPFA Position Statement for Audit Committees 2022, various associated guidance also emphasises the importance of the Audit Committee, including:

- CIPFA's Delivering Good Governance in Local Government Framework
- The Public Sector Internal Audit Standards (PSIAS)
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption

## **2. Membership and Committee Administration**

- 1.1. There were four meetings of the Committee during 2022/23 (June 2022, September 2022, December 2022 and March 2023).
- 1.2. Membership of the Committee for 2022/23 is attached at Appendix A. The Audit and Risk Committee did not have any external Members acting in an independent capacity in 2022/23.
- 1.3. The work programme is based around the Committee's Terms of Reference, along with items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee during 2022/23 is attached at Appendix B to the report.
- 1.4. The Committee was supported by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement and Risk Services Manager, and the Public Health and Protection Services Manager, as well as External Audit (BDO).
- 1.5. The Committee operated under the Terms of Reference which was in line with CIPFA guidance: Audit Committees (2018). The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings may be accessed from: [Committees and Panels - Chelmsford City Council](#).

## **2. Governance Risk and Control**

### **Risk Management**

2.1. In June 2022, Audit and Risk Committee received the Spring/Summer 2022 Risk Management Report. The report outlined the progress made in implementing the Council's risk management framework and summarised the Council's Principal Risks. Key outcomes were also noted such as:

- new corporate risk reporting formats placing greater emphasis on risk treatment, Fraud Risk and Control Assessment bringing together Risk and Internal Audit
- six-monthly compliance reporting cycle for Fire Risk Assessment and Health & Safety audit actions using T1
- Our Chelmsford, Our Plan Action Plan Climate and Ecological Emergency Action Plan progress reported annually to Overview and Scrutiny Committee
- Health and Wellbeing Strategy Action Plan progress reported quarterly to LiveWell Chelmsford

2.2. In December 2022, the Committee received a further Risk Management Report, updating the Principal Risk position and discussed the Principal Risks of:

- Income and Financial Position,
- Theatre Refurbishment and Rebranding
- Enterprise Resource Planning.

### **Countering Fraud and Corruption**

2.3. In December 2022, the Committee received a report detailing the Council's new Counter Fraud and Corruption Strategy which included key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption.

2.4. The 2023 Strategy had been developed in line with best practice, such as CIPFA's Managing the Risk of Fraud and Fighting Fraud and Corruption Locally checklist. Supplementing the strategy was an action plan which set out how it would be delivered.

2.5. An update on the actions taken in relation to the Counter Fraud Strategy Action Plan was provided to Committee in March 2023, including:

- updating the Council's Fraud Risk Register
- producing a revised Fraud Response Plan
- reviewing the Whistleblowing Policy
- developing and refreshing training and awareness activities for employees.

2.6. With regards to updating the Council's Fraud Risk Register, it was noted by the Committee that the overall Principal Risk of fraud was broken down to 20 different risk areas that were susceptible to fraud based on consideration of CIPFA's annual Counter Fraud and Corruption Tracker adapted for the Council. Risks identified had been assessed to calculate a more accurate rating. The adequacy of controls in

place would be reviewed, supported by independent assurance from internal audit, and highlight where further mitigation would be required. There is also an anti-bribery and corruption risk assessment in the process of being developed.

- 2.7. Regarding anti-fraud training, the Committee was informed that this training would be rolled out to all Council members and officers including temporary and agency workers.
- 2.8. Committee also received a detailed update regarding two recent fraud investigations.

### **CIPFA Financial Management Code Assessment**

- 2.9. In September 2022, the Committee received an update informing them of the requirements of the Financial Management Code and the Council's self-assessment of compliance against it. The Committee noted that the Council continued to be materially compliant with the Financial Management Code but some areas has been identified where minor improvements were required and some actions were arising from the assessment.

### **3. Financial and Governance Reporting**

- 3.1. The Audit and Risk Committee received a report from the Accountancy Services Manager in June 2022 on the provisional revenue outturn position for 2021/22. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. For each affected service, action or variance, the report identified associated risks. Committee also received a report which detailed the capital expenditure incurred in 2021/22, updated the Committee on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.
- 3.2. The Council's Annual Governance Statement (AGS) forms part of the Council's Statement of Accounts and its purpose is to provide assurance regarding the Council's governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance. The Audit and Risk Committee reviewed the Annual Governance Statement for 2021/22 jointly with Governance Committee in June 2022. Progress on outstanding governance issues from 2021/22 were noted along with areas identified for 2022/23, such as:
  - Financial Rules
  - Cyber Security
  - Financial Management Code Action Plan
  - Member Code of Conduct
  - Community Governance Review
- 3.3. The Chair of the Audit and Risk Committee signed the 2020/21 Statement of Accounts on 9th March 2023 (see further detail below re External Audit). The Committee are still awaiting the Annual Audit Letter to summarise any issues arising from the work they had carried out in respect of the year ended 31st March 2021.
- 3.4. In September 2022, the Committee received a presentation from officers on the Unaudited Accounts for 2021/22. It was noted that these had been published in July 2022 and the presentation covered the role of the Committee in reviewing the accounts, the core statements and some of the key items for consideration, including the role of the Audit and Risk Committee, deadlines for the year, what

determines the format of the accounts, the statutory entries, the main chapters in the accounts, S151 officer's key messages and key risks.

- 3.5. In March 2023, Committee approved the Accounting Policies which would be used in completing the 2022/23 Statement of Accounts in line with Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

#### **4. Establishing appropriate and effective arrangements for audit and assurance**

##### **Internal Audit**

- 4.1. The original audit plan for 202/23 was approved by Audit and Risk Committee in March 2022.
- 4.2. During 2022/23, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included:
  - Internal Audit Annual Report 2021/22 which provided an overall annual opinion of "moderate" assurance (June 2022)
  - Interim Annual Report 2022/23 (December 2022)
- 4.3. In December 2022, Committee approved the Internal Audit Strategy 2023-24.
- 4.4. In line with Public Sector Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Charter in March 2023.

##### **External Audit**

- 4.5. In September 2022, the Committee were updated by the external auditors as to the progress they had made on the 2020/21 Statement of Accounts. Following an update in December 2022 where Committee were advised that there had been delays in signing off as a result of auditors seeking additional assurances, a further update was provided by the S151 Officer in March 2023 and the Committee noted that the 2020/21 accounts had been signed off on 9th March 2023.
- 4.6. In September 2022, Committee were advised that due to continuous resource pressures audit firms face nationally, Committee were advised that the audit of the 2021/22 accounts was unlikely to happen before July 2023. Members of the Committee and other Cabinet members who were present at the meeting, expressed their strong levels of disappointment at the continued and unacceptable delays, with the External Auditors responding to the specific concerns raised by Committee.
- 4.7. In September 2022, the Committee received an update on the contract for External Audit. The update detailed the proposals by the Public Sector Audit Appointments (PSAA) relating to setting the 2022/23 audit fee for their services.
- 4.8. In December 2022, Committee were advised that the Council had met with PSAA to raise the issue of delays formally and met with our auditor's liaison for local government audit who confirmed that BDO intend to send out letters to their clients setting out broad level of their approach to catching up with audits.
- 4.9. The Committee was updated regularly during the course of 2022/23 by the External Auditors and s151 Officer on the lateness of the external audit process locally and nationally and how the long delays have impact on the ability of the Committee to make judgements on financial risk and financial reporting.

## Additional Governance and Assurance Reports to Committee

- 4.10. **Modern Slavery** – in September 2022, the Committee received a report updating them on the work undertaken within the Council on Modern Slavery reduction and awareness. Members were informed that the action plan initially produced in September 2020 had been updated with one outstanding action. The Committee also heard that with the introduction of the Chelmsford Against Slavery Partnership, Modern Slavery would become business as usual for the Safer Chelmsford Partnership. It was noted that progress would be reported to the One Chelmsford Board and then in turn Overview and Scrutiny Committee. This therefore meant future updates would not be provided to the Audit and Risk Committee.
- 4.11. **Corporate Health and Safety Annual Report** – In September 2022, the Committee received a report updating them on Health and Safety in 2021/22. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.
- 4.12. **Cyber Security** – In September 2022, the Committee received a presentation from the Council's Digital Services Manager and the Virtual Cyber Information Security Officer, following a request at a previous meeting. The Committee heard that a posture review had taken place in 2021 of the Council's Cyber Security position which led to a list of actions and an updated policy. The Committee were informed that positive progress continued to take place in the Council's cyber security efforts and would continue to be an area of focus for the Council.
- 4.13. **Procurement Update** – in December 2022, the Committee received a report regarding all formal procurement and sourcing activities alongside any cross functional working that had taken place. The report also informed members of new process, policies and practices introduced in the last 12 months and the planned activities for the next 12 months, along with the findings to date on social value feedback.

**Membership of Audit and Risk Committee 2022/23**

Councillor Nora Walsh – Chair  
Councillor Malcolm Sismey – Vice Chair  
Councillor Dan Clark  
Council Wendy Daden  
Councillor Natacha Dudley  
Councillor Barry Knight  
Councillor James Raven  
Councillor Eleanor Sampson  
Councillor Andrew Sosin

**June 2022**

- **Joint with Governance Committee**
  - Review of the Local Code of Corporate Governance and Annual Governance Statement 2021/22
  
- **Audit & Risk Committee**
  - External Audit Update
  - Revenue Monitoring Report
  - Capital Monitoring Report
  - Internal Audit Annual Report 2021/22
  - Audit and Risk Committee Annual Report 2021/22 and Terms of Reference
  - Risk Management Report

**September 2022**

- Presentation on Cyber Security
- Modern Slavery Report
- Annual Health and Safety Report 2021/22
- CIPFA Financial Management Code Assessment
- External Audit Contract Update
- External Audit Update
- Presentation on the Unaudited Accounts 2021/22

**December 2022**

- Internal Audit Interim Report 2022/23
- Internal Audit Strategy 2023
- Risk Management Report
- Counter Fraud Strategy and Action Plan
- External Audit Update
- Procurement Update

**March 2023**

- External Audit Update
- Internal Audit Plan 2023 and Charter
- Counter Fraud Strategy Action Plan Update
- Account Policies for the 2022/23 Statement of Accounts
- Counter Fraud Investigations Update

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Chelmsford City Council Audit and Risk Committee

**21<sup>st</sup> June 2023**

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## **Audit & Risk Committee Terms of Reference and Compliance with New CIPFA Audit Committees Position Statement**

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Report by:

Audit Services Manager

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Officer Contact:

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

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### **Purpose**

This report outlines a revised Terms of Reference for Audit & Risk Committee and actions to be considered to ensure that the Committee is operating in line with the recently published CIPFA Audit Committees Position Statement.

### **Recommendations**

Committee are requested to note and agree the revised Terms of Reference and action plan for compliance.

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## **1. Introduction**

- 1.1. The recently published CIPFA Position Statement for Audit Committees 2022 outlines the core functions of the Audit Committee and advises how Audit Committees should demonstrate their independence and effectiveness. To this end, the publication provides a recommended terms of reference

template for Audit Committees to adopt to ensure they are performing at an optimal level.

1.2. New additions to the Terms of Reference (as highlighted at Appendix A in yellow) include:

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code (No.5)
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives (No. 11)
- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met. (No. 12)
- To provide free and unfettered access to the audit committee chair for the external auditors, including the opportunity for a private meeting with the committee (No. 22)

1.3. An amended section of the Terms of Reference (No. 38) extends the existing requirement to publish an annual report on the work of the Committee, to additionally include a conclusion on the Committee's compliance with the CIPFA Position Statement.

1.4. Following the formation of the Council's new Audit & Risk Committee in 2023, it is a pertinent opportunity to review this compliance. To this end, it is recommended that Committee consider the following actions:

- i. **Undertake a self-assessment** - the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. It would therefore be beneficial for the Committee to evaluate its impact and identify any further areas for improvement.
- ii. **Consider the recruitment of Co-opted Independent Member(s)** - the CIPFA Position Statement recommends that audit committees of local authorities should include at least two co-opted independent members to provide appropriate technical expertise to the Committee. If this is agreed by Committee, the inclusion of Independent Persons will also need to be added to the Terms of Reference.
- iii. **Committee Training** - the Position Statement also emphasises that Committee Members should be trained to fulfil their role to ensure Members are objective, have an inquiring and independent approach, and are knowledgeable.

## 2. Conclusion

### 2.1. Committee are recommended to agree:

2.1.1. A self-assessment will be circulated by the Audit Services Manager to Committee Members for Committee to evaluate its impact and identify any further areas of improvement.

2.1.2. Officers will research into training opportunities available for Committee Members, with options to be circulated.

2.1.3. The recruitment of two co-opted independent Members, to be in place by September 2023 Committee, in order to demonstrate that the Committee meets best practice and complies with CIPFA's Position Statement.

2.1.4. If the recruitment of two co-opted independent Members is agreed, selection is to be delegated to an officer in consultation with the Chair.

2.2. The Audit & Risk Committee Terms of Reference is attached at Appendix A for Committee to note and agree.

2.3. Further to agreement to 2.1.3, the inclusion of Independent Persons to be added to the Committee's Terms of Reference.

### List of appendices:

Appendix A - Audit & Risk Committee Terms of Reference

### Background papers:

None

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## Corporate Implications

### Legal/Constitutional:

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

### Financial:

Failure to have appropriate oversight of governance, risk management and internal control arrangements puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

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

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

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Consultees: Councillor Walsh, Chair of Audit and Risk Committee

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Relevant Policies and Strategies: None

## Audit and Risk Committee

### Terms of Reference

#### Statement of Purpose

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

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

#### Governance, risk and control

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To monitor the effective development and operation of risk management in the council.
3. To monitor progress in addressing risk-related issues reported to the committee.
4. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
5. To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
8. To monitor the counter fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.

#### Governance reporting

10. To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
11. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

## Financial reporting

12. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
13. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Arrangements for audit and assurance

15. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

## External audit

16. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
17. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To consider additional commissions of work from external audit.
21. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
22. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

## Internal audit

23. To approve the internal audit charter.
24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
25. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
26. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
27. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

28. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
29. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the QAIP
  - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
30. To consider the head of internal audit's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
31. To consider summaries of specific internal audit reports as requested.
32. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
33. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
34. To consider a report on the effectiveness of internal audit to support the AGS as required to do so by the accounts and audit regulations.
35. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **Accountability arrangements**

36. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
37. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
38. To publish an annual report on the work of the committee, **including a conclusion on the compliance with the CIPFA Position Statement.**

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## Chelmsford City Council Audit & Risk Committee

**21<sup>st</sup> June 2023**

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

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Report by:

Audit Services Manager

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Officer Contact:

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

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#### Purpose

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

#### Recommendations

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

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#### 1. Introduction

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

#### 2. Rolling Programme of Work

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

### 27<sup>th</sup> September 2023

Agenda Item	Report Owner
External Audit Update	BDO
Draft 2022/23 Statement of Accounts <i>(Training TBC)</i>	Accountancy Services Manager (s151)
CIPFA Financial Management Code Assessment	Accountancy Services Manager (s151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan September 2023 to March 2024	Audit Services Manager
Counter Fraud Strategy Action Plan Update	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

### 13<sup>th</sup> December 2023

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Interim Report 2023/24	Audit Services Manager
Counter Fraud Annual Report 2023	Audit Services Manager
Risk Management Report	Procurement and Risk Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

### 20<sup>th</sup> March 2024

Agenda Item	Report Owner
External Audit Update	BDO
Internal Audit Plan 2024 + Internal Audit Charter 2024	Audit Services Manager
Counter Fraud Strategy Action Plan Update	Audit Services Manager
Accounting Policies	Accountancy Services Manager (S151)
Audit & Risk Committee Work Programme	Audit Services Manager

June 2024

**(Joint meeting with Governance Committee)**

Agenda Item	Report Owner
Review of the Local Code of Corporate Governance	Legal and Democratic Services Manager
Annual Governance Statement	Legal and Democratic Services Manager

**(Audit & Risk Committee)**

Agenda Item	Report Owner
External Audit Update	BDO
Revenue (Outturn)	Accountancy Services Manager (S151)
Capital Monitoring (Outturn)	
Internal Audit Annual Report 2023/24	Audit Services Manager
Audit & Risk Committee Annual Report 2023/24	
Review of the Audit & Risk Committee's Terms of Reference	
Risk Management Report	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

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### Corporate Implications

Legal/Constitutional:

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

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

Financial:

Failure to have appropriate oversight of governance, risk management and internal control arrangements puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

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

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

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Consultees: None

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Relevant Policies and Strategies: None

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