



## **AUDIT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2016**

The Council's accounts are subject to external audit. This audit is being carried out by Debbie Hanson, Audit Director, Ernst & Young LLP, 400 Capability Green, Luton, Beds, LU1 3LU and will be conducted under the provisions of the Local Audit and Accountability Act 2014, Sections 26 and 27 and the Accounts and Audit (England) Regulations 2015 (SI No. 234) Members of the public and local government electors have certain rights in the audit process.

For the year ending 31st March 2016 any person interested has the opportunity to inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them. These documents will be available on application to the Director of Financial Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE between 9.30 am and 4.30 pm commencing Friday, 17th June, 2016 and ending on Thursday, 28<sup>th</sup> July, 2016.

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

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

Ann Coronel  
Legal and Democratic Services Manager

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

26<sup>th</sup> May 2016

**South Essex Parking Partnership**

**NOTICE OF INSPECTION**

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**NOTICE**

1. **Date of announcement**      26<sup>th</sup> May 2016
2. **This year the South Essex Parking Partnership's annual return is being reviewed. Any person interested may inspect the accounts and make copies of the annual return and all books, deeds, contracts, bills, vouchers and receipts relating to the accounting statements for the year ended 31 March 2016. These documents will be available on reasonable notice by application to:**  
  
Director of Financial Services,  
Civic Centre, Duke Street, Chelmsford, Essex,  
CM1 1JE.  
  
commencing on      17<sup>th</sup> June 2016  
  
and ending on      28<sup>th</sup> July 2016
3. **Local government electors and their representatives also:**
  - May raise queries in relation to the accounts or any item in them at any time. Queries in writing may be sent to the South Essex Parking Partnership at the address above.
4. **This announcement is made by Ann Coronel, Legal and Democratic Services Manager**

**CHELMSFORD CITY COUNCIL**  
**AUDIT OF ACCOUNTS 2015/16**  
**NOTICE OF CONCLUSION OF AUDIT**

The Audit of the Council's accounts for 2015/16 has been concluded.

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

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

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

The Statement of Accounts can also be viewed on our website at [www.chelmsford.gov.uk](http://www.chelmsford.gov.uk)

Dated 29<sup>th</sup> September 2016

S W Packham  
Chief Executive

Civic Centre  
Duke Street  
Chelmsford  
Essex  
CM1 1JE

# Chelmsford City Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

## Executive Summary

## Executive Summary

We are required to issue an Annual Audit Letter to Chelmsford City Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council at 31 March 2016 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts 2015/16
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 15 September 2016
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 21 September 2016

In January 2017, we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Debbie Hanson  
Executive Director  
For and on behalf of Ernst & Young LLP



Purpose



## Purpose

### **The Purpose of this Letter**

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the findings from our audit work in our 2015/16 Audit Results Report to the 21 September 2016 meeting of the Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this Letter. The matters reported here are the most significant for the Council.





# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 16 February 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



The background is a blurred office scene. In the foreground, there are several clear glass tumblers filled with water on a wooden desk. Behind them, a laptop screen displays a financial chart. To the left, a pen and some papers with charts and tables are visible. The overall lighting is bright and natural, suggesting a window in the background.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 21 September 2016.

Our detailed findings were reported to the 21 September 2016 meeting of the Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<b>Management override of controls</b> A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.	We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
<b>Revenue and expenditure recognition</b> Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.	Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition. Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Our testing did not identify any expenditure which had been inappropriately capitalised.

#### Other Risk

#### Conclusion

##### **Significant national appeals which may impact the Council's business rates appeals provision**

The Council's 2014/15 provision for business rates appeals was significant, with the Council's share of the total provision at 31 March 2016 being £5.8 million. This provision is subject to significant estimation techniques as well as precedent set by rate payers who may have successfully appealed in other parts of the country.

The Council uses a management expert, Inform CPI, to provide an estimate of the required year end provision which is disclosed in the accounts.

As appeals are made to the Valuation Office Agency (VOA), the Council may not be aware of the level of claims lodged in the year, as well as those claims successfully lodged elsewhere, and there is therefore a risk that the provision could be materially misstated or incomplete.

We therefore undertook audit procedures to gain assurance that the provision was not materially misstated.

We reviewed the methodology underpinning the provision for business rate appeals and were satisfied that it has been calculated on a reasonable basis in line with relevant accounting standards; specifically International Accounting Standard 37.

We ensured the provision was supported by appropriate evidence and that the level of estimation uncertainty was adequately disclosed within the financial statements (within note 4); and

We reviewed the completeness and valuation of the provision, taking into account management's arrangements to assess the output from their expert and the information held by the VOA.

On the basis of these procedures, we were satisfied that the provision has been calculated on a reasonable basis and is not materially misstated.





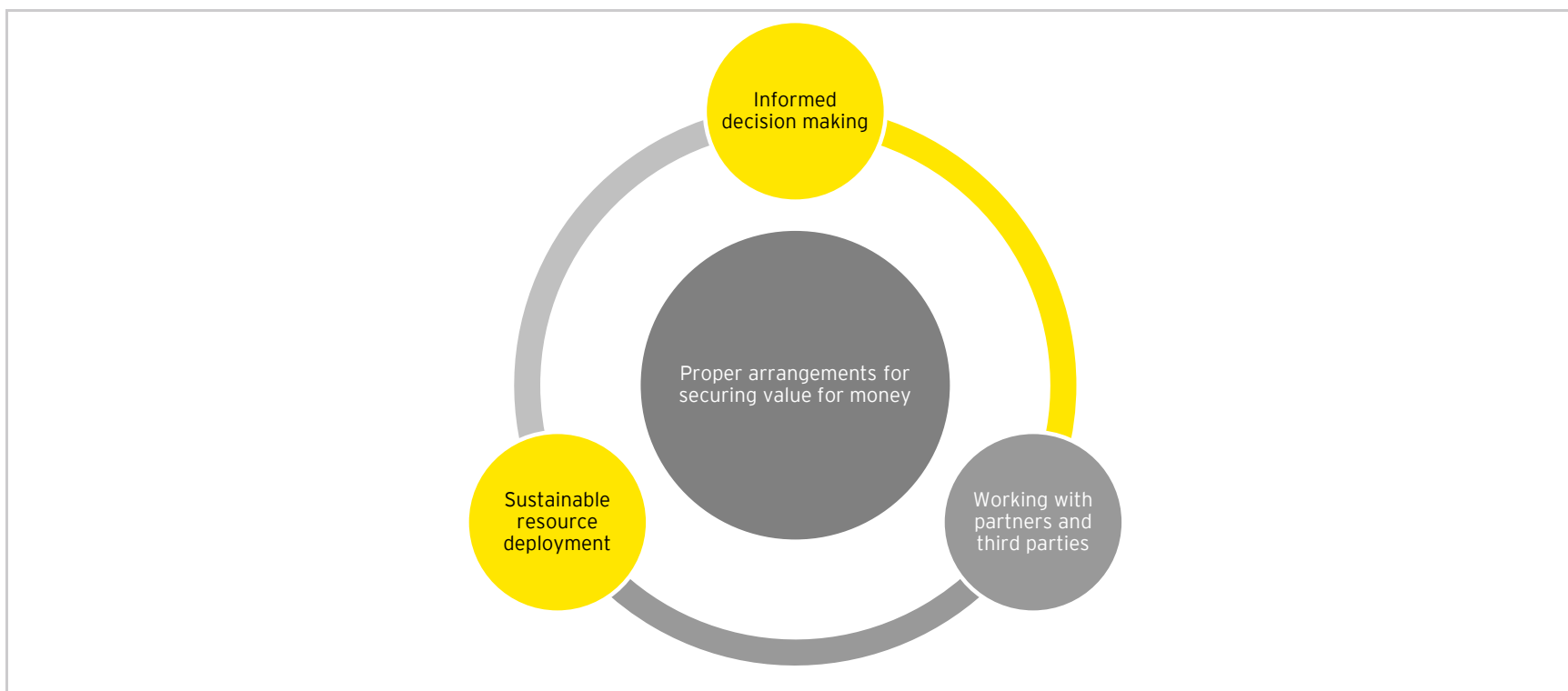
Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 21 September 2016.

We identified one significant risk in relation to our value for money conclusion. This was in relation to the Council's arrangements for sustainable resource deployment. We performed the procedures outlined in our Audit Plan to address this risk and our work did not identify any significant matters in relation to the Council's arrangements. We therefore concluded that the Council had adequate arrangements in place.

As part of our work we considered the following areas and made the following observations.

### Key findings

#### **Sustainable resource deployment: Achievement of savings needed over the medium term**

To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, the Council continues to face significant financial challenges over the next three to four years, with a forecasted underlying budget gap of £2.4 million by 2018-19, which will need to be bridged through savings and efficiencies or increased income. Given the scale of the savings and efficiencies needed, there is a risk that savings plans to bridge this gap may not be robust or achievable. In addition, the Council's external funding sources are reducing and subject to change and uncertainty in future years. Some of the main areas of uncertainty which impact the Council relate to:

- Future levels of business rates income, and the volatility in business rate income forecasts; and
- Level of Government funding through the Revenue Support Grant (RSG).

Business rates income forecasting in particular presents a challenge for the Council, adding a significant degree of uncertainty to the Council's funding position in the medium term.

In response to these risks, we have considered the:

- adequacy of the Council's budget monitoring process, comparing budget to outturn;
- robustness of any assumptions used in medium term planning;
- Council's approach to prioritising resources whilst maintaining services; and
- savings and income plans in place, assessing the likelihood of whether these plans can provide the Council with the required savings and efficiencies over the medium term.

As a result of our work we have concluded that:

- The Council is clearly aware of the challenges it faces and the financial forecasts that have been reported to Members make clear the scale of the challenge.
- Good progress has already been made on identifying robust savings and efficiency plans to bridge the medium term budget gap.
- The Council has a good track record of delivering savings and meeting its budget.
- Through its annual budget setting, use of reserves and medium term financial planning, the Council continues to plan well to

secure its longer term financial resilience.

- The Council's budget monitoring arrangements are robust, as illustrated by the consistency of forecasting compared to outturn.
  - The assumptions used in medium term planning are reasonable and based on known factors.
-





## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 21 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Focused on your  
future





## Focused on your Future

Area	Issue	Impact
<b>EU referendum</b>	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&amp;P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>

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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

# Annual Governance Statement 2015/2016

## Chelmsford City Council

**This section explains how we manage our affairs and control our activities.**

### **1. Our responsibilities**

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

### **2. Our governance framework**

- 2.1 The governance framework is made up of:
  - the systems, processes, culture and values by which the Council is directed and controlled, and
  - the Council's activities, through which it accounts to, involves, works closely with and leads the community.
- 2.2 The framework enables us to monitor how far we achieve our strategic objectives and to consider whether those objectives have led us to provide appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve our policies, aims and objectives, so it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
  - identify and prioritise the risks to us of achieving our policies, aims and objectives
  - evaluate the likelihood of those risks happening and the effects if they do occur, and
  - manage those risks efficiently, effectively and economically.
- 2.4 The following diagrammes indicate how we have established our governance framework and how this is then monitored. The remaining sections of this statement describe the key elements of the systems and processes that make up our governance arrangements, which have been in place for the year ended 31 March 2016 and up to the date of the approval of this Statement and the Statement of Accounts.

### **Council's Governance Framework:**

#### Suite of Documents dealing with the Council's approach

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

#### Corporate Officer Group

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

#### Governance Committee

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

#### Audit Committee

- Monitor the Council's revenue budget
- Monitor the Council's capital programme
- Monitor effectiveness of Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements,
- Review the assessment of fraud risks and potential harm to the Council from fraud and corruption,
- Approve Internal Audit's strategy, resources, risk based plan and significant interim changes to the plan, and performance,
- Monitor Internal Audit's work

### **Processes to Ensure Good Governance is monitored**

#### First Line of Defence

Operational Delivery

Assurance by Managers and Directors

Performance Management and data quality

#### Second Line of Defence

Legal, regularity, information and security assurance etc;

Budgetary Monitoring

Strategic Risk Board

#### Third Line of Defence

Internal Audit

#### Fourth Line of Defence

External Audit

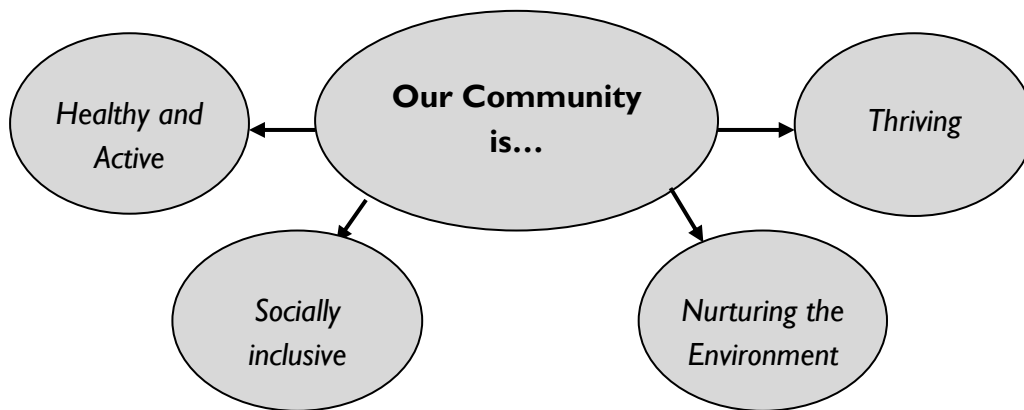
### **3. Council's Vision**

- 3.1 Chelmsford City Council has a long-term vision for Chelmsford to enhance the economic, cultural, leisure and retail heart of Essex and to become a leading regional centre in the East of England. This vision was agreed by the Council and its partners and together we have made great strides towards achieving it. The Council's Corporate Priorities in its Corporate Plan were developed by Cabinet and Management Team through consultation with residents and key partners.
- 3.2 The Corporate Plan recognises the challenges and opportunities we face and sets out how we will achieve our ambitious vision for the city. It is themed on 'People' and 'Place' and sets out the following six key priorities for Chelmsford and its residents:

Attracting investment and delivering infrastructure	Promoting a more sustainable environment
Facilitating suitable housing for local needs	Promoting healthier and more active lives
Providing high quality public spaces	Enhancing participation in cultural activities

- 3.3 Under each of the Corporate Priorities are a number of key objectives and key actions – these have been set in order for us to achieve and track how we are progressing against each corporate priority. For example, to achieve the overall vision, there is
- A corporate priority to 'attract investment and deliver infrastructure'.
  - Below these there is an objective to make the City Centre more attractive; and beneath this
  - There are a number of actions to carry out specific work in the City Centre.
- 3.4 Overall responsibility for delivering our Corporate Plan vision, sits with Cabinet Members and Directors with the responsibility for delivering individual actions assigned to individual officers. Officers have the capability of monitoring progress on a continual basis using our performance system called Covalent. Covalent links together all of the information from our performance framework (Corporate Plan, Strategies, Team plans and Individual Performance). The information contained within the Corporate Plan evolves as actions, projects and performance indicators are completed and new ones are formed
- 3.5 Alongside the Corporate Plan sits the Community Plan (Chelmsford Tomorrow 2021). The Community Plan provides a framework for One Chelmsford by focusing on areas that require input from a range of partners. The plan looks at joining up services, filling any gaps created by organisations working in isolation and to achieve outcomes and better value for money.

**The key priorities of the Community Plan:**



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

#### **4. How do we measure quality of service delivered?**

- 4.1 We are focusing on delivering services against the priorities set out in our Corporate Plan. We prioritise where we should allocate resources depending on how appropriate they are for these themes. Risk management arrangements are reviewed to ensure areas of highest risk are mitigated appropriately. The Council has shown that its performance has improved consistently through target-setting and improvements to service delivery.
- 4.2 We have an overall framework for managing performance throughout the Council. Performance is reviewed and challenged in various ways. Examples for this year are as follows and details of what was reported and when can be found in the links in Appendix A:
  - 4.2.1 The latest performance information is accessed via our performance management system; Covalent. This system allows staff to access and update information relating to the progress of actions, projects and performance indicators. All performance reports are automatically generated from Covalent. During 2015/16 Covalent has been transitioned to a web based version for some uses and is being used for some project work which provided an improved platform for all users. All risk information for assurance purposes is reported from Covalent to the Strategic Risk Board.
  - 4.2.2 Directors regularly meet their Cabinet Member to discuss progress against their service plans
  - 4.2.3 Performance reports are reviewed monthly by Management Team and quarterly by the Overview and Scrutiny Committee.
  - 4.2.4 Directors meet every month with the Chief Executive to discuss performance and progress against their action plans.
  - 4.2.5 PPA (Personal Performance Appraisal) – The overall objective of the appraisal scheme is to help each employee to maximise their performance for the joint benefit of the employee and the Council. It also provides the line manager with a forum to communicate the aims and future direction of the council and service area and to manage the performance of the individuals within their service area.
- 4.3 The quality of our services is also assessed through satisfaction surveys and customer feedback. Significant examples for this year are set out below and included in Appendix A
  - 4.3.1 Customer Service awards – (See Appendix A for examples)
  - 4.3.2 Staff Survey – This measures employee engagement and organisation climate indicators and gives an opportunity for an employee to feedback on their experiences of working for the Council to highlight issues they feel should be addressed in the future. This feedback is acted upon and is a tool to support employee engagement which in turn has a direct effect on the community we serve as engaged staff are far more likely to engage positively.
  - 4.3.3 Continuous improvement – the Council ensures this by the Senior Management Team identifying areas of the organisation which could be more effective or benefit from undergoing a review. Directors are responsible for the reviews undertaken within their service areas and report findings from the reviews back to the Senior

Management Team before change is implemented examples of which are included in Appendix A

4.3.4 Investors in People Gold (IiP) - This was awarded in 2014. It indicates the highest level of achievement in developing staff and continues therefore to create better resources to deliver services to the public.

4.4 In November 2013 the Council invited an LGA Peer Challenge team in to review the Council's performance and identify areas for improvement. The review looked at how the Council operated overall in terms of financial planning, leadership and decision making and also focused on the effectiveness of the Council's Park and Leisure Services and the Council's work on economic development and growth. The feedback was very positive, and externally validated the soundness of the Council's approach to service delivery and the related governance arrangements. These principles continue to be applied as core values by the Council as evidenced by the work and actions set out in this statement:

"In every other review, even in very good councils, we have found some service areas that were in need of improvement. At Chelmsford all areas were performing well."
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"This is a council that stands out – including how it performs the way it looks after its people, how it works with others, its leadership on issues beyond Chelmsford and the magnitude of the growth agenda."
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

"Chelmsford is very much seen as the 'go to' council by others locally in terms of support and advice. When something needs doing amongst councils, Chelmsford is invariably at the forefront, demonstrating leadership and willingness to help. It is recognized nationally as a good council to draw learning from."
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## **5. Key Roles and Functions in our Governance arrangements**

- 5.1 Our Constitution clearly sets out the roles and responsibilities of the Cabinet (executive), Committees approved by full Council and other bodies where Councillors have a decision making role. The Executive functions are the responsibility of the Leader of the Council who has adopted a scheme that all decisions will be taken by the Cabinet and no individual responsibilities have been granted to individual Councillors.
- 5.2 The Constitution also sets out officers' responsibilities for operational and financial matters. Financial Rules that form part of the Constitution define the financial responsibilities. There is a comprehensive scheme of delegating functions to officers, which sets out the scope of delegation and any restrictions.
- 5.3 The various Codes of Conduct for Councillors and officers and the Councillor/officer protocol ensure that roles and responsibilities are defined and understood. The protocol describes and regulates the way Councillors and officers should work together effectively.
- 5.4 Major parts of the Constitution were reviewed in 2015/16, namely:
- Introduction ([Part 1](#))
  - Articles ([Part 2](#))
  - Responsibilities for Functions ([Part 3](#))
  - Council Rules ([Part 4.1](#))
  - Cabinet and Committee Rules ([Part 4.2](#))
  - Petition Scheme ([Part 4.3](#))
  - Executive Rules([Part 4.4](#))
  - Overview & Scrutiny Rules ([Part 4.5](#))
  - Access to Information Rules ([Part 4.6](#))
  - Planning Code of Good Practice ([Part 5.2](#))
  - Minutes Protocol ([Part 5.7](#))
  - Committee Structures ([Part 7.1](#))
  - Officer Management Structure ([Part 7.2](#))
- 5.5 An innovative approach was adopted to add on line links to other documents and in particular "Practice Notes" (PNs) which set out guidance and advice that were not a part of the Constitution explained how aspects of it should be interpreted or used. Some were drafted as part of the review and are available below:
- [Standards Hearings Procedure](#)
  - [Task and Finish Groups Protocol](#)
  - [Rules of Debate](#)
  - [Key Decisions](#)
  - [Material Considerations](#)
  - [Standards Investigations Process and Procedures](#)
- 5.6 Approval of the changes were discussed with the Cabinet, Planning and Governance Committees before being agreed at Full Council. Details of the approval process is captured in Appendix A.
- 5.7 The roles and functions of the key officers and Committees responsible for Governance monitoring are set out in Part 3 of the Constitution. Details can be accessed [here](#).

**6. How do we ensure that our Councillors and Senior Officers receive appropriate support and training in relation to their strategic role and responsibilities and their development needs are met?**

**Councillors**

- 6.1 We have adopted codes of conduct for Councillors and officers, covering areas of behaviour and use of resources. These are included in our Constitution which is reviewed and amended as required during the year following approval by full Council as a result of reports taken to the Cabinet or other Committees. We regularly communicate these codes to ensure they are firmly instilled. In 2015/16 examples of the briefings provided are contained in Appendix A.
- 6.2 We aim to ensure that Councillors and senior officers have the skills, knowledge and capacity they need to fulfil their responsibilities. We recognise the value of well trained, competent people in effective service delivery as employees play an important role in delivering change. Our People Strategy and associated Workforce Development Plan, which ensures we have those people, are linked to and integrated with our vision and priorities for the future, as set out in our Corporate Plan.
- 6.3 Two areas for training have been identified by the Governance Committee for 2016/17 and are included as targets in section 13 of this statement namely:
- Declarations of Interests
  - Use of Social Media

Councillor Development	
i)	Newly elected Councillors received an induction as to their roles and responsibilities and how the Council operates following the elections in May 2015. The induction assists them in understanding the decision processes and procedures as well as the breadth of work undertaken at the City Council and how the Council is organised. This is identified in Appendix A.
ii)	As part of the Council's agenda to keep members fully informed of ongoing planning developments in the City, annual City tours are organised for members. This forms part of the Council's induction programme after the May elections.
iii)	Group leaders are consulted as part of the training needs analysis exercise.
iv)	Political groups have a primary role in encouraging the talent of new Members, in particular encouraging representatives from all sections of the community to stand for election as Councillors.
v)	Details of development events and activities are circulated to Councillors during the year, supplemented by online resources and e-learning modules. These include in house courses such as Ward Leadership, Working with the Media, Community Champions and Chairing skills as well as Local Government Association programmes as required.
vi)	Councillors are offered one-to-one support and a 'quick-fix' helpline for ICT, alongside appropriate committee training to enable them to fulfill their civic duties.
vii)	Councillors who serve on Committees receive training that is specifically geared to their role on those Committees. <ul style="list-style-type: none"><li>• Members who are part of the Overview and Scrutiny Committee also have the opportunity to be part of a 'task and finish' group, where they get a more detailed insight into key topics and the workings of the Council.</li><li>• Members of the Audit Committee have chosen specific subjects e.g. internal audit in which they specialised by being allocated to an officer who provided the appropriate training.</li></ul>

- viii) New development sessions are also being explored and appropriately tailored to meet the needs of the first time elected Councillor
- ix) Councillors receive regular updates on legislative and policy changes through “inform and debate” sessions of the Committee.
- x) Ongoing training records for Councillors are maintained and reported as appropriate
- xii) The Council’s Governance Committee is responsible for the duty in the Localism Act 2011 to promote and maintain high standards of conduct by members as well as managing the local standards regime overseeing the Council’s arrangements for dealing with complaints and advising the Council on any requirements to help improve these areas. In 2015/16 no recommendations were required in relation to Councillor development.

## Officers

- 6.4 Our Workforce Development Action Plan and Learning and Organisational Development Strategy both ensure that employees have opportunities to develop their skills and knowledge to keep up-to-date with the changing requirements of the Council and their role.
- 6.5 People Strategy and Workplace plan – This sets out the Council’s plans on how it should creatively use its employees to meet its vision for the future of the city of Chelmsford, linking with the Council’s Corporate Plan. It is recognized that all of the Council’s services are provided directly and indirectly through its employees in order to meet the strategic vision for the future. The Council must be able to recruit the right people with the right attitude, skills and expected behaviours in the right jobs, at the right time and at the right cost to enable delivery of excellent services in our community.
- 6.6 The Council has in place a set of values known as the Chelmsford Behaviours. These complement the Codes of Conduct and create a strong ethical framework for staff. These behaviours are reinforced for all managers attending the Managers of Chelmsford Tomorrow programme. Our appraisal framework is underpinned by our behavioral framework which sets out the standards of behaviour that is expected of all staff under the headings of communication, attitude, performance, fairness and adaptability.
- 6.7 The Council acknowledges the importance of its responsibilities under equality and diversity legislation and has actively sought to ensure that those in our employment are familiar with and fully trained on relevant legislation underpinning this area. Chelmsford City Council ensures that the equality and diversity agenda is mainstreamed in all our undertakings. Steps undertaken to ensure that staff are trained include both mandatory and targeted training.
- 6.8 Managers are also encouraged to attend our regular employment law update sessions that tend to cover employment law test cases, the majority of which are equality based. Key employees were given an overview of the Equality Act 2010. The Council’s website [page](#) sets out our responsibilities and priorities under equality and diversity and the Council’s intranet [page](#) provides appropriate resources to support employees in managing this agenda.

## Officer Development

- i) We have an induction process that is continually reviewed to ensure it remains fit for purpose. A recent review has been concluded which provides managers with specific guidance to ensure employees receive a consistent and comprehensive local induction to the service and their role. The outcome of this change provides a more holistic approach to the induction process, moving away from the ‘checklist’ approach.

- ii) A new onboarding intranet page has been introduced to enable new appointees to gain greater understanding and the context in which they will be contributing prior to taking up their new position with the Council.
- iii) New employees are assigned a buddy from their service area.
- iv) We are continuing to send our officers on the 'Managers of Chelmsford Tomorrow' (MCT) development programme which is devised to support employees in developing their management and leadership skills.
  - The Council recognises that it is important that employees are equipped with the skills to effectively deal with change. MCT programme includes a specific module on change management. The module provides employees with skills and techniques for use when implementing change.
  - To date about 180 staff have gone through the course. The programme is now open to all officers, enabling non-managerial staff with management potential to participate
  - The Council's top management team have also gone through an adaptation of the 'Managers of Chelmsford Tomorrow' development programme.
  - We have introduced an Advanced MCT programme which builds on the foundation course and offers a much deeper understanding of the techniques covered at the foundation stage alongside new learning. Participants are awarded the NLP Business Practitioner Certificate on completion. We now have a set of qualified NLP Business Practitioners who act as internal coaches across the authority.
  - The learning and development (training) budget is held by Human Resources Department and each director is asked to provide details with estimated costs of their essential training needs including Health and Safety mandatory training and training identified through the service plan and the PPA process. These proposals are then presented to Management Team for approval

## **7. How do we manage the Council's risks and develop effective management of counter-fraud and anti-corruption arrangements?**

### **Monitoring for fraud, corruption and maladministration**

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

- Anti-fraud and Corruption Strategy
- Whistle-blowing Policy
- Human Resources policies regarding disciplinary measures for staff involved in such incidents, and
- Fraud Response plan for managers.

### **New Starter Induction**

7.2 Before commencing employment a successful applicant is required to read and sign key documents including the following:

- Code of Conduct for Employees
- Corporate Information Security Policy
- Safeguarding Induction Booklet
- Financial Rules
- Whistle-blowing Policy
- Anti-Fraud and Corruption Policy

7.3 Purpose behind the disciplinary standards -The Council accepts that most of its employees can be relied on to conduct themselves in an exemplary manner, irrespective of formal rules. However, in a large organisation such as the Council it is necessary for there to be a formal document in force which identifies conduct which is unacceptable to the Council as an employer; indicates the likely consequences of such conduct and provides a framework for managers and employees that helps ensure that the required high standards of job performance and conduct are met and maintained.

7.4 The Council's ability to provide quality responsive services to our community depends upon the skills, abilities and knowledge of our employees and the recruitment process is vital in ensuring that the best people are appointed. The Council is committed to promoting the welfare and protection of vulnerable groups. The Council's Safeguarding Policy requirements and Disclosure and Barring Service checks are in place to ensure that the right people are hired and to minimize the risk to children, young people and vulnerable groups

### **Fraud and Risk Management**

7.5 The Council, through the Finance Manager and his team, endeavours to adhere to the CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit Team is responsible for fraud investigation and detection. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

7.6 The Finance Manager is responsible for reviewing and reporting on the adequacy of the Council's control environment including those relating to the prevention and detection of fraud and corruption. He provides his opinion in the Annual Internal Audit report which is presented to the Audit Committee each June. In the Annual Internal Audit report for 2015/16, the Finance Manager identified seven reports with limited assurance. However,

overall the Finance Manager is satisfied that, for the size of the authority, there is an effective system of internal control. However, it should be recognised that recent reductions in staffing emphasise the importance of compliance with existing controls and may lead to a requirement for new, additional controls in order to reduce possible exposure to potential error or fraud.

- 7.7 The Audit Plan is focused on the objectives of the Council. Audits are carried out in a logical and systematic way, based on sufficient and reliable evidence which is subject to supervisory review. The reports are balanced, focused on key risks and issues and contain practical recommendations.
- 7.8 The roles of internal and external audit complement each other. Both are concerned with the Council's control environment and both use an objective, risk based approach in reaching their conclusions.
- 7.9 The Council employs an Accredited Financial Investigator who has been successful in assisting this and other councils in recovering money through the use of the Proceeds of Crime Act 2002.
- 7.10 Covalent, the integrated performance, risk and audit application has been used across the organisation since April 2013, for monitoring audit recommendations, risk information and some projects.
- 7.11 To maximise the effectiveness of the application and reflect the change in working practices the Risk Management Strategy has been revised and was approved by the Audit Committee on 25 June 2014. The strategy has updated the arrangements for the Strategic Risk Board and the working relationship with business continuity, information governance, property risks and internal audit, which is currently being applied.
- 7.12 Audit and Risk teams meet quarterly to monitor risk progress and review the audit plan as shown in Appendix A
- 7.13 The Leader and Deputy Leader of the Council, the Chairman of the Audit Committee and the Chief Executive attend Strategic Risk Board meetings to consider matters brought to their attention.

### **Whistle-blowing Policy and Procedure**

- 7.14 The Council has well-established Whistle-blowing as well as Comments, Compliments and Complaints schemes. Details of these are accessible on the Council's website and can be viewed [here](#).
- 7.15 The Whistle-blowing function is delegated to the Director of Corporate Services. Day to day management of the function passed to the Legal and Democratic Services Manager this year. Given the change in officer responsibility a review of the Policy and Procedure will be undertaken in 2016/17 and is shown in Appendix B.
- 7.16 The annual review of the policy and its use was taken to Governance Committee and is noted on Appendix A for September 2015.

## **8. How do we effectively manage our finances?**

- 8.1 Our Financial Rules provide a concise set of principles to encourage the intended users to act in an empowered and accountable way when conforming to the rules. To ensure that the principles defined by the Financial Rules could be fully understood, we publish a set of practice notes to provide further guidance. They focus on various areas of Financial Management processes including the following:
- Assets control and security
  - Fraud and Corruption
  - Preparation of Budgets
  - Purchase Ordering and Invoice Payment
  - Budgetary Control
  - Insurance and Risk Management
  - Contracts, External Partners and Third Party Working
  - Income and Debt Management
- 8.2 We have established a financial planning process including a Medium Term Financial Strategy, the preparation of a robust budget including a review of balances, and a reporting system of controlling spending against approved budgets.
- 8.3 We regularly review our financial systems, rules and risk arrangements to make sure they meet our needs and comply with best practice. We present regular reports to the Audit Committee on the work of Internal Audit, revenue and capital monitoring, risk management and the annual report and Statement of Accounts.
- 8.4 A high priority for Directors and managers when managing performance is containing spending within the budget. The Council has a rigorous revenue-monitoring process. Management Team and Cabinet Members are given a detailed monthly report, and a quarterly report is presented to the Audit Committee. From April 2014 the Council's performance management system; Covalent includes information on High Risk income.
- 8.5 Our purchasing process identifies opportunities for better use of resources. The process is designed to encourage competition, giving a better deal for us and our purchasing partners.

## **9. How do we engage with our stakeholders?**

- 9.1 We are committed to involving local people in shaping their area and the services they receive. Informing, consulting and working closely with residents is one of the key ways we interact with and involve local communities, giving them opportunities to gain a greater awareness and understanding of what the Council does, voice their views and influence Council decision-making. Consulting and involving residents is also vital in maintaining high customer satisfaction levels and strong democratic processes, empowering individuals and developing citizenship.
- 9.2 The current Consultation and Engagement Strategy, covering 2011–15, was published in summer 2011. The Strategy is there to help create a dialogue with the public. It explains the aims, objectives and principles that guide our staff when they consult and engage with local communities, to ensure that these activities are inclusive, accessible and worthwhile for everyone involved. The Strategy is accompanied by a toolkit for staff, providing practical information to help and guide them when involved in activities aimed at encouraging participation in Council work.
- 9.3 The Council organises a programme of community events throughout the year to engage with all groups of the community, promote the work of the Council and signpost residents to relevant support and services. Events include: the ‘Older People’s Information Day’ which provides 350 over 55s with advice and information of services available to them; the ‘Discovery Festival’ which showcases the achievements of people living with disabilities, highlights the support available and works to break down stereotypes; and other events such as ‘Holocaust Memorial Day’. See Appendix A.
- 9.4 As part of the Council’s objective of enriching the cultural life of Chelmsford, two unique festivals are staged in the summer of 2015. The 3 Foot Festival is aimed at pre-school toddlers and attracted almost 15,000 people over three days in Hylands Park. The Fling Festival is a one day adults’ only event at the same venue and attracted around 5000 adults. Both events have a loyal audience and are truly unique in their character. It is hope that in future years these two events will grow and that other events will be staged targeting different audiences.
- 9.5 Since 2013 the Council has also held a ‘We are Chelmsford’ event. This was a concept developed by the Managers of Chelmsford Tomorrow Cohort group 14. The event was developed with the aim of strengthening and promoting a unified brand of Chelmsford City Council to residents and staff, and celebrating the excellence of Chelmsford with Chelmsford City Council at the heart of that. The format has been a market-style event in the High Street where there is the opportunity to engage passers-by and share information with people that may otherwise be difficult to reach. In addition to the information market stalls, a number of activities are organised to coincide with the event. Building on the success of this event the one planned for September 2016, will now also involve a week of programmed “behind the scene” tours of Council Services to provide a greater insight and engagement with the public as to what is on offer and to seek views.
- 9.6 The Council has an established Citizens’ Panel and Youth Panel but this was identified in the Annual Governance Statement for last year as in need to review. The Citizens’ Panel currently has over 600 members and the Youth Panel, which is for 14-18 year olds, has approximately 300 members. For each, panel members receive newsletters updating them on achievements, issues and developments affecting both the Council and the wider



Chelmsford area. Panel Members have also been sent opportunities to take part in consultation activities, through surveys, and become more involved with the workings of the Council such as opportunities to become panel members for the Customer Service Awards Scheme. The review of the work and engagement with the panels has been undertaken by a Task and Finish Group of the Overview and Scrutiny Committee. The final report is due to be submitted in June 2016 after which its recommendations will be addressed.

- 9.7 There is information about the Council at the 'About the Council' section of our website which can be found [here](#).
- 9.8 We worked closely with parish councils in a bid to improve relations and cross-tier working. A quarterly newsletter for Parishes is produced and circulated electronically. The content of the newsletter has recently been improved. A Parish Charter has been adopted by 18 of the 26 Parish Councils. The Monitoring Officer continues to provide guidance for Parish Councils on the standards regime.

**10. How do we ensure that good governance arrangements are in place in respect of our partnerships and joint working arrangements?**

- 10.1 We work extensively in partnership with other organisations and agencies, and currently we classify six partnerships as ‘significant’ in terms of their strategic importance to the Council as they help us achieve the Corporate Priorities. Their progress is reviewed regularly and scrutinised annually by the Overview and Scrutiny Committee. These six significant partnerships are:
- One Chelmsford Partnership (a merger of the Chelmsford Partnership and the Safer Chelmsford Partnership)
  - South Essex Parking Partnership
  - Essex Waste Partnership
  - Chelmsford Local Delivery Mechanism
  - Essex Online Partnership
  - Mid Essex Children’s Partnership
- 10.2 Progress this year has been made in the following areas:
- 10.2.1 The South Essex Parking Partnership was reviewed and extended to allow for the delegation of additional powers to agree the making of Traffic Regulation Orders and the re-allocation of contingency funding to assist with that work.
- 10.2.2 A Task and Finish Group, established to consider how the Citizens and Youth Panels operate, was progressed as identified as a recommendation in the 2014/15 Annual Governance Statement. Terms of Reference were established and the outcome of that review is expected to be reported back in June 2016. Aspects of the review will be added as appropriate as targets for the 2016/17 Annual Governance Statement and in Appendix B.
- 10.3 We have a Protocol for Partnership Working and an accompanying checklist. These documents provide a reference point for all officers involved in developing partnership arrangements, and cover key points, such as:
- initial considerations
  - governance arrangements
  - performance management
  - financial arrangements
  - risk management
  - termination of arrangements
- 10.4 A Protocol for Partnership Working and an accompanying checklist cover key aspects of governance arrangements that need to be satisfied when the Council enters into a partnership working arrangements. These include having adequate and documented financial, risk, legal, performance, and audit arrangements in place, as well as ensuring that that covers many areas such as roles and responsibilities, decision-making and communication.
- 10.5 We also aim to work closely with other Essex authorities. In addition to key partnerships mentioned above, during 2015/16 we:

- 10.5.1 entered into the NDR Pooling Agreement with several other Local Authorities within Essex to take up the option offered by the Government to form an NDR Pool, to maximise the potential growth income retention within the Essex area
- 10.5.2 The Council Tax Sharing agreement between Essex Billing and Major Precepting authorities that was completed in 2014/15, continues to operate allowing the partners to share the costs of discretionary NNDR discounts and fund schemes that aim to maximise the income collected.

## **11. How do we enhance accountability for service delivery and effectiveness of other public service providers**

- 11.1 Chelmsford City Council has a role in improving public health and reducing health inequalities. It carries this out through a local strategic partnership (One Chelmsford), Chelmsford Health & Wellbeing Group and by fully engaging with Mid Essex Clinical Commissioning Group and Essex County Council's public health team. Whilst Chelmsford City Council has an important role to play the statutory duty for public health rest with Public Health England and Unitary or County Councils.
- 11.2 Chelmsford City Council has a duty of care under s. 11 of the Children's Act 2004 to safeguard and promote the welfare of children and young people. Moreover it has a duty under s. 47 of the Children Act to cooperate with Essex County Council in discharging its safeguarding duties as a Children's Services Authority through the Essex Safeguarding Children's Board. The Council works closely with the Essex Safeguarding Adults Board to ensure that adults who live in the Borough, or receive local services, are safe from harm and are not subjected to exploitation or abuse.
- 11.3 The Council continues to refresh its Safeguarding Policy and related documents at least annually. Regular training is being provided to staff and Councillors on an ongoing basis. A dedicated safeguarding section has been created on the intranet for both staff and Councillors and it contains all the relevant documents, forms and information in one place.
- 11.4 The City Council is now required annually to complete online a self-assessment audit. As a result of 2015/16 submission, a new action plan has been devised to refresh our current arrangements and make further improvements over the next 12 months. This plan has now been approved by both Safeguarding Boards.

## **12. Review of effectiveness**

- 12.1 At least once a year we are responsible for reviewing the effectiveness of our governance framework, including the system of internal control. The review is informed by the following:
- Managers in the Council who are responsible for developing and maintaining the governance environment and include the Chief Finance Officer and Monitoring Officer. They meet regularly to monitor and where necessary review actions required under the Code of Corporate Governance and Annual Governance Statement. This year that work included a wholesale review of the structure and format of the Annual Governance Statement for 2015/16.
  - The work of the internal auditors, and
  - Comments made by the external auditors and other inspection agencies.
- 12.2 In preparing this Annual Governance Statement for the financial year 2015/16, the process listed below has been applied to maintain and review the effectiveness of our governance framework.

### **Cabinet**

- 12.2.1 The Cabinet is responsible for considering overall financial and performance management and receives comprehensive quarterly reports about this. It is also responsible for monitoring the Corporate Plan's critical performance indicators and key projects, and completes this quarterly.

### **Overview & Scrutiny Committee**

- 12.2.2 There is a well-supported Overview and Scrutiny Committee with a work programme for the 12 months ahead and reviewed at each meeting of the Committee. A report on the work of the Committee is produced each year. Those addressed in 2015/16 are shown in Appendix A.

### **Governance Committee**

- 12.2.3 The Committee has met regularly during the year. It promotes and maintains high standards of conduct by Members of the Council and Parish Councils. The committee includes seven City Councillors and three co-opted non-voting members of the Parish and Town Council. The Council has appointed two Independent Persons whose role is to ensure that the complaints procedures for Councillors are followed and act as Consultees on any issues arising. As a result a need for an Independent Person Protocol to explain their roles and responsibilities and how they will be involved in the Standards Regime work has been identified. This has been added as a target for delivery in 2016/17 as set out in paragraph 13.3 (iv) below.
- 12.2.4 The committee receives regular reports from the Monitoring Officer to ensure lawful decision-making and high ethical standards. No concerns were raised this year other than to report on statistical information as to the number of complaints made and progress made as set out in this report. Three complaints required investigation in 2015/16. One matter led to recommendations, as suggested by the Monitoring officer, being agreed for the relevant Parish Council to consider. The reporting on the outcomes are shown on the Council's website [here](#) and in Appendix A. As a result the additional Councillor training requirements, as set out in Paragraph 13.1 (iii) below, were identified.

12.2.5 The Committee also received an annual report on Whistle-blowing. To ensure that priority issues are clearly highlighted to Councillors, the Committee has a standing agenda item for 'Items to be brought to members' attention, Outstanding critical and high-risk recommendations, Internal audit Reports including critical and high-risk recommendations and Progress on the Audit plan and Risk management updates.

### **Audit Committee**

12.2.6 The Audit Committee met regularly during 2015/16. The Committee monitored budgets and the work of Internal Audit and deals with issues such as risk management, financial control systems and the relationship with external audit. The Committee received updates on:

- Risk Management
- the Annual Internal Audit Report
- Review of the Audit Committee's terms of reference
- Annual report on Benefit Investigations
- Audit Charter
- Internal Audit Strategy
- Anti-Fraud and Corruption Strategy
- External Auditor's Annual Audit Letter 2014/15

12.2.7 In accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice an annual report on the work of the Audit Committee was submitted to Full Council.

12.2.8 The Chief Financial Officer makes regular reports to Cabinet and the Audit Committee on the state of our finances, the budget process, monitoring of expenditure against budget, the medium term financial forecast and the annual report and statement of accounts. He also presents other financial reports as necessary and has the opportunity to add financial considerations to any reports.

### **Internal Audit & Performance Management**

12.2.9 Internal Audit provides an independent and objective assurance service to Council management. It completes a programme of reviews throughout the year to provide an opinion on internal control, risk management and governance arrangements. Internal Audit and Investigations is also responsible for fraud investigation and detection, which includes reviewing the control environment in areas where fraud or irregularity has happened. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

12.2.10 Performance Management monitors Critical Performance Indicators. Reports are presented to the Management Team monthly and to Cabinet, and Overview and Scrutiny Committee every quarter. Every month Directors meet the Chief Executive to discuss performance and progress against their action plans.

12.2.11 The assurance framework data is stored and reported through Covalent the Performance, Risk & Audit system that was purchased in 2013. The risk element to the system has been extended to include operational risk management for key activities, such as fire risk assessments, business continuity recommendations and

health & safety audit recommendations that are identified by external specialists. Also, information management security breaches are recorded and mitigation managed through Covalent including report production for Strategy Risk Board.

12.2.12 The Strategic Risk Board reviewed corporate risks regularly.

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

12.3.1 Obtaining assurance from the Chief Financial Officer under section 151 of the Local Government Act 1972 that he is content with information that all managers of key financial systems have given him about the adequacy of existing systems.

12.3.2 Reviewing external inspection reports received during the year and reviewing the compliance with the Public Sector Internal Audit Standards (presented to the Audit Committee on 18 March 2015).

12.3.3 Reviewing comments received from our external auditor on last year's AGS.

12.3.4 Our financial management arrangements conform to the governance requirements of the 2010 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

12.3.5 Appendix A provides a more comprehensive listing of key governance processes and events that took place during 2015/16.

### **13. Targets for Improvement**

13.1 The main improvements made to governance arrangements in 2015/16 are captured in Appendix B. In addition as set out in this statement a number of governance issues have been identified during 2015/16. Work will continue on these in 2016/17 and in particular:

#### **Governance Issues identified during 2015/16**

- i) Completion of the review of the Council's Constitution, including specifically the Financial and Contract Procedure Rules with the addition of links to the relevant Practice Notes that have been issued.
- ii) Reviewing the Council's Whistle-Blowing Process and Procedures
- iii) Providing training for City Councillors' as regards the standards regime to address:
  - Declarations of Interests
  - Use of Social Media
- iv) Introducing an Independent Person Protocol to explain the role and how Independent Persons will engage in the Standards Regime related to Complaints in relation to the Councillor Code of Conduct

- |                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>v) Review of the Citizens Panel and the Youth Panel by a Task and Finish Group. To be reported back to Overview and Scrutiny in June 2016.</li><li>vi) Ensuring that compliance with the Public Sector Internal Audit Standards is reviewed by the Audit Committee.</li></ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

13.2 Progress of the governance issues identified in previous Annual Governance Statements can be seen in Appendix B.



#### **I4. Certification**

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

Signed:.....  
Leader of the Council

Signed:.....  
Chief Executive

Signed:.....  
Director of Financial Services

Date: 30 June 2016

**2015/16 Calendar of key Governance events**

May 2015

**Members' Induction Day (18 May)****Customer Services Awards**

- Three staff members (Licensing and Customer Services) (21 May)

June 2015

**Audit Committee**

- Annual Internal Audit 2014/15 report by the Audit and Investigator Manager - including the Committee's terms of reference which were revised in 2014; audit charter, membership, work programme for 2014/15, announcements, future work for 2015/16, training and development and assurance.
- Procurement Annual Report 2014/15 report by Audit and Investigation Manager - reported that measurable savings from ongoing service and supply contracts for the last financial year were estimated at £875
- Risk Management Activity Update

**Governance Committee**

- Update on the progress of the Constitution review approving several changes - agreed that a panel will be established to undertake the second phase of the review

**Joint Audit and Governance Committee**

- Review of Code of Corporate Governance and Annual Governance Statement - approved for publication with the statement of accounts

**Overview and Scrutiny Committee**

- Annual Report on the Scrutiny Function 2014/15 - approved for publication
- Health and Safety Annual Report 2014/15 - noted that accident levels remained low
- 2014/15 End of Year Key Performance Report - approved and recommended to Council

**Planning Committee Member Training**

- Introduction to new Members (9 June)
- Planning Applications and Decision Making (23 June)

July 2015

### **Cabinet**

- Medium Term Financial Strategy 2016 – 2021

### **Council**

- Riverside Ice and Leisure Investment Plan – feasibility study endorsed
- Review of the Constitution- approvals related to the Introduction (Part 1), Articles Part 2), Responsibilities for Functions (Part 3), Council Rules (Part 4.1), Cabinet and Committee Rules (Part 4.2, Petition Scheme (Part 4.3), Executive Rules(Part 4.4), Overview & Scrutiny Rules (Part 4.5) and Access to Information Rules (Part 4.6)

### **Development Policy Committee**

- Strategic Land Availability Assessment – Publication of Sites Received under the Call for Sites (new Local Plan)
- Duty to Co-operate Scoping Report - approved for consultation
- Local Development Scheme- programme of work for the preparation of statutory and non-statutory development plan documents for the period 2015-2018 - approved for adoption

### **Planning Committee Member Training**

- Code of conduct and Major Sites (6 July)

August 2015

September 2015

### **Audit Committee**

- Annual Governance Report 2014/15 report by External Auditors, Ernst & Young – approved
- The Provision of Internal Audit at Chelmsford City Council and Internal Audit Operational Report - new arrangements agreed for provision of internal audit. Six audits carried out since last report.

### **Development Policy Committee**

- Local Plan evidence base documents – Chelmsford Retail Study – approved. Objectively Assessed Housing Need Study – approved for consultation

- Review of the Statement of Community Involvement – setting out proposals for involving people in the planning process, approved for consultation

### **Governance Committee**

- Annual Whistleblowing Report – 12 cases highlighted - noted that the Council had signed up to the Concern at Work campaign
- Complaints to the Ombudsman for Local Administration in England (Ombudsman) - Annual Review - The Council's overall performance in the Commission's statistics is shown to be very good

### **Overview and Scrutiny Committee**

- Review of Citizens Panel and Young Persons Panel (Task and Finish Group)
- Work Programme – agreed for the year 2015/16

### **Planning Committee Member Training**

- The Role of Essex County Council as highways consultee (29 September)

October 2015

### **Planning Committee Member Training**

- Planning Enforcement (27 October)

November 2015

### **Governance Committee**

- Review of the Constitution – Planning Code of Good Practice agreed for publication

### **Development Policy Committee**

- Chelmsford Local Plan – Issues and Options Consultation Document and Duty to Co-operate Consultation Statement – approved for consultation

### **Overview and Scrutiny Committee**

- Housing Delivery Annual Report – OAHN required 775 dwellings per year

### **Customer Services Awards**

- One staff member (Parks and Inward Investment, Economy and Growth Team) (26 November)

### **Annual Champion of Champions Award**

- One staff member (Community safety) (26 November)

December 2015

### **Audit Committee**

- Annual Audit Letter 2014/15 from external auditors Ernst and Young
- Internal Audit Operational Report - focus on resources together with the assurance framework under which it operated. Also progress against the plan and audits in progress
- Review of Training Topics and Rolling Programme of Work - programme to be prepared of training options for Members of the Committee to consider.

### **Council**

- Review of the Constitution - approvals related to the Introduction Planning Code of Good Practice (Part 5.2), Minutes Protocol (Part 5.7.), Committee Structures (Part 7.1), Officer Management Structure (Part 7.2.) adopted

January 2016

### **Cabinet**

- Capital Programme Update - setting out the overall estimated capital resource available to the Council; updating the capital programme to reflect the inclusion of proposed new schemes and the replacement programme for 2016/17

### **Development Policy Committee**

- Authority Monitoring Report 2014/15 – monitoring the production of the Council's Development Plan Documents and the performance of the policies they contain and to indicate actions proposed
- Local Plan Evidence Base Update – NPPF requires the Local Plan to be based on up to date evidence

### **Governance Committee**

- Gifts and Hospitality - setting out the offers of gifts and hospitality to Councillors for the period January to December 2015 and the number of offers received and accepted by Council officers

### **Holocaust Memorial Day 28 January**

- The Holocaust Memorial Day is the international day of remembrance for the victims of the Holocaust and other genocides.



### **Planning Committee Member Training**

- Briefing session on a major application (12 January)



February 2016

### **Overview and Scrutiny Committee**

- Annual Presentation by Safer Chelmsford Partnership - presentation on behalf of the Safer Chelmsford Partnership, regarding its statutory duties, key priorities, key projects and funding in 2015/16.

### **Customer Services Award**

- Three members of staff (Electoral registration, Customer Services and Public Places) (17 February)



March 2016

### **Audit Committee**

- Annual Audit Plan (2015/16)
- Internal Audit Plan 2016/17

**Progress of outstanding Governance Issues identified in 2015/16**

Governance Issue	Progress	Outcome	Core Principle
<b>Review of the Constitution - Parts considered in 2015/16:</b> - Introduction (1) - Articles (2) - Responsibility for Functions (3) - Council Procedure Rules (4.1) - Committee Procedure Rules (Part 4.2) - Petition Scheme 4.3) - Executive Rules (4.4) - Overview and Scrutiny Rules (4.5) - Access to Information Rules (4.6) - Planning Code of Good Practice (5.2) - Minutes Protocol (5.7) - Committee Structures (7.1) - Officer Management Structure (7.2.)	This work was progressed through the Governance Committee and changes agreed at Full Council as set out in Paragraph 5.4 to this statement and Appendix A.	Significant aspects of the Constitution has been updated and amended, particularly where they impact on the Public.	1 to 6 inclusive
Considering how best to involve the public and other partners in the work of the Council.	This work was referred to the Overview and Scrutiny Committee and a Task and Finish group established September 2015 to identify any improvements of changes required to these arrangements as set out in paragraph 10.2.2 to this statement and Appendix A	Report to June 2016 Committee	1,2 and 6

- Core Principle 1**      Focusing on the Council's purpose and outcomes for the community and implementing a vision for the local area.
- Core Principle 2**      Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Core Principle 3**      Promoting values for the Council & demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Core Principle 4**      Taking informed and transparent decisions which are subject to scrutiny and managing risk.
- Core Principle 5**      Developing the capacity and capability of Members and officers to be effective.
- Core Principle 6**      Engaging with local people and other stakeholders to ensure robust public accountability.



# ANNUAL REPORT

and

# STATEMENT OF ACCOUNTS

# 2015/16

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## 2 - Annual report

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

### Introduction by the Leader of the Council

I am delighted to introduce our annual report and accounts for 2015/16. As in previous years we have many exciting things that have happened in the City over the last year and I hope that this report provides you with a flavour of some of our achievements.

Chelmsford is an ambitious Council and strives to meet the high expectations of our residents. We have set out our six key aims and objectives for the Council in our Corporate Plan which we believe will deliver significant benefits to the City of Chelmsford and its residents over the coming years.

- Attracting investment and delivering infrastructure
- Facilitating suitable housing for local needs
- Providing high quality public spaces
- Promoting a more sustainable environment
- Promoting healthier and more active lives
- Enhancing participation in cultural activities

In my report last year I mentioned that Chelmsford was experiencing significant development and I am delighted that this has continued. In September we will see the new John Lewis store open (the first in Essex), we have a new restaurant quarter opening in the summer in the High Chelmer Shopping Centre and our housing sites are being delivered at a pace with the houses sold as quickly as they are built. All this points to a thriving area where people want to live, work and spend their recreation time.

Our infrastructure however needs to keep pace with our developments and we can already see the positive impact that the new Chelmer viaduct and pinch point changes are having on the road network around the Army and Navy roundabout. Improvements to our Public Realm are also well underway with work having been completed outside the railway station and work well underway at Half Moon Square and High Chelmer Exchange Way. The railway station improvements have unfortunately taken longer than hoped but once completed will provide Chelmsford with a station that is fit for a City.

Two major successes that I feel worthy of note are the sale of the Chelmer Waterside site to Taylor Wimpey for housing and we hope to have a planning application for this site in the very near future. Secondly we have recently completed the sale of the old Britvic site to Aberdeen Asset Management and this will bring further jobs and opportunities for the people of Chelmsford.

Turning to the future our aim is to deliver a new Pool complex at Riverside and work is underway to deliver this aspiration. We also plan to improve our supply of Temporary Accommodation to help meet the growing demand which appears to be a National issue.

Our commercial approach is certainly bearing fruits and we continue to explore more opportunities whilst not forgetting that we are providing a public service and need to cater for the needs of all our residents.

Our long-term vision, as set out in our Corporate plan, is for Chelmsford to become the economic, cultural, leisure and retail heart of Essex, and a leading regional centre in the East of England. It is a vision for the future of the City and its people, and I believe that we are well underway to delivering against this agenda.

In this report we list some of our achievements over the last year and some of our plans for the years ahead, although there are many more.

I hope you enjoy reading the report. I would welcome any comments you may have to help us improve it for future years.



Councillor Roy Whitehead, Leader of the Council

## Views from the Chief Executive

Chelmsford continues to deliver excellent services and as the Leader mentioned Chelmsford is a thriving City with much for us to be proud of. This has proven to be another very successful year and it is difficult to pick out the highlights however I have set out some of the achievements that demonstrate that our success is Authority wide and not confined to just a few services.

Local Government is undoubtedly not a stranger to change. Over the years we have experienced many initiatives both national and local. The years ahead will continue along this vein whether we face continued austerity leading to less Government support, new unfunded burdens that the Council is expected to meet or legislative changes which require us to change direction. Whilst I know that all Local Authorities will face such hurdles I am confident that Chelmsford will rise to these challenges as it has in the past and will continue to deliver excellent services to the public.

We will need to focus on our priorities and on delivering our long-term vision for the City and this will undoubtedly require difficult choices to be made both politically and managerially. We will need to work closely with our partners and peers as national issues such as devolution and local government structures become the hot topics of debate. Whilst I cannot predict where these discussions will lead I am certain that we will play a significant role in the future of local government.

I believe we have all the factors in place to enable us to build on our achievements and look forward to another successful year.



Steve Packham, Chief Executive



## **Achievements**

We won the CIPD (Chartered Institute of Personnel and Development) People Management Award for Best Youth Employment Initiative 2015.

We were recredited the Purple Flag Award in recognition of Chelmsford's continued safe and vibrant night time economy.

We were awarded a Gold Standard Certificate for our Local Land and Property Gazetteer at the National Gazetteer's Exemplar Awards.

The Council and PR agency Big Wave won Gold for Best Consumer Campaign at the prestigious CIPR Pride Awards.

The 3ft People Festival won 'Best Event in Essex' at the Essex Tourism and Hospitality Awards 2015.

Also the 3ft People Festival has been nominated for Best Public Event of the Year and The Fling for Best Cultural Event of the Year at the prestigious Event Productions Awards.

We were shortlisted in the 'Gold Employer of the Year (250+)' category in the second annual Investors in People Awards. And at the same awards we were shortlisted for Leader of the Year 2015.

We were shortlisted as finalists for Personnel Today Awards in Excellence in Public Service HR and Employee Engagement Award (for under 1,000 staff category).

City Park West Scheme has been shortlisted for an RTPI Excellence Award in Planning to Deliver Housing.

City Life was shortlisted for 'Publication of the Year' at the UK Public Sector Communications Awards.

We have been nominated for the Association of Town Centre Management Award for Developing the Evening and Night-Time Economy.

## **Introduction by the Cabinet Member for Finance and the Director of Financial Services**

### **Review of the financial year**

In 2015/16 the Council suffered a further £1m cut in its grants from Central Government. This, coupled with inflationary and demand pressures made the year a challenging one financially.

The Council responded to these challenges by exploring new avenues to generate and maximise income whilst also seeking out further efficiencies. The financial pressures we faced during 2015/16 and previous years continue as the Council relies heavily on its income. The Council, through its Commercial activities steering group, continues to review its income streams and identify new ones yielding additional income.

We are seeing the impact of the welfare reforms on increased demand for affordable housing and further financial pressures due to additional households being placed in temporary accommodation.

Following the introduction of universal credit to date there has been only a minimal transfer of cases from housing benefits to the universal credit.

We have continually applied financial discipline to our planning and this has necessitated making difficult decisions over the last few years. We have achieved significant efficiency savings, giving us a relatively strong position to respond to further changes.

Despite these pressures, Financial Services has continued to deliver a strong performance and has introduced further initiatives to improve the way we work.

### **Achievements**

We have listed below some of our achievements during 2015/16.

- Processed Benefit Claims significantly under the target of 9 days
- Successfully managed the introduction of Universal Credit
- Continued to pursue repayments of VAT
- Continued in the County wide Council Tax sharing agreement significantly increasing Council Tax income for the Council
- Worked with other authorities within the County to complete a data-matching solution expected to achieve additional income in the future
- Exchanged sale contracts, for some of our properties, that will generate significant capital receipts for the Council
- Managed the development of a new restaurant quarter in the High Chelmer shopping centre

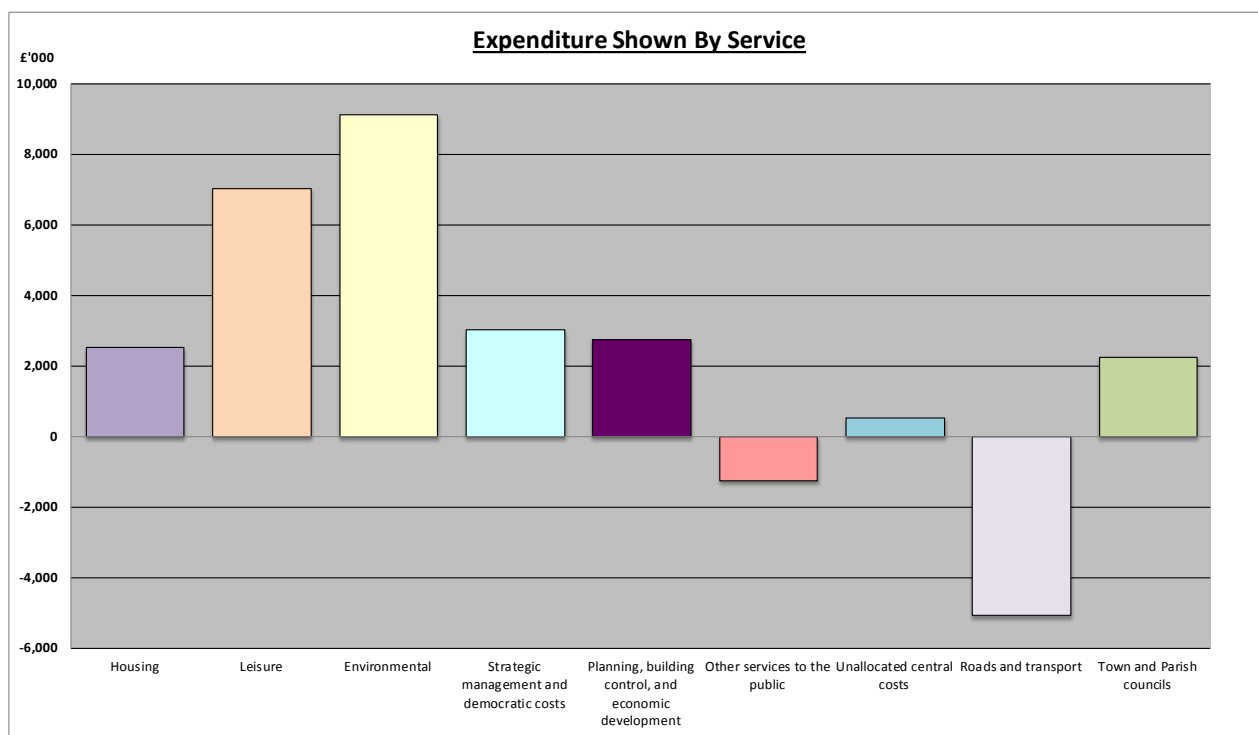
## Performance

Our performance is measured in many ways, but perhaps the most important are the local performance indicators shown in the table below. The number of benefit claims received online has risen strongly. Our collection rates for council tax and Non-domestic rates (NDR) are holding up well despite difficult economic circumstances.

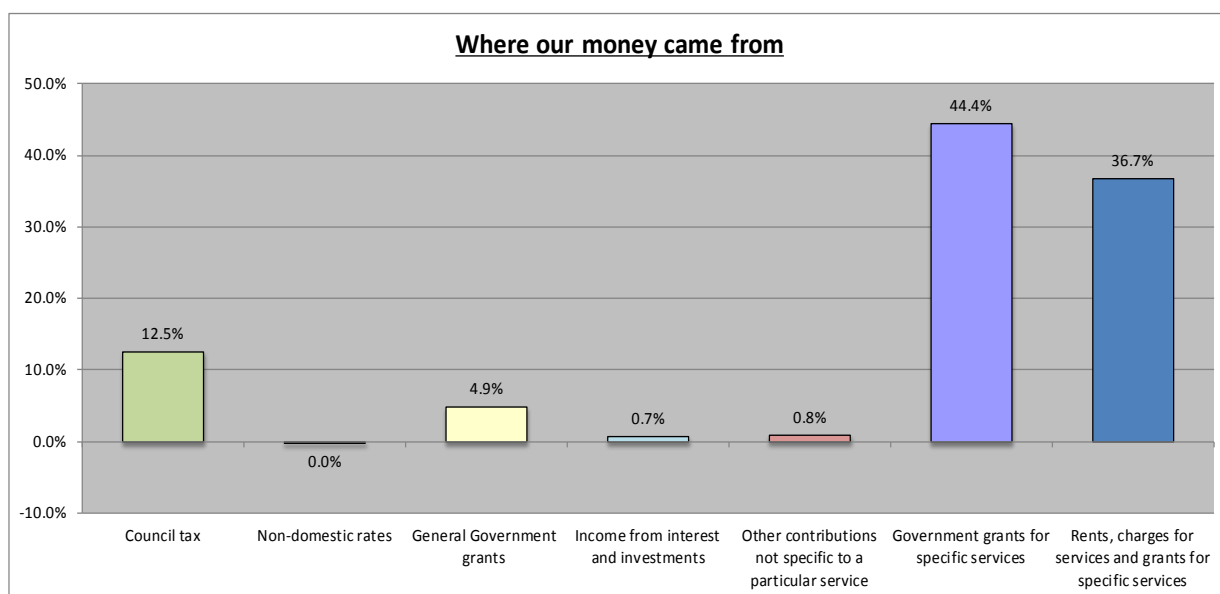
<b>Performance indicator</b>	<b>Performance in 2013/14</b>	<b>Performance in 2014/15</b>	<b>Performance in 2015/16</b>
Percentage of invoices due that were paid on time	97.7 %	97.4%	96.13%
Percentage of council tax due that we collected during the year	98.3 %	98.2 %	98.1 %
Percentage of NDR due that we collected during the year	97.7 %	97.2 %	97.9 %
Benefits claims completed online	26.4 %	30.4 %	47.38 %
Additional benefit subsidy received	£108,000	£98,000	£116,595 (unaudited)
Benefit overpayments recovered	84.8 %	84.9 %	84.8 %
Average time to process all new claims and change events in existing housing benefit	5.8 days	5.9 days	7.3 days

## Council tax

The bar chart below shows how we spent your council tax in 2015/16. The amounts shown are after fees, charges and grants have been taken off.



The bar chart below shows where our money came from in 2015/16. You will see that 12.5% of our total income comes from council tax. Of the total Council Tax collected only 14% comes to us. The remaining 86% goes to Essex County Council, Essex Police, Essex Fire and Rescue Service and Parish councils.



## Reserves

We continually review our General fund balance and the money we have in reserves for specific expenses to make sure they are at the right levels, and that our reserves continue to meet our needs. The Movement in Reserves table gives the size of our reserves at 31 March 2016 and shows that as well as the General fund balance, we have put money aside to use for specific purposes and are drawing this down when appropriate.

## The future

A revised medium-term financial strategy will be presented to Council in July 2016 and it is clear there will be continued national pressure to reduce the cost of the public sector. Furthermore, the Government has accelerated the speed at which it will remove the Revenue Support Grant it gives to local authorities and as a result it looks to completely remove grant to our authority by 2018/19. In order to meet the spending cuts and to equalise resources between authorities, the Government will also charge us an additional tariff payment from 2019/20. This, along with the economic situation, has contributed to projected budget shortfalls in future years. We are looking at ways of producing a balanced budget over the medium term.

The Council faces a great deal of uncertainty over its future finances, including the level and future of the New Homes Bonus, the impact of appeals and revaluations on Non-domestic Rates and the impact of the new 100% Business Rates retention scheme that could potentially expose us to more risks from fluctuations of Business Rates income. This makes accurate financial planning difficult, particularly when public sector cuts are being predicted. Added to this we have the ongoing effects of Welfare reforms and a continued real terms reduction in people's income requiring our services to be delivered even more competitively.

All this uncertainty in the budget puts pressure on the Council and we will have to make assumptions on these and other issues. However, if a shortfall arises, we may have to meet some one-off expenditure from our reserves as a short-term measure.

We continually review the way we work so we can provide more efficient services.

Financial Services will be involved in supporting a number of our major schemes and will continue to support other services across the Council throughout the year.



Councillor John Galley  
Cabinet Member for Finance



Nick Eveleigh  
Director of Financial Services

You can find a summary of our income and expenditure for the year and a summarised Balance sheet in section 4. We have included our full Comprehensive income and expenditure statement and Balance sheet in section 6 in the format set out by the Code of Practice on Local Authority Accounting in the United Kingdom.

To make these accounts easier to understand, we have also included these statements in a simplified format on the following pages in the Narrative report. The accounts and annual report have been written avoiding technical terms wherever possible. If we have to use technical terms, we have explained them in the glossary.

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

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

**We have detailed below which council provides which services.**

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

### 3 - Environmental issues

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

The Council's Corporate Plan includes, as one of six key priorities, an objective to promote a more sustainable environment.

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

Driven by a local climate impact profile used to assess the potential risks and implications of climate change on the area, the focus of the Council's efforts is on reducing waste, reusing resources and lowering carbon emissions, whilst enhancing the quality and beneficial impact of our natural environment.

The success of this Plan in the longer term is measured in terms of:

- Increased levels of satisfaction with recycling, waste collection and other environmental services
- Lower energy consumption and more efficient use of energy
- Reduced incidence of damage from flooding
- Increased tree cover, reducing the risk of flooding, providing natural cooling and helping to ameliorate temperature extremes
- Less impact and disruption to key services caused by extreme weather events

During the last year the Council has:

- Installed new 50kWp solar PV arrays at Chelmsford Sports and Athletics Centre, at South Woodham Ferrers Swimming pool and at Freighter House operational depot
- Continued the programme to upgrade heating, lighting and environmental control systems in various Council buildings to optimise performance and reduce energy consumption – for example
  - new intelligent LED lighting installed in the Duke Street building and the Riverside Ice and Leisure Centre sports hall
  - upgraded boiler and hot water system at Saltcoats Park Pavilion, Beaulieu Park Pavilion, Springfield Hall Park Pavilion and Chancellor Park Pavilion
  - improved air circulation at Cramphorn Theatre
- Continued the programme to introduce separate food waste collections and extended recycling services to flats to further reduce the volume of material sent to landfill and increase the proportion of material that is re-used, recycled or composted
- Continued to implement the air quality action plan



## 4 – Narrative Report

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

### Background

Chelmsford City Council is situated in the heart of Essex, covering an area of 344 square kilometres. It is the sporting venue for the Essex County Cricket Team, Chelmsford City Football Club and the Great Leighs Race Course.

Chelmsford has a population of around 170,000 living in approximately 70,000 households and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with an estimated population of 192,000 by 2022.

Our annual statement of accounts summarises our financial affairs for 2015/16 and shows our financial position on 31 March 2016. It includes the following:

- **Annual report** - An introduction and summary to the Statement of accounts and the Council's position and achievements.
- **Environmental issues** - An overview of our effect on the environment.
- **Narrative Report** - An overview of the detailed statement.
- **Main financial statements:**
  - **Statement of responsibilities for the Statement of accounts** - Who is responsible for individual aspects of the accounts.
  - **Movement in reserves statement** – This shows the movement on our reserves in the year. These are analysed into usable reserves, which can be applied to fund expenditure or to reduce local taxation and other reserves. In the statement, the line giving the surplus or deficit on the Provision of services shows the true economic cost of providing that service. This is shown in more detail in the Comprehensive income and expenditure statement. These are different from the amounts we must charge to the General fund by law for setting Council tax. In the statement, the line that gives the net increase or decrease before transfers to earmarked reserves shows the statutory General fund balance before we made any discretionary transfers to or from earmarked reserves.
  - **Comprehensive income and expenditure statement** – This shows the cost of providing services in line with accounting practices, rather than the costs to be met by local taxation. We raise taxation to meet costs as defined by law. This is different to the cost of providing services in line with accounting practices. The taxation position is shown in the Movement in reserves statement.

- **Balance sheet** - This shows the value of our assets and liabilities at the Balance sheet date. Our net assets are matched by our reserves. The reserves are reported in two categories, usable and unusable. Usable reserves are those we can use subject to keeping a prudent level of reserves and any statutory limitations on their use (for example, we can only use the capital receipts reserve to fund capital expenditure or repay debt). Unusable reserves cannot be used to provide services. This type of reserve includes reserves that contain unrealised gains and losses (for example, the revaluation reserve) where the amount only becomes available for use when the asset is sold, and reserves that hold timing differences, for example in the amount owed for leave that has not been taken. These are shown in the Movement in reserves statement line 'Adjustments to move from the Comprehensive income and expenditure account to the costs met by local taxpayers'.
  - **Cash-flow statement** - This shows the changes in our cash and cash equivalents during the year. It shows how we received and used those amounts by classifying cash flows as operating, investing or financing activities. The cash flows in operating activities are a key indicator of how much is met by taxation, grants or from service users. Investing activities show how we have used cash outflows to buy resources intended to deliver future services. Cash flows arising from financing activities are useful in predicting claims on future cash flows by those who provide loans to us.
  - **Notes to the main financial statements** - These explain our accounting policies and some of the figures in the main financial statements.
  - **Collection fund** - A statement showing the statutory obligation for us to keep a separate Collection fund. The statement shows all transactions in relation to the collection of money from taxpayers and the distribution of money to other local authorities and the Government of Council tax and Non-domestic rates.
  - **Restatements** - This statement explains how and why we have changed some of the amounts in last year's accounts.
- We did not need to make any restatements for last year's accounts.
- **Independent auditors' report** - A report that says whether our Statement of accounts presents a true and fair view of our financial position and financial performance for the year.
  - **Glossary** - An explanation of the technical terms used in this Statement of accounts.
  - **Our structure chart** - How we are organised.

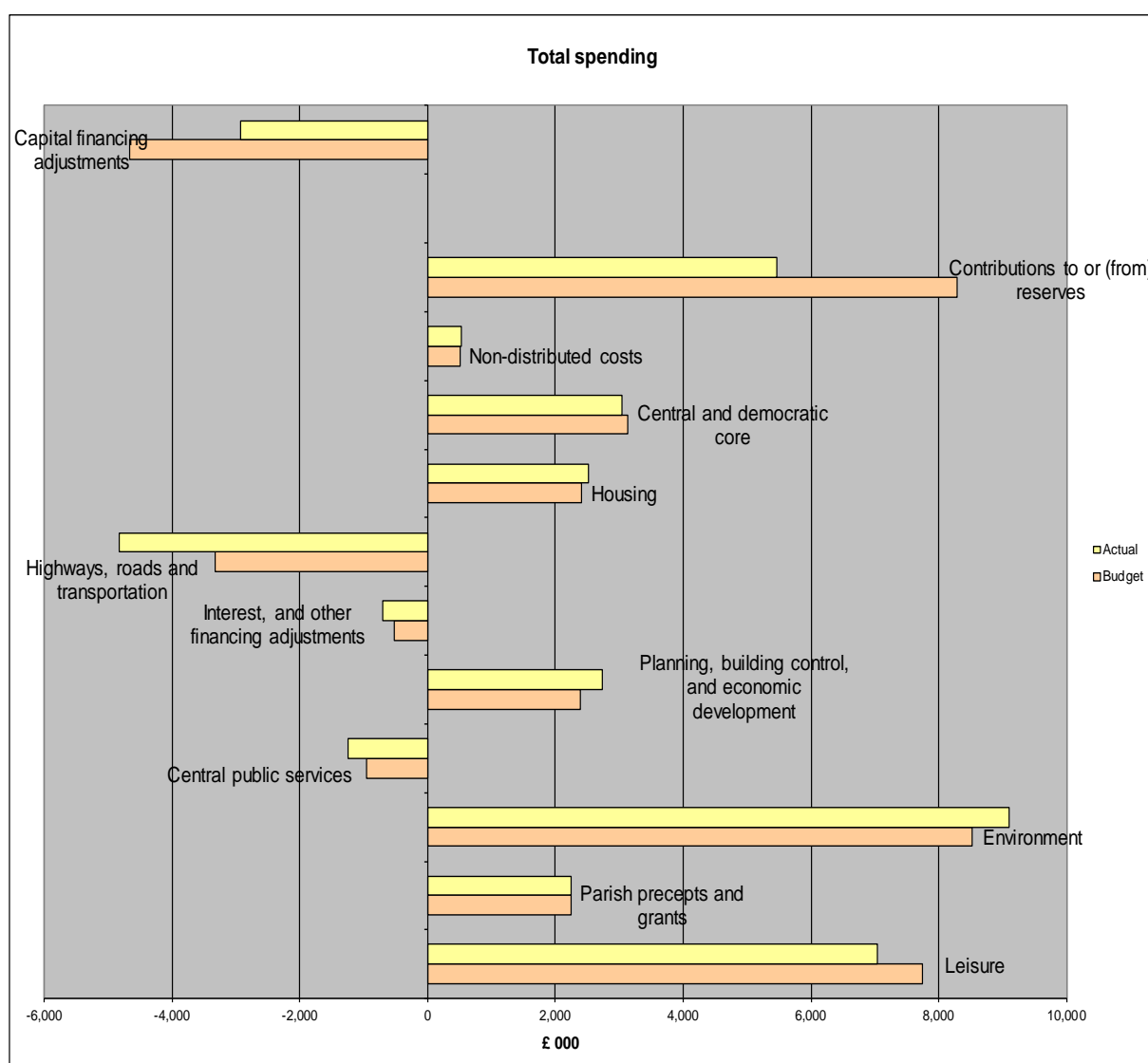
Alongside the Statement of accounts we publish the **Annual governance statement** that explains how we manage our affairs and control our activities.

We report to the Cabinet and the Audit committee at various times throughout the year. You can find copies of these reports on our website. The following are the main financial subjects we report on:

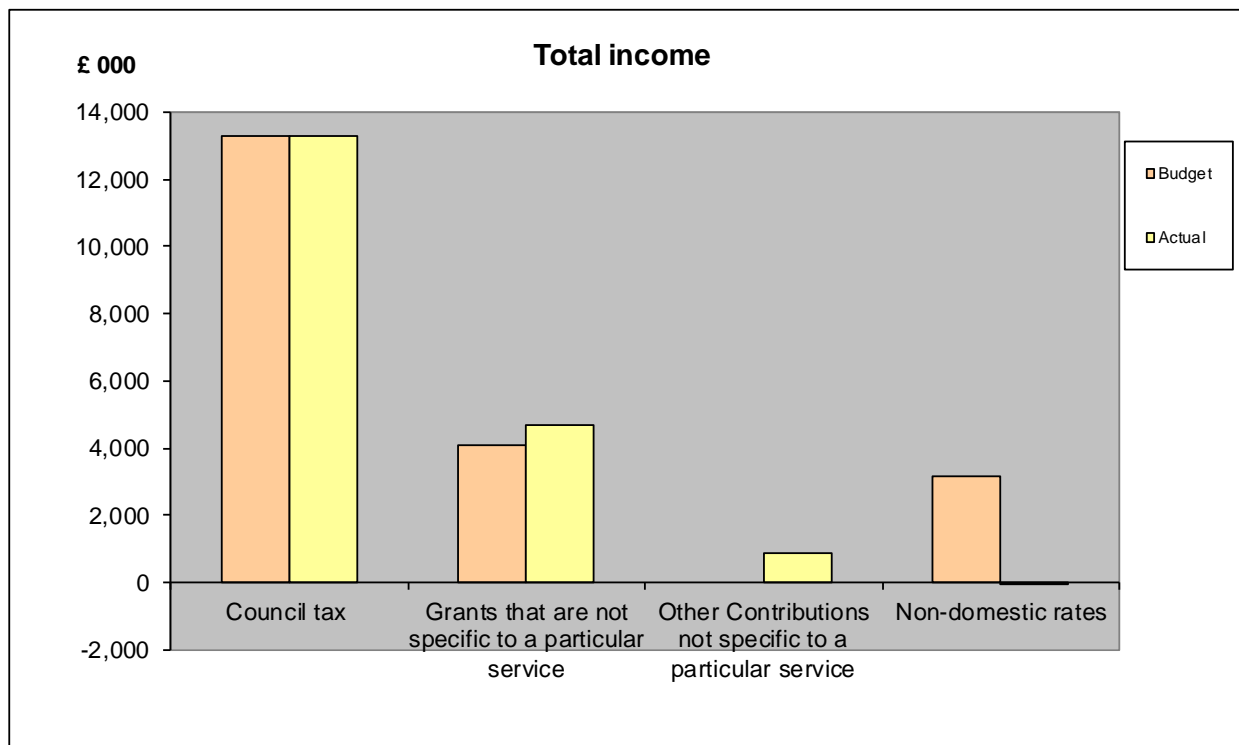
- **The medium term financial strategy,**
- **Setting the Council Tax,**
- **Revenue estimates** (including a report on the health of our finances),
- **Revenue and capital monitoring,**
- **The outturn and the accounts, and**
- **Various auditors' reports on the accounts and other matters.**

## SUMMARY TABLES

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2015 to 31 March 2016	Budget	Actual
	£ 000	£ 000
Total income generated from the Collection fund and government grants and other contributions	(20,525)	(18,843)
Total spending on services after income and grants have been taken off	25,774	22,996
<b>Change in General fund after allowing for transfers to other reserves</b>	<b>5,249</b>	<b>4,153</b>



Some of the assets have been revalued during the closure process, causing the large variation on the capital financing adjustments.



We publish our estimates without including the costs of the IAS 19 pension adjustment. So that we can compare the actual costs with the estimates, we have not included the costs of IAS 19 here.

The complete Comprehensive income and expenditure statement is shown in section 6 and has the costs of the IAS 19 pension adjustment included.

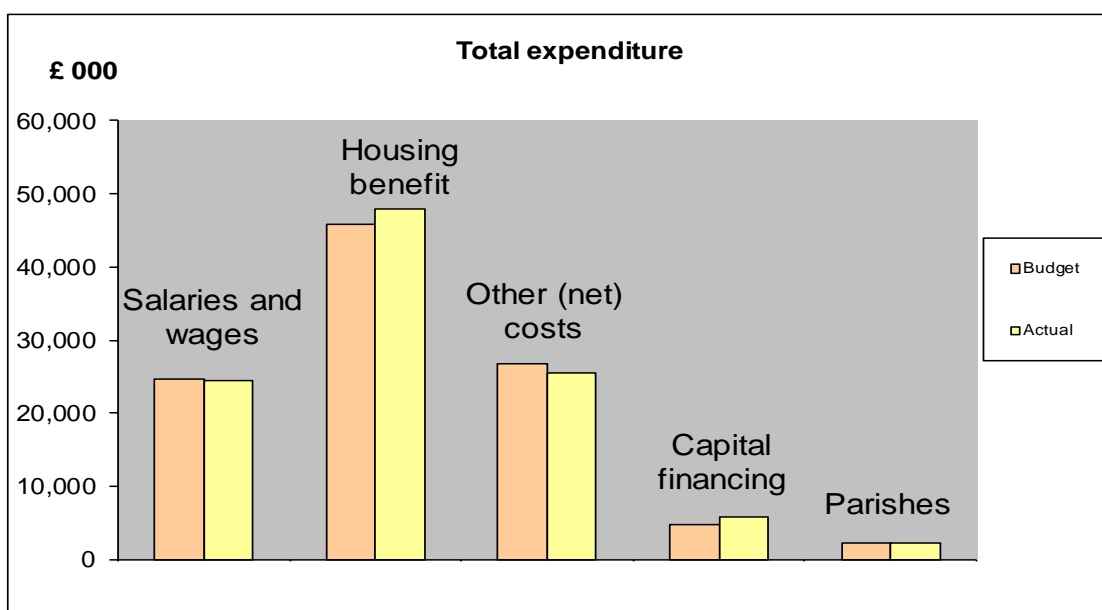
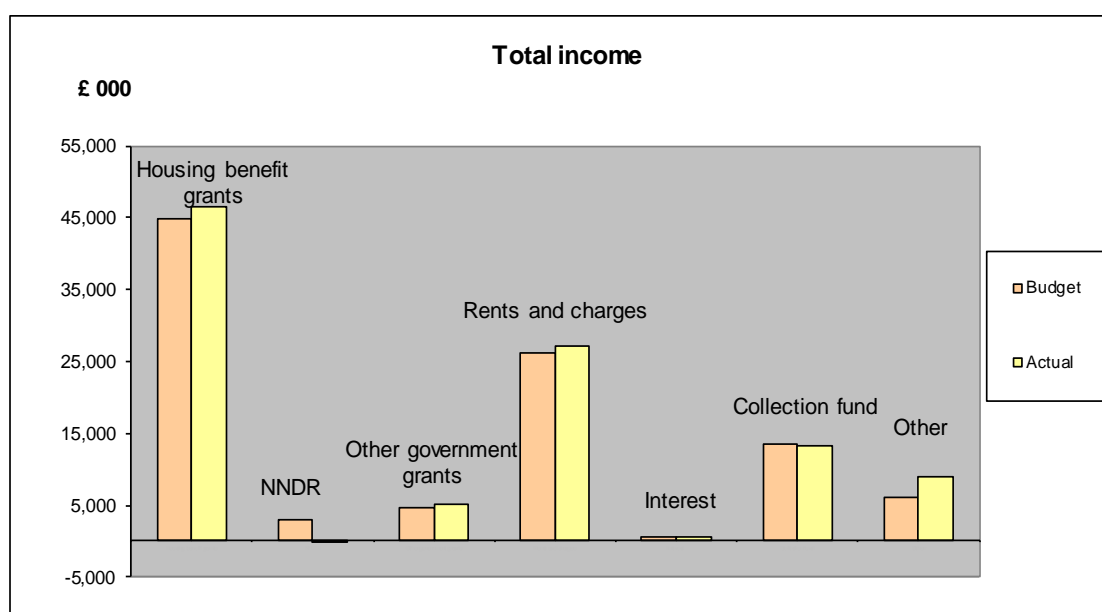
<b>A simplified Balance Sheet</b>		31 March 2016
		£ 000
<b>What we own</b>		
Assets		214,191
Stocks		252
Investments		39,697
		254,140
<b>What we are owed</b>		
Amounts due before 31 March 2016		16,914
Amounts due after 31 March 2016		3,453
		20,367
<b>What we owe</b>		
Amounts due before 31 March 2016		(12,989)
Amounts due after 31 March 2016		(5,684)
Provisions		(5,843)
Pension deficit		(90,561)
		(115,077)
<b>Cash and equivalents in hand or (overdrawn)</b>		13,802
<b>Net assets</b>		173,232
<b>Our reserves</b>		31 March 2016
		£ 000
<b>Usable reserves</b>		53,077
<b>Unusable reserves</b>		120,155
<b>Total reserves</b>		173,232

The complete Balance sheet is shown in section 6.

The following tables show where our income came from and how we spent the money.

<b>A simplified Income and Expenditure Statement for 2015/16</b>	Budget	Actual
	£ 000	£ 000
Total income	(98,901)	(101,794)
Total spending	104,150	105,947
<b>Revenue (surplus) or shortfall for the year</b>	<b>5,249</b>	<b>4,153</b>

We continually review our property assets to achieve value for money, and this may have a significant impact on our future cash flows through increase in capital receipts. Preparatory works have been started for the re-development of our Riverside leisure centre, which is expected to considerably increase our capital spend.



## Pensions

We offer our employees membership of the Local Government Pension Scheme. The scheme is funded by contributions from employees and employers, and offers defined benefits that are paid when members retire. The scheme has been estimated to have a shortfall because its obligations to members are more than the assets and returns expected from the fund. We have agreed to make up the shortfall over time. You can find out more about the pension scheme in note 31 to the main financial statements.

## Changes in accounting policies

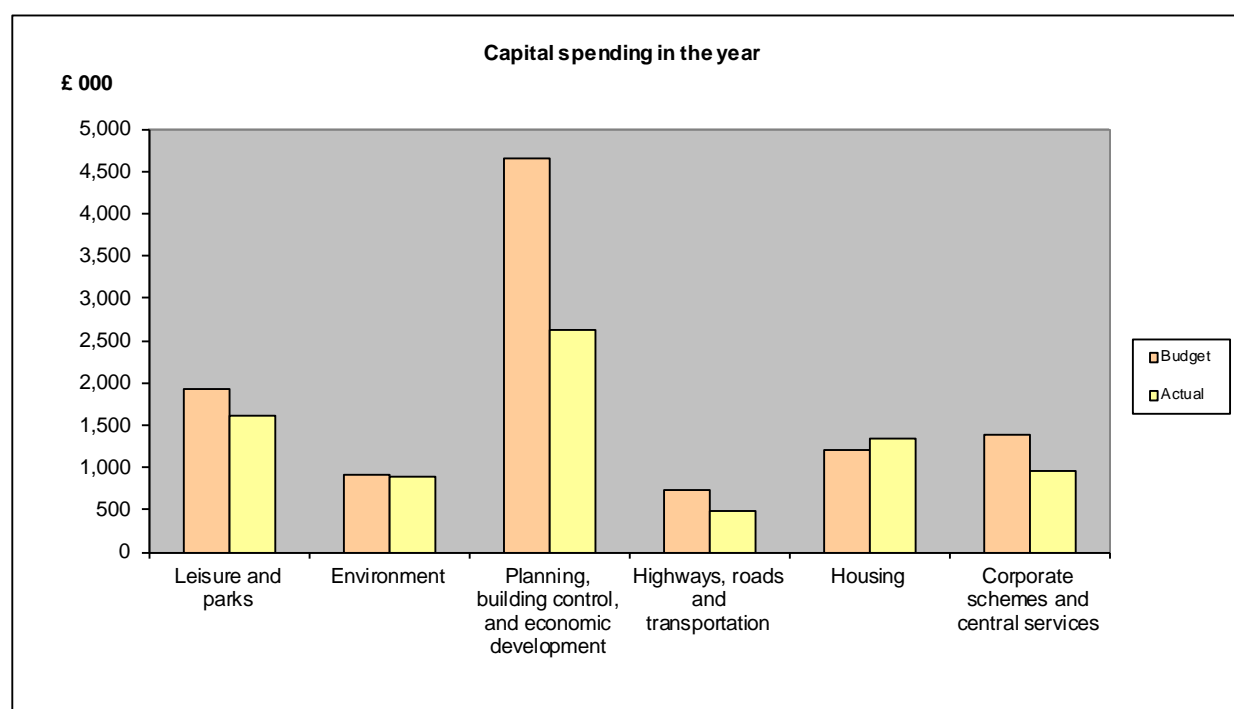
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

## Borrowing

We have repaid all our loans. Our only borrowing is on finance leases.

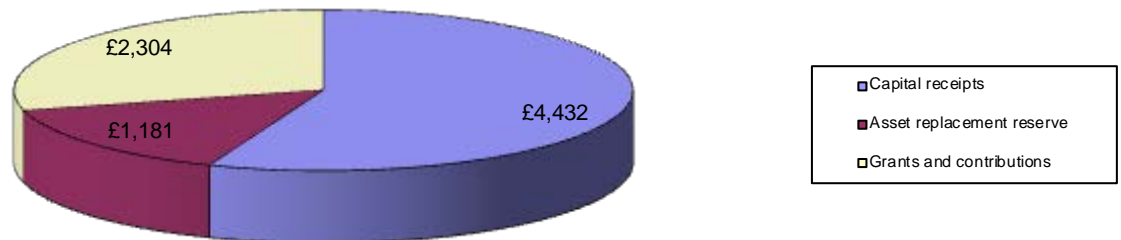
## Capital spending

During the year we spent £7,917,000 on capital schemes, against a budget of £10,816,000. Our asset values in the Balance sheet have not necessarily increased by the amount of our capital spending as the Balance sheet shows the asset's change in value, after any impairments, and not simply the amount spent in creating that asset. The following tables show the capital spending and how the spending was paid for (capital financing).





#### How we paid for the capital spending (£ thousands)



#### Material unusual charges to the accounts

There have not been any of these.

#### Major changes in statutory functions

There have not been any of these.

#### Significant provisions or contingencies or material write-offs

We have a provision for NDR appeals.

#### Material events after the Statement of accounts was prepared

There are no such events.

#### Effects of the current economic climate

Our support grant from the Government has been cut substantially in 2015/16, as it was in previous years, and is expected to be completely removed over the next few years. Despite this we have still produced a balanced budget and expect this to continue into the future.

#### Non-domestic rate pooling

We joined a Non-domestic rating pool with nine other authorities on 1 April 2015. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool. However due to significant increases in business rates appeals we

collected less income than predicted and were unable to contribute to the pool income. We expect the appeals to have a continued negative impact on our business rates collected and have therefore decided not to continue with our membership in the pool for 2016/17.

## **Auditors**

Our external auditors, who audit these accounts, are Ernst and Young LLP. You can find details of their audit fees in note 27 to the main financial statements.

## **Performance measures**

For 2015/16 we have established 20 performance indicators that were regularly reviewed and reported to the Overview and Scrutiny Committee. These are financial and non-financial indicators that measure the progress made in terms of achieving the Council's Priorities.

The following six key priorities were established as part of the Council's Corporate Plan:

- Attracting investment and delivering infrastructure
- Facilitating suitable housing for local needs
- Providing high quality public spaces
- Promoting a more sustainable environment
- Promoting healthier and more active lives
- Enhancing participation in cultural activities

For 2015/16 we were above target in 14 of these indicators (2014/15, 14 of 18 indicators). Where targets are not met we provide explanations for this and establish appropriate remedial action.

The majority of the indicators were consistent with the previous year's performance. Further explanation is provided for the indicators that have failed to achieve the target.

We achieved our targets for the following key performance indicators during 2015/16:

- Net additional homes provided

To encourage a greater supply of new homes in England to address the long term housing affordability issue. This indicator measures the net increase in dwelling stock over one year. It is calculated as the sum of new build completions, minus demolitions, plus any gains or losses through change of use and conversions.

Achieved in 2014/15: 826

Achieved in 2015/16: 792

2015/16 Target set at: 782

- Residual waste per household

This indicator is the number of kilograms of residual household waste collected per household. Local authorities have an important role to play in assisting their residents to reduce waste (as well as encouraging sorting of waste for recycling, re-use, home composting and other forms of home treatment of waste). This indicator monitors the Council's performance in

reducing the amount of waste that is sent to landfill, incineration or energy recovery.

Achieved in 2014/15: 596.49

Achieved in 2015/16: 549.56

2015/16 Target was to achieve less than 550.00 per household.

▪ Green' queue waiting time

Average waiting time to see an advisor at the Customer Service Centre for Concessionary Fares and Parking Permits.

Achieved in 2014/15: 99.00%

Achieved in 2015/16: 98.00%

2015/16 Target set at 90.00% customers to see an advisor within 15 minutes.

▪ Blue' queue waiting time

Average waiting time to see an advisor at the Customer Service Centre for Housing, Revenues and Benefits

Achieved in 2014/15: 97.00%

Achieved in 2015/16: 97.00%

2015/16 Target set at 90.00% customers to see an advisor within 30 minutes.

▪ Average number of unique visitors to the Visit Chelmsford website

The Visit Chelmsford website was launched in 2014 and this indicator enables us to measure the site's performance.

Achieved in 2014/15: New indicator for 2015/16

Achieved in 2015/16: 5,434

2015/16 Target set at: 3,000

▪ The average time taken in calendar days to process all new claims and change events in Housing Benefit and Council Tax Benefit

This indicator monitors our performance in processing all new claims and change events in Housing Benefit and Council Tax Benefit enabling us to make comparison to the national average performance.

Achieved in 2014/15: 5.88 days

Achieved in 2015/16: 7.31 days

2015/16 Target set to process claims in under 9.00 days

▪ Number of Customer visits to our sport centres and sport activities

This indicator monitors visits to our sports centres and sports activities attendance.

Achieved in 2014/15: 1,346,980

Achieved in 2015/16: 1,436,105

2015/16 Target set at: 1,295,000

- Theatre hire visits  
Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres at shows or events where the venues are hired by a third party.

Achieved in 2014/15: 36,866  
Achieved in 2015/16: 37,748  
2015/16 Target set at: 36,000
- Theatre promotion visits  
Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres for the Councils own promotion.

Achieved in 2014/15: 79,949  
Achieved in 2015/16: 77,323  
2015/16 Target set at: 77,000
- Income from Theatres  
This indicator monitors income achieved from Theatre admissions against the set budget.

Achieved in 2014/15: New indicator for 2015/16  
Achieved in 2015/16: 105.34% of budget set  
2015/16 Target set at: £885,400
- Income from Hylands House and Visitor Centre  
This indicator monitors income achieved from facility hire for events and rents against set budget.

Achieved in 2014/15: New indicator for 2015/16  
Achieved in 2015/16: 106.08% of budget set  
2015/16 Target set at: £836,800
- The number of working days lost due to sickness absence  
This indicator is used to monitor the level of sickness absence in local authorities.

Achieved in 2014/15: 7.20  
Achieved in 2015/16: 6.71  
2015/16 Target set to be less than 7.23 days.
- Base budget income for Car Parking  
Total amount of Car Parks fee income achieved against the set budget.

Achieved in 2014/15: 110.66%  
Achieved in 2015/16: 114.41% of budget set  
2015/16 Target set at: £5,387,000
- Base budget income for Cemetery and Crematorium  
This indicator monitors income achieved from Cemetery and Crematorium fees against the set budget.

Achieved in 2014/15: 102.80%  
Achieved in 2015/16: 100.02% of budget set  
2015/16 Target set at: £1,359,600

We did not reach our targets for the following indicators during 2015/16:

- Number of affordable homes delivered

Affordable housing is measured as the numbers of affordable dwellings provided in each year, through new build and acquisitions. This does not take account of losses through sales of affordable housing and demolitions.

There was a significant change in the number of affordable homes delivered from 254 in 2014/15 to 53 in 2015/16. The target setting for this indicator is dependent on the upcoming housing developments in the Chelmsford area and the target was therefore set to 58 in 2015/16. The supply of new affordable homes is forecast to increase significantly in 2016/17.

- Number of households living in temporary accommodation

This indicator measures the numbers of households living in temporary accommodation provided under the homelessness legislation

As a result of the ending of Assured Shorthold Tenancies in the private rented sector and family circumstances/relationship breakdowns, we have seen a significant increase in households living in temporary accommodation, from 153 in 2014/15 to 249 in 2015/16. The target set for 2015/16 was 200.

- Percentage of waste reused, recycled & composted

The indicator measures percentage of household waste arising's which have been sent by the Council for reuse, recycling, composting or anaerobic digestion.

Long term strategy target of 50% was set for this indicator and in 2015/16 overall diversion rate of 45.35% was achieved, with marginal increase from the 43.89% rate achieved in 2014/15.

- Income from Riverside Leisure Centre

This indicator measures income achieved by the Riverside Leisure Centre against set budget.

This was a new indicator introduced in 2015/16. The income from Riverside achieved 92.95% of the set target of £3,291,000, mainly due to low swimming attendance and sessions uptake as well as significant reduction in ice rink income and this was reflected in the budget and the target set for 2016/17.

- CSC abandoned calls

This indicator measures the rate of abandonment of incoming phone calls for the Customer Service Centre (CSC).

This indicator increased to 11.25% in 2015/16 from 10% in 2014/15 due to staff turnover and training needs of new staff, the target for 2015/16 was set to 10%. It is expected to improve in 2016/17.

- CSC average waiting time for calls (in seconds)

This indicator enables the Service manager to monitor the average waiting time for calls.

The target set for this indicator was 40 seconds. There was an increase in waiting time for calls from 39 seconds in 2014/15 to 46 seconds in 2015/16. As above it was mainly due to staff turnover and training needs of new staff.

## Revenue and Budget Process

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

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

During 2015/16 as part of our outturn savings review and regular monitoring we identified potential savings of £522k. We realigned our budgets to reflect these savings as part of our budget review in November 2015.

## Revenue Outturn position

As part of our revenue budget setting process we will again review our outturn savings so that potential ongoing savings can be identified and budgets realigned accordingly.

The Revenue outturn report identified an underspend of £1,208k against our budget at the service expenditure level.

The summary of main variances to Budget is shown in the following table:

	£'000
Staffing costs	(138)
Maintenance	(130)
Insurance (funded from Insurance Reserve)	266
Temporary accommodation expenditure	791
Other expenditure	(90)
Interest income	(182)
Fees and charges	(342)
Temporary accommodation income	(793)
Other income	(590)
<b>Variations from original budget adjusted by approved virements, at Service level</b>	<b>(1,208)</b>

## Medium Term Financial strategy for 2015/16 to 2020/21

In preparation of our MTFS we aim to take a strategic approach to managing our finances aligning them with the objectives as set out by the Corporate priorities within the Council's Corporate plan.

The Council faces significant budget pressures for a number of years due to changes to Global and UK economy and reductions in Local Government funding. To mitigate the impact of these changes we aim to prepare a robust financial strategy and took several measures to bridge the anticipated budget deficit.

- The Council continued to employ the Marketing and Engagement Team Manager to seek an increase in activities that would generate additional income.
- A review of the savings identified in our outturn report was undertaken and the budget was realigned to reflect these. Identified savings were removed from base budget.
- Review of a capital replacement programme sought to gain assurance that it continues to provide value for money.
- Review of the property assets to release surplus assets, to achieve value for money and to examine options to acquire new assets that deliver additional financial and service benefits.

## **Workforce**

We understand that the Council's employees play an important role in delivering our objectives and we have in place a robust People strategy which aims to ensure that we employ people with the right skills and support their development. In 2015/16 we continued to invest in our workforce by employing several interns within various departments of the Council.

We have been assessed by the Investors in People (IIP) and achieved the Gold accreditation.

Our workforce consists of 44% females and 56% males.

## 5 - Statement of responsibilities for the Statement of accounts

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

### Our responsibilities

We must:

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

I certify that these accounts were considered and approved by the Audit Committee at the meeting held on 21 September 2016.

On behalf of Chelmsford City Council

**Councillor Malcolm Sismey**  
**Chairman of the Audit Committee**

### The Director of Financial Services' responsibilities

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

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

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

The Director of Financial Services has also:

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

The Director of Financial Services has signed and dated the Statement of accounts, confirming that it represents a true and fair view of our financial position at 31 March 2016, and our income and spending for the year ended 31 March 2016.



## 6 - The main financial statements

### Movement in reserves statement

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

	General fund	Earmarked reserves (note 8)	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 20)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Balance at 1 April 2014</b>	7,384	11,251	18,255	9,957	46,847	110,332	157,179
Surplus or (deficit) on the provision of services	(10,811)	-	-	-	(10,811)		(10,811)
Other comprehensive expenditure and income	-	(7)	-	-	(7)	5,167	5,160
Total comprehensive expenditure and income	(10,811)	(7)	-	-	(10,818)	5,167	(5,651)
Adjustments from council tax levied and accounting regulations (note 7)	13,981	-	(791)	1,527	14,717	(14,717)	-
Net increase or (decrease) before transfers to earmarked reserves	3,170	(7)	(791)	1,527	3,899	(9,550)	(5,651)
Transfers to or (from) earmarked reserves	(1,265)	1,195	-	70	-	-	-
Total adjustments	1,905	1,188	(791)	1,597	3,899	(9,550)	(5,651)
<b>Balance at 31 March 2015</b>	9,289	12,439	17,464	11,554	50,746	100,782	151,528

	General fund	Earmarked reserves (note 8)	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 20)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Balance at 1 April 2015</b>	9,289	12,439	17,464	11,554	50,746	100,782	151,528
Surplus or (deficit) on the provision of services	7,783	-	-	-	7,783	-	7,783
Other comprehensive expenditure and income	-	8	-	-	8	13,913	13,921
<b>Total comprehensive expenditure and income</b>	<b>7,783</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>7,791</b>	<b>13,913</b>	<b>21,704</b>
Adjustments from council tax levied and accounting regulations (note 7)	(6,471)	-	(3,627)	4,638	(5,460)	5,460	-
<b>Net increase or (decrease) before transfers to earmarked reserves</b>	<b>1,312</b>	<b>8</b>	<b>(3,627)</b>	<b>4,638</b>	<b>2,331</b>	<b>19,373</b>	<b>21,704</b>
Transfers to or (from) earmarked reserves	(5,465)	5,424	-	41	-	-	-
<b>Total adjustments</b>	<b>(4,153)</b>	<b>5,432</b>	<b>(3,627)</b>	<b>4,679</b>	<b>2,331</b>	<b>19,373</b>	<b>21,704</b>
<b>Balance at 31 March 2016</b>	<b>5,136</b>	<b>17,871</b>	<b>13,837</b>	<b>16,233</b>	<b>53,077</b>	<b>120,155</b>	<b>173,232</b>

## Comprehensive income and expenditure statement

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

2014/15			Money spent on services direct to the public	Notes	2015/16		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
3,451	(2,404)	1,047	Central services to the public		3,774	(1,751)	2,023
23,276	(8,958)	14,318	Leisure services		14,433	(6,825)	7,608
18,710	(8,834)	9,876	Environmental services		17,122	(7,733)	9,389
			Planning, building control and economic development services				
4,873	(1,924)	2,949			5,057	(2,114)	2,943
4,961	(7,613)	(2,652)	Highways, roads and transport services		3,683	(8,326)	(4,643)
52,186	(48,573)	3,613	Strategic housing services		53,692	(50,961)	2,731
-	-	-	Public Health		526	(210)	316
4,973	(380)	4,593	Central and democratic core		3,842	(675)	3,167
5,047	(4,706)	341	Non-distributed costs - other		531	(112)	419
117,477	(83,392)	34,085	<b>Spending on current services</b>	22	102,660	(78,707)	23,953
5,099	(4,842)	257	Other operating expenditure	9	6,714	(3,636)	3,078
6,593	(4,823)	1,770	Financing and investment	10	3,749	(12,008)	(8,259)
-	-	-	Spending on discontinued operations		-	-	-
27,546	(52,847)	(25,301)	Taxation and general grants	11	28,072	(54,627)	(26,555)
156,715	(145,904)	10,811	<b>Total spending on services</b>		141,195	(148,978)	(7,783)
			<b>Items that will not be reclassified to the Total spending on services</b>				
		(18,521)	(Surplus) or loss from our assets being revalued				(6,427)
		13,999	Remeasurement of the assets of the pension fund	31			(7,137)
			<b>Items that may be reclassified to the Total spending on services</b>				
		(645)	(Surplus) or loss from our available for sale assets being revalued				(357)
		5,644	<b>Total income and expenditure</b>				(21,704)

## Balance sheet

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

31 March 2015			31 March 2016
£ 000		Notes	£ 000
	Long-term assets		
134,641	Property, plant and equipment	12	141,531
59,256	Investment property	12	68,355
923	Intangible assets	12	797
3,445	Heritage assets	13	3,508
6,057	Long-term investments	14	6,420
1,015	Long-term debtors		3,453
205,337			224,064
	Current assets		
229	Stocks		252
29,802	Short-term investments	14	33,277
18,314	Short-term debtors	16	16,914
-	Assets held for sale	12	-
11,980	Cash in hand and cash equivalents	17	14,322
60,325			64,765
	Current liabilities		
(10,363)	Short-term creditors	18	(12,989)
(4,426)	Provisions	19	(5,843)
(940)	Cash overdrawn	17	(520)
(15,729)			(19,352)
	Long-term liabilities		
-	Long-term borrowing	14	-
(2,627)	Long-term creditors	37	(2,187)
-	Donated assets account	28	-
(3,077)	Capital grants received in advance	28	(3,497)
(92,701)	Liability relating to our pensions	31	(90,561)
(98,405)			(96,245)
151,528	<b>Net assets</b>		173,232

31 March 2015			31 March 2016
£ 000		Notes	£ 000
	Reserves		
50,746	Usable reserves (see Movement in Reserves Statement)		53,077
100,782	Unusable reserves	20	120,155
151,528	<b>Total reserves</b>		173,232

These financial statements replace the unaudited financial statements certified by Nick Eveleigh, Director of Financial Services, on 16 June 2016.

## Cashflow statement

**This section shows what cash we spend and receive.**

2014/15			2015/16
£ 000		Notes	£ 000
	<b>Operating activities</b>		
	Spending		
(29,315)	Cash paid to and for employees		(24,505)
(46,107)	Housing benefit paid out		(47,997)
(224)	NNDR payments to the national pool		(223)
(2,199)	Precepts		(2,245)
(3)	Payment to the housing capital receipts pool		(3)
(24,270)	Tariff & Levy/ Safety Net		(28,540)
(30)	Interest paid		(21)
(29,159)	Other costs		(25,370)
	Income		
6,774	Rents (after rebates)		7,006
12,851	Council tax		13,056
30,320	NDR we received		30,840
3,407	Revenue support grant		2,336
45,159	DWP grants for rebates		46,555
2,993	Other government grants		3,370
20,564	Cash we received for goods and services		20,150
1,757	Interest we received		1,002
8,031	Other revenue cash payments or income		8,863
549	<b>Net cash inflow or (outflow) from operating</b>	21	4,274
	<b>Investing activities</b>		
	Spending		
(3,334)	Buying non-current assets		(3,783)
(2,191)	Other capital cash payments		(2,069)
-	Other payments		-
	Income		
2,610	Selling non-current assets		777
4,591	Capital grants we received		7,625
	Grants applied to fund capital spending		
25	Other contributions		(435)
3,104	Change in our investments		(3,481)
4,805	<b>Net cash inflow or (outflow) from capital</b>		(1,366)
5,354	<b>Net cash inflow or (outflow) before financing</b>		2,908
	<b>Management of liquid resources</b>		
	<b>Financing activities</b>		
(5,129)	Other liquid resources		(146)
	Spending		
-	Repaying loans		-
	Income		
-	New loans		-
(5,129)	<b>Cash flow from financing activities</b>		(146)
225	<b>Increase or (decrease) in cash</b>		2,762
10,815	<b>Cash balance at the beginning of the year</b>		11,040
11,040	<b>Cash balance at the end of the year</b>		13,802

Chelmsford City Council – Annual Report and Statement of Accounts 2015/16

### **Chief financial officer's certificate**

I certify that the accounts set out in the Statement of accounts present a true and fair view of our financial position at 31 March 2016 and the income and spending for the year ended 31 March 2016.

**Nick Eveleigh**  
**Director of Financial Services**

## **7 - Notes to the main financial statements**

### **I General Accounting policies**

The Statement of accounts is a summary of our transactions for the financial year 2015/16 and our position at the year end, 31 March 2016. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Service Reporting Code of Practice, and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

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

#### **Carbon reduction commitment scheme**

We do not have to take part in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme as our energy usage has fallen below the minimum thresholds.

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

We only change accounting policies when the accounting standards require us to do so, or when we think a change in policy will improve the presentation of the accounts and the way we manage our finances. When we do change a policy, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared. Please see note 2 for details of any accounting standards issued but not used in these accounts.

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

#### **Effects of changes in estimates**

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

#### **Employee benefits**

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

## Exceptional items

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

## Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.

<b>Asset type</b>	<b>Fair value</b>
Property, plant and equipment	The amount that would be paid for land and buildings while they are being used for their existing purpose.
Leases	The value of the lease to another party.
Investment property	The market value of the asset in its most valuable use.
Intangible assets	Where there is no active market in the asset, it will be recorded at cost. Otherwise, the asset will be included at market value.
Non-current assets held for sale	The market value of the asset.
Stocks	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Debtors	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Financial instruments	Usually, the price at which the asset is sold.
Creditors	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Employee benefits	Pension fund assets and liabilities are measured at fair value in accordance with IAS19.
Pension fund plan investments	Retirement benefit plan investments are measured at fair value.

## Going concern

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

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

An indefinite period means the foreseeable future or long enough for us to meet our objectives and to fulfil our commitments. It is important to note that the 'going



concern' concept assumes that the business will remain in existence long enough for all its assets to be fully used.

## **Joint projects**

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

## **Minimum repayment of principal (MRP)**

We are required to charge our revenue budgets an annual MRP for the repayment of debt. We calculate the MRP using the Asset Life Method. This method requires MRP to be charged over the asset life. The asset life is determined in the year MRP commences and is not changed. MRP will not be charged until the asset becomes operational.

## **Overheads**

The costs of support services are shown in line with CIPFA's 'Accounting for Overheads' and 'Fair Shares' statements, and the Service Reporting Code of Practice. We charge the full costs of overheads and support services to individual services in the Comprehensive income and expenditure statement in proportion to the benefits received, except for the costs of:

- running the Council as a democratic organisation, which we charge to the separate heading 'Corporate and democratic core'
- discretionary benefits paid to employees retiring early, and
- surplus assets, which we charge to its own heading of 'Non-distributed costs'.

## **Revenue and capital transactions**

Revenue and capital transactions are recorded on an income and expenditure (accruals) basis. This means we record income and grants, including government grants, in our accounts when we are owed it, rather than when we receive it. Likewise, we record spending in our accounts when we owe it, rather than when we actually make a payment. We do not accrue amounts under £1,000.

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

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

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

### **Revenue Expenditure Funded from Capital under Statute**

Some items of expenditure incurred during the year that do not create non-current assets can be funded by capital resources under Government Statute. These items of expenditure are charged to the relevant service in Comprehensive Income and Expenditure Statement but funded by a transfer from the Capital Adjustment Account, so there is no impact on Council tax.

### **Stocks**

We record stocks at their actual costs or the amount we could sell them for, whichever is the lower. Most of our stocks are controlled by a stores accounting system, and are shown at the last price we bought them for. Other stocks are shown at cost price. The difference between the two practices is not significant.

### **Value added tax**

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

## **2 Accounting standards issued but not yet adopted**

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

Standards IAS16 Property Plant and Equipment and IAS38 Intangible Assets (clarification of acceptable Methods of Depreciation and Amortisation) will be introduced during 2016/17, currently there is expected to be no material impact on the accounts.

The introduction of accounting for Highways Network assets will have no impact on the Council statement of accounts.

Amendments to IAS19 Employee Benefits – defined benefit plans (Employee Contributions) are not expected to have an impact on our pension scheme.

Amendments to IAS1 presentation of Financial statements will result in changes to the format of the Council's 2016/17 Statement of Accounts.

The format of the Comprehensive Income and Expenditure statement and Movement in Reserves statement will change. In addition a new Expenditure and Funding analysis will be introduced.

Other minor changes introduced by the 2016/17 Code which we do not expect to have a material impact on the accounts are listed below:

- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interest in Joint Operations)
- Annual Improvements to IFRSs 2012 – 2014 Cycle

## **3 Critical judgements in applying accounting policies**

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

- There is a lot of uncertainty about the future level of Government grant funding. The Government is committed to removing the Formula grant funding and the New Homes Bonus grant may reduce in the future. We have decided that we will be able to produce a balanced budget despite this and that our asset values do not need to be impaired as a result of needing to close facilities or reduce service provision.
- Leases are classified as finance or operational. The Council follows the tests laid under accounting standards, which require us to estimate asset life, rates of return achieved by leasing companies and ownership rights. Leases, once classified, cannot be moved from one category to another. However, finance leases are recorded on the Balance sheet as if we owned the assets; operational leases are not.

#### 4 Uncertainty about the future and other assumptions

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

Item	Uncertainties	Effect if assumptions change
Property, plant and equipment	Assets are depreciated over their useful lives and that life depends on how we maintain the assets. In the current economic climate there is some uncertainty about whether we may be able to continue our current level of maintenance.	The average life of our assets is 42 years and the depreciation charge for the year is £3.5m. If this life were reduced by a year, the depreciation charged would increase by £0.1m.
Pensions liability	The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.	See note 31 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, we are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2016 following successful appeals. Our share of this provision is £5.8m (see Note 19). The estimate has been calculated using the Valuation Office Agency ratings list of appeals, and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made.
Arrears	We had a balance on sundry debtors of £17.0m at the year end. We have made an allowance for doubtful debts of £2.0m, based on various percentages of different ages of debts. In the current economic climate these assumptions may change.	If the economic conditions deteriorate, a doubling of the allowance for doubtful debts would require us to set aside another £2.0m.

<p>Fair Value Measurement</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 12 and 14 below.</p>	<p>The Council uses Level 2 observable inputs for valuing both its Investment properties and financial instruments. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>
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## 5 Major classes of cash receipts and payments (Comprehensive income and expenditure statement)

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

- Housing benefit payments (£48m)
- Government grant in respect of housing benefit paid to the Council (£46.6m)
- Income from sales, fees and charges and rents (£27.2m)
- Employee costs (£24.5m)

## 6 Events after the Balance sheet date

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

## 7 Adjustments to expenditure to arrive at the final charge to council tax

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### Accounting Policy

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

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

<i>Capital adjustment account</i>	<i>Includes amounts we have set aside to pay for fixed assets. It also includes capital receipts we have set aside to repay loans and other capital financing transactions, and revaluation gains before 1 April 2007. This is an unusable reserve.</i>
<i>Capital receipts reserve</i>	<i>Represents the money we have received, but not yet spent, from selling assets. This is a usable reserve.</i>
<i>Earmarked reserves</i>	<i>These are explained in note 8 to the main financial statements. These are usable reserves.</i>
<i>Pension reserve</i>	<i>Represents the shortfall on assets needed to cover our future pension costs. This is an unusable reserve.</i>

*Revaluation reserve*

*Shows changes in the value of our fixed assets caused by revaluing them. It only has revaluation gains recognised after 1 April 2007. Any gains before that date are shown in the Capital adjustment account. This is an unusable reserve.*

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## 7 Adjustments to expenditure to arrive at the final charge to council tax

Movements in 2014/15	General fund	Earmarked reserves	Capital receipts	Capital grants unapplied	Total usable reserves	Unusable reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Reversal of items included in the Comprehensive income and expenditure statement (CI&amp;ES)</b>						
Depreciation and impairment of non-current assets	(2,025)	-	-	-	(2,025)	2,025
Revaluation losses on property, plant and equipment	(11,157)	-	-	-	(11,157)	11,157
Change in the market value of investment properties	(2,451)	-	-	-	(2,451)	2,451
Amortisation of intangible assets	(256)	-	-	-	(256)	256
Capital grants and contributions applied to capital financing	1,188	-	-	28	1,216	(1,216)
Movement in the donated assets account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(2,483)	-	-	-	(2,483)	2,483
Gain or loss on the disposal of non-current assets	751	-	(1,201)	-	(450)	450
Unrealised Gain on Investments						
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	222	-	-	-	222	(222)
Capital expenditure charged to the general fund	1,872	-	-	-	1,872	(1,872)
<b>Adjustments involving the capital receipts reserve</b>						
Asset sale proceeds credited to the CI&ES	1,408	-	(1,555)	-	(147)	147
Use of capital receipts to fund new capital spending	-	-	3,548	-	3,548	(3,548)
Capital receipts used to fund sale costs	-	-	-	-	-	-
Transfers to the housing capital receipts pool	(3)	-	3	-	-	-
Transfers from deferred capital receipts on receipt of cash	-	-	(4)	-	(4)	4
<b>Adjustments involving the capital grants unapplied account</b>						
Reversal of unapplied capital grants and contributions credited to the CI&ES	2,569	-	-	(2,569)	-	-
CIL grant	424	-	-	(424)	-	-
Grants applied to capital financing	-	-	-	1,438	1,438	(1,438)
<b>Adjustments involving the deferred capital receipts reserve</b>						
Deferred asset sale proceeds credited to the CI&ES	-	-	-	-	-	-
<b>Adjustments involving the financial instruments adjustment account</b>						
Difference between financing costs charged under statutory and accounting	57	-	-	-	57	(57)
<b>Adjustments involving the pension reserve</b>						
Reversal of post-employment benefits charged to the CI&ES	(7,842)	-	-	-	(7,842)	7,842
Employer's pension contributions paid in the year	7,964	-	-	-	7,964	(7,964)
Actuarial gains or (losses)	-	-	-	-	-	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	219	-	-	-	219	(219)
Adjustment for Non-domestic rates collection fund income	(4,420)	-	-	-	(4,420)	4,420
<b>Adjustments involving the unequal back-pay adjustment account</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	-	-	-	-	-	-
<b>Adjustments involving the accumulating compensated absences</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(18)	-	-	-	(18)	18
<b>Total adjustments</b>	<b>(13,981)</b>	<b>-</b>	<b>791</b>	<b>(1,527)</b>	<b>(14,717)</b>	<b>14,717</b>



Movements in 2015/16	General	Earmarked	Capital	Capital grants	Total usable	Unusable
	fund	reserves	receipts	unapplied	reserves	reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Reversal of items included in the Comprehensive income and expenditure account (CI&amp;ES)</b>						
Depreciation and impairment of non-current assets	(3,415)	-	-	-	(3,415)	3,415
Revaluation losses on property, plant and equipment	1,399	-	-	-	1,399	(1,399)
Change in the market value of investment properties (+gain/-loss)	7,456	-	-	-	7,456	(7,456)
Amortisation of intangible assets	(249)	-	-	-	(249)	249
Capital grants and contributions applied to capital financing	1,051	-	-	-	1,051	(1,051)
Movement in the donated assets account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(2,069)	-	-	-	(2,069)	2,069
Gain or loss on the disposal of non-current assets	(1,485)	-	(47)	-	(1,532)	1,532
Unrealised Gain on Investments					-	-
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	226	-		-	226	(226)
Capital expenditure charged to the general fund	1,183	-		-	1,183	(1,183)
<b>Adjustments involving the capital receipts reserve</b>						
Asset sale proceeds credited to the CI&ES	731		(758)	-	(27)	27
Use of capital receipts to fund new capital spending		-	4,432	-	4,432	(4,432)
Capital receipts used to fund sale costs	-	-		-	-	-
Transfers to the housing capital receipts pool	(4)	-	4	-	-	-
Transfers from deferred capital receipts on receipt of cash	-	-	(4)	-	(4)	4
<b>Adjustments involving the capital grants unapplied account</b>						
Reversal of unapplied capital grants and contributions credited to the CI&ES	1,864	-	-	(1,864)	-	-
CIL grant	4,090			(4,090)	-	-
Grants applied to capital financing		-	-	1,316	1,316	(1,316)
<b>Adjustments involving the deferred capital receipts reserve</b>						
Deferred asset sale proceeds credited to the CI&ES	-	-	-	-	-	-
<b>Adjustments involving the financial instruments adjustment account</b>						
Difference between financing costs charged under statutory and accounting	-	-	-	-	-	-
<b>Adjustments involving the pension reserve</b>						
Reversal of post-employment benefits charged to the CI&ES	(8,401)	-	-	-	(8,401)	8,401
Employer's pension contributions paid in the year	3,404	-	-	-	3,404	(3,404)
Actuarial gains or losses	-	-	-	-	-	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	(285)	-	-	-	(285)	285
Adjustment for Non-domestic rates collection fund income	997	-	-	-	997	(997)
<b>Adjustments involving the unequal back-pay adjustment account</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	-	-	-	-	-	-
<b>Adjustments involving the accumulating compensated absences</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(22)	-	-	-	(22)	22
<b>Total adjustments</b>	<b>6,471</b>	<b>-</b>	<b>3,627</b>	<b>(4,638)</b>	<b>5,460</b>	<b>(5,460)</b>

## 8 A more detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

	Pensions	Insurance reserve	Future replacement of assets	Interest rate equalisation	Contingency	Chelmsford Development	NDR appeals	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2014	2,828	700	3,183	1,431	2,001	-	238	870	11,251
Transfers in	1,686	364	1,240		-	3,000	1,500	538	8,328
Transfers out	(4,513)	(304)	(1,871)	(175)	-	-	-	(277)	(7,140)
Balance at 31 March 2015	1	760	2,552	1,256	2,001	3,000	1,738	1,131	12,439
Transfers in	1,554	732	1,429		1,081	1,131	4,420	4	10,351
Transfers out	(508)	(553)	(1,182)	(1,256)	-	-	(1,158)	(262)	(4,919)
Balance at 31 March 2016	1,047	939	2,799	-	3,082	4,131	5,000	873	17,871

### a Pensions

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

### b Insurance reserve

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

### c Future replacement of assets

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

### d Interest-rate equalisation reserve

We intend to use this reserve to average out any changes in interest rates.

### e Contingency reserve

To meet any unexpected costs.

### f Chelmsford Development Fund

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

### g NDR appeals

To meet the cost of future appeals against NDR valuations.

## 9 Other operating expenditure

2014/15				2015/16		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
2,199	-	2,199	Parish council precepts	2,245	-	2,245
2,897	(2,681)	216	(Gains) or losses on trading operations (note 23)	3,082	(3,007)	75
-	(2,161)	(2,161)	(Gain) or losses on disposal of non-current assets	1,384	-	1,384
			(Gain) or losses on disposal of unattached assets	-	(629)	(629)
3	-	3	Payments to the Housing capital receipts pool	3	-	3
5,099	(4,842)	257		6,714	(3,636)	3,078

## 10 Financing and investments

2014/15					2015/16		
Gross spending £ 000	Income £ 000	Net spending £ 000		Notes	Gross spending £ 000	Income £ 000	Net spending £ 000
-	(912)	(912)	Interest and investment income	14	-	(702)	(702)
1	-	1	Interest we have to pay	14	2	-	2
29	-	29	Interest on finance leases	14	19	-	19
3,296	-	3,296	Pension interest and remeasurement of the liabilities of the pension fund	31	2,913	-	2,913
2,451	-	2,451	Revaluation of investment properties		-	(7,456)	(7,456)
816	(3,911)	(3,095)	Investment properties	23	815	(3,850)	(3,035)
6,593	(4,823)	1,770			3,749	(12,008)	(8,259)

## 11 Taxation and non-specific grants

2014/15				2015/16		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(3,407)	(3,407)	Revenue support grant	-	(2,336)	(2,336)
-	(26,634)	(26,634)	National non-domestic rates	-	(29,032)	(29,032)
27,546	(4,384)	23,162	Government tariff, s31 grant, levy and safety net on non-domestic rates	28,072	(588)	27,484
-	(12,820)	(12,820)	Demand on the collection fund	-	(13,022)	(13,022)
-	-	-	ABG & Local services support grant	-	-	-
-	(5,602)	(5,602)	Capital grants, New homes bonus, Council Tax freeze grant, contributions from the Business rates pool and other contributions	-	(9,649)	(9,649)
27,546	(52,847)	(25,301)	<b>Total recharged services</b>	28,072	(54,627)	(26,555)

## 12 Movements on our assets

Independent external valuers are used to revalue our properties and we will review a proportion of our assets every year. The valuations for 2015/16 were undertaken by Wilkes Head and Eve on 31<sup>st</sup> December 2015.

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

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

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### Accounting policies

#### Assets held for sale

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

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

We do not charge depreciation on assets held for sale.

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

#### Charges to revenue for assets

We charge service revenue accounts, central support services and trading undertakings for all the fixed assets they use to provide their services. The charge covers the loss in value over time of the assets that each service has used (depreciation), spread out over the asset's life. The depreciation (or amortisation for intangible assets) is calculated on a straight-line basis, which means that for every year the Council estimates it will use an asset, the service is charged the same amount each year.

We make some capital payments that do not create a physical asset. Examples include improving items we do not own, such as roads, and paying grants to help people improve their homes. We charge these payments to the Comprehensive income and expenditure statement in the year we make the payment, but fund them from capital resources.

### Intangible assets

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

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

The useful lives of our intangible assets are finite; we normally expect to use them up over 3-15 years, depending on the type of software. Our main IT systems, such as Comino (our Document management system), are expected to last 10 years from new, and the other main systems 8 years. Other systems, such as website software, have shorter lives.

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

All our intangible assets have been bought. We have not made any of them. There have been no impairments or revaluations.

### Investment properties

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

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

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

### Property, plant and equipment

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

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

*Different types of asset are valued as follows:*

- *Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.*
- *Infrastructure such as bridges and roads are valued at cost of buying them.*
- *Community assets such as parks are valued at cost, unless the external valuers identify a more appropriate value.*
- *Other assets such as land and buildings are valued at fair value, this being what they could be sold for in their existing use.*

*Assets are valued at fair value and we will revalue high value items every year and around one fifth of our assets every year until the end of five years when we will have revalued all our land and buildings. However, if there is a big change in an asset's value in any year, we will revalue that asset immediately.*

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

*We charge decreases in valuations as follows:*

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

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

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

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

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

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

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

- |                          |             |
|--------------------------|-------------|
| • Buildings              | 10-60 years |
| • Vehicles and equipment | 3-20 years  |
| • Intangible assets      | 3-15 years  |

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

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

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

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<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2014 (after depreciation)	108,138	7,633	32	7,485	204	1,292	124,784
Total book value on 1 April 2014	121,171	14,681	32	7,485	204	1,307	144,880
Assets we have transferred	2,888	-	-	(2,728)	(160)	-	-
Assets we have bought or improved	2,590	1,928	-	104	240	-	4,862
Assets that were donated	-	-	-	-	-	-	-
Adjustment to accruals for assets we bought	(8)	-	-	-	-	-	(8)
Assets we have sold	(117)	-	-	-	-	(77)	(194)
Assets no longer required	-	(522)	-	-	-	-	(522)
Assets we have impaired	-	-	-	-	-	-	-
Assets revalued through the cost of provision of services	(14,692)	-	-	(6)	(57)	-	(14,755)
Assets revalued through the revaluation reserve	9,709	-	-	7	-	172	9,888
Total book value on 31 March 2015	121,541	16,087	32	4,862	227	1,402	144,151
Depreciation and impairment on 1 April 2014	13,033	7,048	-	-	-	15	20,096
Assets we have transferred	-	-	-	-	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
Amounts written out on assets we have sold	(32)	(464)	-	-	-	(6)	(502)
Impairments recognised in the cost of provision of services	(2,201)	-	-	-	-	-	(2,201)
Impairments recognised in the revaluation reserve	(1,310)	-	-	-	-	-	(1,310)
Depreciation written out to the cost of services	(3,536)	-	-	-	-	-	(3,536)
Depreciation written out to the revaluation reserve	(7,245)	-	-	-	-	(12)	(7,257)
Depreciation for the year	2,690	1,526	-	-	-	4	4,220
Depreciation on 31 March 2015	1,399	8,110	-	-	-	1	9,510
Net book value on 31 March 2015 (after depreciation)	120,142	7,977	32	4,862	227	1,401	134,641



<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2015 (after depreciation)	120,142	7,977	32	4,862	227	1,401	134,641
Total book value on 1 April 2015	121,541	16,087	32	4,862	227	1,402	144,151
Assets we have transferred	1,025	104	-	151	(1,171)	-	109
Assets we have bought or improved	1,001	1,660	-	-	1,315	-	3,976
Assets that were donated	-	-	-	-	-	-	-
Adjustment to accruals for assets we bought	-	-	-	-	-	-	-
Assets we have sold or disposed of	(1,489)	(1,121)	-	-	-	-	(2,610)
Assets no longer required	-	-	-	-	-	-	-
Assets we have impaired	-	-	-	-	-	-	-
Assets revalued through the cost of provision of services	229	-	(32)	-	(1)	-	196
Assets revalued through the revaluation reserve	4,736	-	-	366	-	-	5,102
Total book value on 31 March 2016	127,043	16,730	-	5,379	370	1,402	150,924
Depreciation on 1 April 2015	1,399	8,110	-	-	-	1	9,510
Assets we have transferred	-	-	-	-	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
Amounts written out on assets we have disposed of	(28)	(1,057)	-	-	-	-	(1,085)
Impairments recognised in the cost of provision of services	-	-	-	-	-	-	-
Impairments recognised in the revaluation reserve	-	-	-	-	-	-	-
Depreciation written out to the cost of services	(1,200)	-	-	-	-	-	(1,200)
Depreciation written out to the revaluation reserve	(1,244)	-	-	-	-	-	(1,244)
Depreciation for the year	1,755	1,654	-	-	-	3	3,412
Depreciation on 31 March 2016	682	8,707	-	-	-	4	9,393
Net book value on 31 March 2016 (after depreciation)	126,361	8,023	-	5,379	370	1,398	141,531

<b>FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT</b>	Other land and buildings £ 000	Vehicles and equipment £ 000	Infra-structure £ 000	Community assets £ 000	Assets being built £ 000	Surplus £ 000	Total £ 000
Historic cost	799	16,730	-	4,302	370	-	22,201
Carrying fair value at:							
31 March 2016 (valuation date 31/12/2015)	94,324	-	-	1,058	-	64	95,446
31 March 2015 (valuation date 31/03/2015)	28,202	-	-	19	-	1,338	29,559
31 March 2014 (valuation date 1/04/2013)	3,221	-	-	-	-	-	3,221
31 March 2013 (valuation date 1/04/2012)	-	-	-	-	-	-	-
31 March 2012 (valuation date 1/04/2011)	497	-	-	-	-	-	497
<b>Total</b>	<b>127,043</b>	<b>16,730</b>	<b>-</b>	<b>5,379</b>	<b>370</b>	<b>1,402</b>	<b>150,924</b>

The Council has not suffered any material impairment losses on its assets in 2015/16.

<b>INVESTMENT PROPERTIES (NON-CURRENT ASSETS)</b>	<b>Assets being built £ 000</b>	<b>Assets £ 000</b>	<b>2014/15 £ 000</b>
Balance on 1 April	-	61,439	61,439
Additions			
Properties we bought	-	503	503
Properties we built	-	-	-
Properties we improved	-	-	-
Disposals	-	(235)	(235)
Net gain or (loss) from fair value adjustments	-	(2,451)	(2,451)
Transfers (to) or from	-	-	-
Stocks	-	-	-
Property, plant and equipment	-	-	-
Other changes	-	-	-
<b>Balance on 31 March</b>	<b>-</b>	<b>59,256</b>	<b>59,256</b>

<b>Assets being built £ 000</b>	<b>Assets £ 000</b>	<b>2015/16 £ 000</b>
-	59,256	59,256
-	1,550	1,550
-	-	-
-	202	202
-	-	-
-	7,456	7,456
-	-	-
-	-	-
-	(109)	(109)
-	-	-
<b>-</b>	<b>68,355</b>	<b>68,355</b>

The operating costs and income from our investment properties can be found in note 23 of the notes to the main financial statements.

	Quoted prices in active market for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2016 £000
<b>Recurring fair value measurements using:</b>				
Commercial Site	-	12,961	-	12,961
Development site	-	4,815	-	4,815
Pending Sale	-	2,599	-	2,599
Residential (market rental) properties	-	704	-	704
Retail Sites	-	47,276	-	47,276
Balance on 31 March	-	68,355	-	68,355

ASSETS HELD FOR SALE	Current assets	
	2014/15	2015/16
	£ 000	£ 000
Balance on 1 April	-	-
Assets moved to/from this heading from		
Property, plant and equipment	-	-
Intangible assets	-	-
Other categories	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets moved from this heading to		
Property, plant and equipment	-	-
Intangible assets	-	-
Other categories	-	-
Assets sold	-	-
Transfers from non-current to current category	-	-
Other	-	-
Balance on 31 March	-	-

INTANGIBLE ASSETS (NON-CURRENT ASSETS)	<----- 2014/15 ----->		
	Software licences	Work in progress	Total
	£ 000	£ 000	£ 000
Net book value on 1 April (after amortisation)	992	18	1,010
Total book value on 1 April	3,405	18	3,423
Assets we have transferred	23	(23)	-
Assets we have bought or improved	122	47	169
Assets that were developed internally	-	-	-
Adjustment to accruals for assets we bought	-	-	-
Assets no longer required	-	-	-
Assets we have impaired	-	-	-
Assets revalued through the cost of provision of services	-	-	-
Assets revalued through the revaluation reserve	-	-	-
Total book value on 31 March	3,550	42	3,592
Amortisation on 1 April	2,413	-	2,413
Assets we have transferred	-	-	-
Amounts written out on assets we have finished with	-	-	-
Impairments recognised in the cost of provision of services	-	-	-
Impairments recognised in the revaluation reserve	-	-	-
Impairments reversed in the cost of provision of services	-	-	-
Impairments reversed in the revaluation reserve	-	-	-
Amortisation for the year	256	-	256
Amortisation on 31 March	2,669	-	2,669
Net book value on 31 March (after amortisation)	881	42	923

<----- 2015/16 ----->		
Software licences	Work in progress	Total
£ 000	£ 000	£ 000
881	42	923
3,550	42	3,592
62	(62)	-
68	56	124
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,680	36	3,716
2,669	-	2,669
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
250	-	250
2,919	-	2,919
761	36	797

## Funding our capital expenditure

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

We incurred the following amounts of capital expenditure in the year, including assets acquired through finance leases. We have shown these, together with a statement of the resources used to finance the expenditure below. If we finance this expenditure in future years, the expenditure results in an increased charge to the capital financing requirement, which is analysed in the second part of the note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING		
	2014/15	2015/16
	£ 000	£ 000
Opening capital finance requirement at 1 April	853	631
Expenditure on		
Property plant and equipment	4,900	3,974
Investment properties	503	1,752
Intangible assets	122	126
Revenue expenditure funded from capital under statute and Renovation Loans	2,522	2,128
Less sources of finance		
Capital receipts	(3,548)	(4,433)
Government grants and other contributions	(2,627)	(2,366)
Revenue funding	(1,872)	(1,182)
MRP	(222)	(226)
Capital financing requirement at 31 March	631	404

### Accounting Policies

#### Heritage assets

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

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

The Council shows its heritage assets in the accounts under the following headings:

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

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

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

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

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

#### Heritage intangible assets

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

## Heritage Valuers

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

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

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## Heritage assets by category

	Archaeology and Numismatics  £ 000	Natural History taxidermy, botanical and geological specimens  £ 000	Pottery, drinking glasses and pewter  £ 000	Social, agricultural & industrial history, including costume  £ 000	Statues  £ 000	Mayor's Office  £ 000	Works of Art  £ 000	Total  £ 000
1st April 2014	209	207	438	980	439	130	974	3,377
Additions								-
Disposals								-
Revaluations	3	4	9	20	9	3	20	68
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2015	212	211	447	1,000	448	133	994	3,445
Additions								-
Disposals	(9)							(9)
Revaluations	5	4	9	21	10	3	20	72
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2016	208	215	456	1,021	458	136	1,014	3,508

## Commentary on movements

The movement on heritage assets reflects the fact that no material purchases or donations were made in 2013/14, 2014/15 or 2015/16. The revaluations reflect the obtaining of new valuations for Toys and some Medals at the Museum and indexing them in line with insurance estimates of other heritage assets.

## Overview of our collection

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

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

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



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

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

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

	2014/15	2015/16
	£000s	£000s
Cost Acquisitions of Heritage Assets	-	-
Donations of Heritage Assets	-	-
Disposals of Heritage Assets	-	(9)
Impairments of Heritage Assets	-	-

Details on the Museum Collection can be found on our website.

## 14 Categories of financial assets and liabilities

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### **Accounting policy**

*We record our investments and borrowings in the following ways:*

- Most of our investments are deposits with banks or building societies. We have to show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due on the balance sheet is shown in the Comprehensive income and expenditure statement. These types of investment are called loans and receivables.*
- We also invest some money in Investment Funds. If the investment funds have a quoted market price and/or do not have fixed rate of return, then the Council accounts for them as available for sale or otherwise they would be loans and receivables.*
- The income from the available for sale investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.*

- If the value of an available for sale asset changes from the price that it was originally invested at then the balance sheet shows the investment at the new value. The difference being the gain or loss is charged to Available for Sale Asset Reserve. The gain or loss is only chargeable to the Comprehensive Income and Expenditure Statement when the investment is sold.
  - If we make loans at below-market rates of interest, or with no interest at all, we show the outstanding balance on the loan as less than the amount that will actually be repaid. This reduction is the loss we are effectively making, as we are charging an interest rate on the loan that is less than the current open-market interest rate. We charge the loss in the loan's value to the Comprehensive income and expenditure statement, but we then take it out again and charge it to the Financial instruments adjustment account, so that there is no charge to council tax payers.
  - All our borrowing is shown including any interest owed to the Council.
  - Where an asset's value is impaired, we charge the asset's loss in value to the Comprehensive income and expenditure statement straight away.
- 

2014/15		2015/16
£ 000	<b>SHORT-TERM</b>	£ 000
	<b>Loans and receivables</b>	
29,802	Short-term investments	33,277
11,908	Cash equivalents	14,255
72	Cash	67
9,400	Receivables	10,108
51,182		57,707
	<b>Other financial liabilities</b>	
(4,546)	Trade payables	(5,809)
(940)	Cash overdrawn	(520)
(5,486)		(6,329)

2014/15		2015/16
£ 000	<b>LONG-TERM</b>	£ 000
	<b>Loans and receivables</b>	
-	Loans and receivables	-
12	Mortgages	8
1,232	Other long-term debtors	3,676
6,057	Long-term investments	6,420
7,301		10,104
	<b>Other financial liabilities</b>	
-	Long-term borrowing	-
(2,180)	Long-term creditors	(1,959)
(2,180)		(1,959)

2014/15						2015/16				
Financial liabilities	Financial assets					Financial liabilities	Financial assets			
Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss	Total		Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss	Total
£ 000	£ 000	£ 000	£ 000	£ 000		£ 000	£ 000	£ 000	£ 000	£ 000
30	-	-	-	-	Interest paid (note 10)	21	-	-	-	-
-	-	-	-	-	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	-	-	-	-	Impairment losses	-	-	-	-	-
-	-	-	-	-	Fees paid	-	-	-	-	-
30	-	-	-	-	Net cost of services - total cost	21	-	-	-	-
-	(912)	-	-	(912)	Interest received (note 10)	-	(702)	-	-	(702)
-	-	-	-	-	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Increases in fair value	-	-	-	-	-
-	-	-	-	-	Interest accrued on impaired assets	-	-	-	-	-
-	-	-	-	-	Fees received	-	-	-	-	-
-	(912)	-	-	(912)	Net cost of services - total income	-	(702)	-	-	(702)
-	-	(645)	-	(645)	Gains on revaluation	-	-	(364)	-	(364)
-	-	-	-	-	Losses on revaluation	-	-	-	-	-
-	-	-	-	-	Amounts recycled to cost of services after impairment	-	-	-	-	-
-	-	(645)	-	(645)	(Surplus) or deficit on revaluation of financial assets in other comprehensive income and expenditure	-	-	(364)	-	(364)
30	(912)	(645)	-	(1,557)	Net (gain) or loss for the year	21	(702)	(364)	-	(1,066)

## Fair value

The fair value is calculated by comparing investments made at the year end to the interest rates available on 31 March 2016 for new investments that would end at the same time as those actually made. The difference in value is because the Council's investments were made at higher interest rates than would be available at the year end.

	1 April 2014		31 March 2015		31 March 2016	
	Amortised cost £ 000	Fair value £ 000	Amortised cost £ 000	Fair value £ 000	Amortised cost £ 000	Fair value £ 000
<b>Financial assets</b>						
Investments and cash equivalents	50,520	50,724	47,766	47,766	53,791	53,880
Cash	74	74	72	72	67	67
Leasing debtor	-	-	-	-	-	-
Long-term receivables	1,140	1,140	1,021	1,021	3,677	3,677
<b>Financial liabilities</b>						
Cash	(1,462)	(1,462)	(941)	(941)	(520)	(520)
Borrowing	-	-	-	-	-	-

Following table provides a break down for the fair value input level for the financial assets.

Financial assets measured at fair value				
	Input level in fair value	Valuation technique to measure fair value	31st March 2015	31st March 2016
Recurring fair value measurements				
Local Authority Property Fund	Level 1	Unit Prices	6,056	6,420
Royal London Fund	Level 1	Unit Prices	5,000	4,994
			11,056	11,414

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

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

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

### Credit risk

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

How do we manage credit risk?

We will only invest in certain types of investment. We estimate how safe an investment is depending on how likely it is that the organisation will be able to repay the money. How we measure this depends on the type of organisations. We present reports to Council meetings at the beginning of every year and half way through it to agree who we can lend money to. The type of investment we choose can help to reduce the risk of failure. The table below gives the types and the maximum amounts that can be invested, as set out in the Council's Treasury Management Strategy (new limits approved at February 2016 Council).

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
NatWest /Royal Bank of Scotland.	BBB	£3m	Instant Access
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Debt Management Agency Deposit Facility, Governments Bills or Gilts	UK Government	No Limit	5 years
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years
UK Banks 364 days	A-	£3m each	364 days
Building Societies	A-	£3m each	364 days
Money Market Funds (per fund)	AAA	£6m each	Instant access
Enhanced Money Market Funds (Variable Unit Price) Up to 3 funds	AAA	£6m each	2-5 day notice
Non-UK Banks	AA-	£3m each	364 days
Non-UK Banks	A-	£3m each	100 days
Registered Social Landlord Loans (these deposits would be guaranteed on RSL assets or similar)	A-	£3m each	364 days
Covered Bonds	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	364 days
Supranational Bonds	AAA	£6m	3 years

The following table sets out the risk that an organisation we invest in cannot pay any return on the investment or cannot repay the investment at all. We have based our assessment of these risks on advice from our Treasury Advisors.

Organisations or people who could owe us money (these are explained below)	Amount	Has defaulted in the past	Historical experience adjusted for market conditions	Estimated maximum exposure to default and debts that we cannot collect	
	31-Mar-16		31-Mar-16	31-Mar-16	31-Mar-15
	£'000	%	%	£'000	£'000
Bonds, Gilts, Deposits with banks, Fund Managers and building societies	53,952	Nil	Nil	Nil	Nil
Debtors (excluding prepayments)	10,108	15.34%	14.34%	1,551	1,492
Long-term debtors, former right-to-buy mortgages and other loans	1,152	19.95%	19.27%	222	230
				1,773	1,722

Debtors are our customers and taxpayers. In the past, customers and taxpayers have failed to pay us money they owe us, so credit risk applies to them both. The level of past default is based on our provision for bad debts from our customers and taxpayers over the last five years. We have adjusted this to reflect the number of customers and taxpayers we think are unlikely to pay their debt. The nature of these debts varies and this determines how we control and collect them. The debts are monitored so that at set trigger points, such as the age of the debt, or size of debt, we take specific action. Sometimes we have to accept that it would cost more to recover money than to lose it. However, because we are a public service we sometimes have to provide services even if the risk of the customer being unable to pay is higher than private companies would accept.

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

2014/15 £ 000	Age of debt	2015/16 £ 000
7,242	Less than three months	6,512
1,404	Three to six months	585
381	Six months to a year	617
1,993	More than a year	2,394
11,020		10,108

Long-term debtors are loans to people for right-to-buy mortgages (a scheme to help council tenants buy their homes), to organisations, and in respect of Community Infrastructure levy receipts due. The former loans are secured on property. We monitor repayment of all debts rigorously.

## Liquidity risk

This is the risk that we don't have enough cash in our bank accounts to pay our bills or staff. There is no great risk of this as we have access to borrowing from other local authorities and the money markets. We have no long-term borrowings and we do not think we will need any in the near future.

2014/15 £000	Financial assets returned to the Council in	2015/16 £000
11,983	Less than three months, including cash	14,255
13,122	Three to six months	3,511
16,605	Six months to a year	29,766
6,056	More than a year	6,420
47,766		53,952

## Market risk

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

As our investments are in bank deposits, their value does not change in our accounts. We must note in our accounts the effect, if there had been one, of a 1% change in interest rates on our variable investments in 2015/16. The effect of a 1% increase in interest rates would have been an extra income of £142,000. If interest rates had fallen by 1%, the loss of interest would have been the same amount.

## 15 Major commitments under capital contracts

On the 31st March 2016, we were legally committed to the following schemes:-

Car Parks' Pay on Foot Machines, £0.7m  
City Centre Public Realm Works - Half Moon Square, £1.4m  
Beaulieu Park Station Contribution, £1.5m  
High Chelmer Shopping Centre - Development of Restaurant Quarter, £1.8m.

We have also agreed in principal to contribute to the following schemes, although none of the following are legally committed:-

Improved Car Parking Hylands' Estate and Park, £0.6m  
Meadows Car Park Deck Waterproofing, £0.8m  
Homelessness Initiatives, £2.3m  
Improvements to Mill Yard, £2.8m  
Flood Alleviation Scheme Contribution, £4.9m  
Riverside Sports Centre Redevelopment, £21m.

## 16 Debtors

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### Accounting Policy

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

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2014/15		2015/16
£ 000		£ 000
6,129	Government departments ***	2,195
1,948	Other local authorities ***	4,227
12,189	Other organisations and individuals	12,525
(1,952)	Debts we may not be able to collect	(2,033)
18,314		16,914

\*\*\* Balances with related parties

## 17 Cash and cash equivalents

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### Accounting Policy

*Cash is represented by cash in hand and balances with banks where we can access the money within a day. Cash equivalents are investments that when made, last no longer than three months and where the amount we will receive is not subject to any material change in value. Cash and cash equivalents are shown net of bank overdrafts in the Cash flow statement.*

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2014/15		2015/16
£ 000		£ 000
72	Cash held by officers	67
(940)	Bank current accounts	(520)
11,908	Cash equivalents (short-term deposits)	14,255
11,040		13,802



## 18 Creditors

2014/15		2015/16
£ 000		£ 000
1,057	Government departments ***	1,490
2,938	Other local authorities ***	3,297
5,430	Sundry creditors	6,940
938	Receipts in advance	1,262
10,363		12,989

\*\*\* Balances with related parties

## 19 Provisions

### Accounting policy

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

	Carbon reduction commitment	NDR appeals	Total
	£ 000	£ 000	£ 000
Balance at 1 April 2014	81	1,073	1,154
Transfers in	-	3,353	3,353
Transfers out	(81)	-	(81)
Balance at 31 March 2015	-	4,426	4,426
Transfers in	-	1,417	1,417
Transfers out	-	-	-
Balance at 31 March 2016	-	5,843	5,843
Explanation	The CRC is a scheme designed to improve energy efficiency and cut carbon dioxide emissions	The amount that may be repayable if appeals against NDR valuations are successful	

## 20 Unusable reserves

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

	Revaluation reserve	Capital adjustment account	Deferred capital receipts	Financial instruments adjustment account	Available for sale financial instruments reserve	Collection fund adjustment account	Unequal pay backpay account	Pension reserve (note 31)	Accumulating compensated absences adjustment account	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2014	34,975	155,628	16	(57)	411	(1,390)	-	(78,824)	(427)	110,332
Change on the reserve during the year	17,864	(10,016)	(4)	57	646	(4,201)	-	(13,877)	(19)	(9,550)
Balance at 31 March 2015	52,839	145,612	12	-	1,057	(5,591)	-	(92,701)	(446)	100,782
Change on the reserve during the year	5,849	10,340	(4)	-	357	712	-	2,140	(21)	19,373
Balance at 31 March 2016	58,688	155,952	8	-	1,414	(4,879)	-	(90,561)	(467)	120,155
Explanation	The gains on revaluing our assets since 1 April 2007	Capital spending to be financed from future resources	The debt we are owed on our mortgage advances	The notional loss on loans made at subsidised interest rates	The difference between what we paid for our investments and what they are valued at	Adjusting for paid and accrued council tax	The timing differences between us paying back pay and when we charge it to council tax	Our liability to pay future pensions	The value of the leave that our employees have not taken at the end of the year	

## Revaluation reserve

2014/15		2015/16
£ 000		£ 000
34,975	Opening balance	52,839
18,521	Revaluation of assets	6,427
-	Impairment losses	-
(120)	Write-out of revaluations of assets we have	-
(537)	Difference between fair value and historic	(578)
-	Depreciation and amortisation chargeable to the revaluation reserve	-
52,839		58,688

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

## Capital adjustment account

2014/15		2015/16
£ 000		£ 000
155,628	Opening balance	145,612
(2,257)	Allowance for depreciation and amortisation	(3,744)
537	Less depreciation and amortisation charged to the revaluation reserve	578
(2,483)	Revenue expenditure funded from capital	(2,069)
(11,155)	Impairments and amortisation charged to revenue	1,459
118	Transfer from revaluation reserve on disposals	-
222	Adjustment plus MRP split on final	228
(149)	Repaid Capital loan receipts	(16)
8,047	Application of receipts and contributions	7,980
(445)	Assets disposed of	(1,532)
(2,451)	Movements in the value of investment	7,456
-	Movements in the value of donated assets in the CI&ES	-
145,612		155,952

## 21 Cashflow

2014/15		2015/16
£ 000		£ 000
	<b>Revenue shortfall or (surplus)</b>	
(1,905)	Movement on the General fund	4,153
(77)	Provision for bad debts	(80)
2,483	Revenue funded by capital under statute	2,069
(222)	Minimum revenue provision	(226)
(1,928)	Asset replacement reserve	(981)
3	Housing Capital Receipts pool	3
(70)	Commutated sums	(41)
(1,188)	GF contribution to reserves	(5,431)
(2,904)		(534)
4,201	Our part of the collection fund	(712)
1,297		(1,246)
	<b>Non-cash transactions</b>	
(3,253)	Transfers to reserves	(1,396)
(5,129)	Net throughput on the collection fund	(146)
(8,382)		(1,542)
	<b>Change in</b>	
4	Stock	23
6,963	Debtors	1,118
(431)	Creditors	(2,627)
6,536		(1,486)
(549)	Net cash (inflow) or outflow from revenue activities	(4,274)

## 22 Amounts reported for management resource allocation decisions

The analysis of income and expenditure shown in the Comprehensive income and expenditure statement is specified in the Service reporting code of practice. Following a presentational change in the Code of practice we have amended the Comprehensive income and expenditure statement and introduced a new line to show income and expenditure for Public Health separately. Restatement for 2014/15 was not required as the expenditure and income were not deemed material (net expenditure for 2014/15 for Public Health was £199K).

However, we report to the Management Team and Members on the basis shown below.

<----- 2014/15 ----->					<----- 2015/16 ----->			
Employees	Other expenditure	Income	Net expenditure		Employees	Other expenditure	Income	Net expenditure
£ 000	£ 000	£ 000	£ 000		£ 000	£ 000	£ 000	£ 000
197	29	(4)	222	Chief Executive & Deputy Chief Executive	196	20	(2)	214
-	-	(194)	(194)	Corporate Management and DRM	-	-	(475)	(475)
7,015	7,555	(15,088)	(518)	Director of Community Services	6,833	6,615	(14,563)	(1,115)
4,142	2,043	(504)	5,681	Director of Corporate Services	4,011	1,900	(322)	5,589
3,362	1,954	(5,948)	(632)	Director of Financial Services	3,309	2,265	(5,323)	251
-	-	-	-	Director of Leisure and Cultural Services	-	-	-	-
10,314	5,833	(8,982)	7,165	Director of Public Places	10,446	5,852	(8,902)	7,396
-	-	-	-	Director of Safer Communities	-	-	-	-
3,395	2,123	(3,695)	1,823	Director of Sustainable Communities	3,468	3,105	(4,786)	1,787
28,425	19,537	(34,415)	13,547	<b>Direct spending on services</b>	28,263	19,757	(34,373)	13,647

This reconciles to the amounts shown in the Comprehensive income and expenditure statement (CI&ES) as follows.

2014/15		2015/16
Net expenditure £ 000		Net expenditure £ 000
13,547	Direct spend by services	13,647
21,080	Non-control budgets (mainly recharges and capital charges)	5,262
-	Grants not shown in services	-
(3,418)	IAS19 pension charges	2,084
(3)	Agency services	-
-	Contribution to insurance claims from reserve	-
3,095	Investment properties	3,035
(216)	Trading accounts	(75)
34,085	<b>Total spending on current services in the CI&amp;ES</b>	23,953

The tables below show how we spent the money on our services.

Subjective analysis of the cost of providing services 2014/15	Direct spending by services	Execeptional item	Agency Services	Non-control budgets	Park & Ride	Support services not in the CI&ES	IAS19 pension charges	Investment properties	Trading accounts	Spending on current services	Corporate amounts	Total spending on services	Corporate amounts	Total income and expenditure
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Fees and charges	(27,506)	-	225	(308)	-	-	-	3,911	2,681	(20,997)	(6,592)	(27,589)	-	(27,589)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	(912)	(912)	-	(912)
Support service recharges	-	-	-	(21,759)	-	20,634	-	-	-	(1,125)	-	(1,125)	-	(1,125)
Income from council tax	-	-	-	-	-	-	-	-	-	-	(12,820)	(12,820)	-	(12,820)
Government grants and contributions	(6,909)	-	-	-	-	-	-	-	-	(6,909)	(5,771)	(12,680)	-	(12,680)
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	(6,710)	(6,710)	-	(6,710)
<b>Total income</b>	<b>(34,415)</b>	<b>-</b>	<b>225</b>	<b>(22,067)</b>	<b>-</b>	<b>20,634</b>	<b>-</b>	<b>3,911</b>	<b>2,681</b>	<b>(29,031)</b>	<b>(32,805)</b>	<b>(61,836)</b>	<b>-</b>	<b>(61,836)</b>
Employee expenses	28,425	-	(140)	5,211	-	(13,909)	(3,418)	-	(1,978)	14,191	1,978	16,169	-	16,169
Other service expenditure	19,537	-	(88)	549	-	(2,333)	-	(816)	(919)	15,930	1,735	17,665	-	17,665
Support service recharges	-	-	-	21,527	-	(3,767)	-	-	-	17,760	-	17,760	-	17,760
Minimum repayment of principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	-	15,917	-	(682)	-	-	-	15,235	-	15,235	(645)	14,590
Interest payments	-	-	-	-	-	-	-	-	-	-	30	30	-	30
Precepts and levies	-	-	-	-	-	-	-	-	-	-	2,199	2,199	-	2,199
Pension interest and return on investments	-	-	-	-	-	-	-	-	-	-	3,296	3,296	-	3,296
Remeasurement of the assets of the pension fund	-	-	-	-	-	-	-	-	-	-	-	-	13,999	13,999
Payments to the Housing capital receipts pool	-	-	-	-	-	-	-	-	-	-	3	3	-	3
Gain or loss on the disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	290	290	(18,521)	(18,231)
<b>Total expenditure</b>	<b>47,962</b>	<b>-</b>	<b>(228)</b>	<b>43,204</b>	<b>-</b>	<b>(20,691)</b>	<b>(3,418)</b>	<b>(816)</b>	<b>(2,897)</b>	<b>63,116</b>	<b>9,531</b>	<b>72,647</b>	<b>(5,167)</b>	<b>67,480</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>13,547</b>	<b>-</b>	<b>(3)</b>	<b>21,137</b>	<b>-</b>	<b>(57)</b>	<b>(3,418)</b>	<b>3,095</b>	<b>(216)</b>	<b>34,085</b>	<b>(23,274)</b>	<b>10,811</b>	<b>(5,167)</b>	<b>5,644</b>

Subjective analysis of the cost of providing services 2015/16	Direct spending by services	Exceptional item	Agency services	Non-control budgets	Park & Ride	Support services not in the CI&ES	IAS19 pension charges	Investment properties	Trading accounts	Spending on current services	Corporate amounts	Total spending on services	Corporate amounts	Total income and expenditure
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Fees and charges	(27,359)	-	-	-	-	-	-	3,850	3,007	(20,502)	(6,857)	(27,359)	-	(27,359)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	(702)	(702)	-	(702)
Support service recharges	-	-	-	(21,194)	-	20,028	-	-	-	(1,166)	-	(1,166)	-	(1,166)
Income from council tax	-	-	-	-	-	-	-	-	-	-	(13,022)	(13,022)	-	(13,022)
Government grants and contributions	(7,014)	-	86	-	-	-	-	-	-	(6,928)	(3,838)	(10,766)	-	(10,766)
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	(9,695)	(9,695)	-	(9,695)
<b>Total income</b>	<b>(34,373)</b>	<b>-</b>	<b>86</b>	<b>(21,194)</b>	<b>-</b>	<b>20,028</b>	<b>-</b>	<b>3,850</b>	<b>3,007</b>	<b>(28,596)</b>	<b>(34,114)</b>	<b>(62,710)</b>	<b>-</b>	<b>(62,710)</b>
Employee expenses	28,263	-	(21)	546	-	(13,135)	2,084	-	(2,068)	15,669	2,068	17,737	-	17,737
Other service expenditure	19,757	-	(65)	572	-	(2,237)	-	(815)	(1,014)	16,198	1,829	18,027	-	18,027
Support service recharges	-	-	-	21,013	-	(3,771)	-	-	-	17,242	-	17,242	-	17,242
Minimum repayment of principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	-	4,325	-	(885)	-	-	-	3,440	-	3,440	(357)	3,083
Interest payments	-	-	-	-	-	-	-	-	-	-	21	21	-	21
Precepts and levies	-	-	-	-	-	-	-	-	-	-	2,245	2,245	-	2,245
Pension interest and return on investments	-	-	-	-	-	-	-	-	-	-	2,913	2,913	-	2,913
Remeasurement of the assets of the pension fund	-	-	-	-	-	-	-	-	-	-	-	-	(7,137)	(7,137)
Payments to the Housing capital receipts pool	-	-	-	-	-	-	-	-	-	-	3	3	-	3
Gain or loss on the disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	(6,701)	(6,701)	(6,427)	(13,128)
<b>Total expenditure</b>	<b>48,020</b>	<b>-</b>	<b>(86)</b>	<b>26,456</b>	<b>-</b>	<b>(20,028)</b>	<b>2,084</b>	<b>(815)</b>	<b>(3,082)</b>	<b>52,549</b>	<b>2,378</b>	<b>54,927</b>	<b>(13,921)</b>	<b>41,006</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>13,647</b>	<b>-</b>	<b>-</b>	<b>5,262</b>	<b>-</b>	<b>-</b>	<b>2,084</b>	<b>3,035</b>	<b>(75)</b>	<b>23,953</b>	<b>(31,736)</b>	<b>(7,783)</b>	<b>(13,921)</b>	<b>(21,704)</b>

## 23 Trading operations

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

2014/15			Trading accounts not shown in Spending on current services	2015/16		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			<b>Other operating expenditure</b>			
2,451	(2,258)	193	Grounds maintenance	2,646	(2,583)	63
446	(423)	23	Vehicle maintenance	436	(424)	12
2,897	(2,681)	216		3,082	(3,007)	75
			<b>Financing and investment</b>			
816	(3,911)	(3,095)	Investment properties	815	(3,850)	(3,035)
816	(3,911)	(3,095)		815	(3,850)	(3,035)
3,713	(6,592)	(2,879)	<b>Total trading activity</b>	3,897	(6,857)	(2,960)

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

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

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

## 24 South Essex Parking Partnership (SEPP)

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

2014/15		Revenue expenditure	2015/16	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
1,812	520	Expenditure	1,912	506
(2,140)	(689)	Income	(2,158)	(744)
(328)	(169)	<b>Net position shown as a creditor</b>	(246)	(238)



## 25 Councillors' allowances

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

2014/15		2015/16
£ 000		£ 000
312	Basic allowance	318
157	Special responsibility allowance	140
17	Other expenses	6
16	Mayor and Deputy Mayor allowance	16
502	<b>Total we paid in the year</b>	480

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

## 26 Employee pay

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### **Accounting policy**

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

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

Employee pay band	Number of employees		Number who left in the year	
	2014/15	2015/16	2014/15	2015/16
<b>£50,000–54,999</b>	16	18	1	1
<b>£55,000–59,999</b>	3	1	2	-
<b>£60,000–64,999</b>	3	5	-	1
<b>£65,000–69,999</b>	5	4	-	1
<b>£70,000–74,999</b>	1	-	1	-
<b>£75,000–79,999</b>	2	-	2	-
<b>£80,000–84,999</b>	-	1	-	1
<b>£85,000–89,999</b>	-	1	-	1
<b>£90,000–94,999</b>	1	-	1	-
<b>£95,000 – 99,999</b>	-	-	-	-
<b>£100,000 - 104,999</b>	-	1	-	1
<b>£105,000 – 109,999</b>	-	-	-	-
<b>£110,000 - 114,999</b>	-	1	-	1
<b>£140,000 - 144,999</b>	-	1	-	1

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

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

<b>Chief officers</b>	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind	Employer pension contributions ****	TOTAL
<b>2014/15</b>	£	£	£	£	£	£	£
Chief Executive (Mr S Packham)	131,851				1,614	17,463	150,928
Directors of:							
Corporate Services	117,991				2,087	15,789	135,867
Financial Services	111,981				7,788	15,789	135,558
Leisure and Cultural Services (Mr B Mella)	60,801			154,676	4,655	8,573	228,705
Public Places	115,834				2,248	15,486	133,568
Community Services	111,981				4,205	15,789	131,975
Sustainable Communities	83,986				8,296	11,842	104,124

Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind	Employer pension contributions ****	TOTAL
2015/16	£	£	£	£	£	£	£
Chief Executive (Mr S Packham)	133,089				1,727	17,637	152,453
Directors of:							
Corporate Services	119,459				1,727	15,947	137,133
Financial Services	113,293				7,899	15,947	137,139
Public Places	117,751				1,382	16,021	135,154
Community Services	113,469				4,386	15,947	133,802
Sustainable Communities	84,825				9,151	11,960	105,936

The Chief Executive post is part-time (75% of a full-time equivalent). The full-time cost of the post was £200,028.

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post was £138,198.

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

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

2014/15	Termination benefits	2015/16
£ 000		£ 000
	Termination benefits	
489	Redundancy costs	519
124	Additional pension costs	42
613	<b>Total spending</b>	561
	No of employees whose employment was terminated	
17		17

2014/15		Exit packages	2015/16	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
12	141	£0 - £20,000	12	115
7	217	£20,001 - £40,000	5	163
-	-	£40,001 - £60,000	3	171
4	417	£60,001 - £200,000	2	157
23	775	<b>Total</b>	22	606

We made ten employees compulsorily redundant in 2015/16, and five in the previous year.

## 27 External audit costs

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

2014/15		2015/16
£ 000		£ 000
	Fees we paid to the auditor	
101	Basic audit	78
-	Other Audit Services	-
101	<b>Total we paid in the year</b>	78

## 28 Grants

### Accounting policy

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

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

We receive grants that do not relate to specific services. These are shown in note 11. In addition to this, we received the following grants that are shown in specific services in the Comprehensive income and expenditure statement.

2014/15		2015/16
£ 000	<b>Grants and contributions</b>	£ 000
45,159	Housing benefits grants	46,556
1,604	Other grants and contributions	2,364
46,763		48,920

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

2014/15		2015/16
£ 000	<b>Donated assets</b>	£ 000
-	Opening balance	-
-	Additional contributions	-
-	Donations where conditions have been met	-
-		-

2014/15		2015/16
£ 000	<b>Capital grants received in advance</b>	£ 000
2,625	Opening balance	3,077
452	In-year movements	420
3,077		3,497

## 29 Related party transactions

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

Central Government controls us and sets the legal framework that we operate in, provides grants and sets out how we deal with other agencies and organisations (eg Council Tax collection and Housing Benefits). The details of our dealings with Central Government are shown in notes 11, 16, 18, 23 and 28 and in the Cash Flow in section 7 and the Collection Fund in section 9.

Details of our transactions with the Essex pension fund administered by Essex County Council are shown in note 31.

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

Some of our Members are also Parish Councillors. We receive funds for the Chelmsford Development fund from the Developers some of which we then pay over to other organisations when agreement conditions are met. During 2015/16 we paid from the Chelmsford Development fund £2,868.21 to Little Baddow Parish Council, £741.67 to Rettendon Parish Council, £3,658.39 to Woodham Ferrers & Bicnacre Parish Council, £7,657.82 to Writtle Parish Council and £20,000 to Boreham Parish Council.

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

Chelmsford Age Concern, £5,000  
Chelmsford Citizens Advice Bureau (CAB), £120,000  
Chelmsford Council for Voluntary Services (CVS), £54,200  
Chelmsford YMCA, £20,000  
Chelmsford United Charities, £13,852.50  
Essex Savers Net Credit Union, £10,000.00

In addition, the following groups paid us rents: Chelmsford CAB £26,900 and Chelmsford CVS £10,540.

We paid Event Sound and Light Limited £22,721.23 during 2015/16 a Members son is a partner in this company.

## Accounting policies

### Leases we get from other organisations

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

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

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

### Leases we give to other organisations

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

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

We have acquired a number of assets under finance leases. These are included in property, plant and equipment in the Balance sheet at the following amounts.

2014/15		2015/16
£ 000		£ 000
168	Other land and buildings	299
563	Vehicles and plant	369
731		668

We must make payments under the leases and these include settling the long-term liability under the lease and financing costs payable while the liability is outstanding. The lease payments are made up of the following amounts.

2014/15		2015/16
£ 000		£ 000
	Net present value of lease payments	
-	Current	228
447	Non-current	-
28	Financing costs payable in future years	10
475	Lease payments	238

The lease rentals payable and lease liabilities over future years are shown in the table below.

2014/15			2015/16	
Lease payments £ 000	Lease liabilities £ 000		Lease payments £ 000	Lease liabilities £ 000
238	219	Lease payments due in less than a year	238	228
237	228	Lease payments due from 1 to 5 years	-	-
-	-	Lease payments due in more than 5 years	-	-
475	447	Lease payments	238	228

We also lease vehicles and equipment under operating leases. These assets are not included in the Balance sheet. The lease rentals payable over future years are shown in the table below.

2014/15		2015/16
£ 000		£ 000
172	Lease payments due in less than a year	78
72	Lease payments due from 1 to 5 years	146
-	Lease payments due in more than 5 years	-
244		224

The Council's other rental agreements are operational leases. Information about them is shown in the table below. Most of the income shown comes from shopping centres (High Chelmer and Meadows).

2014/15		2015/16
£ 000		£ 000
333	Lease payments due in less than a year	355
142	Lease payments due from 1 to 5 years	217
3,244	Lease payments due in more than 5 years	3,398
3,719		3,970



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

2014/15		2015/16
£ 000		£ 000
256	Operating lease payment made	519
256		519

## 31 Pensions

### **Accounting Policy**

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

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

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

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

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

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

2014/15 £ 000	<b>Charges to the Comprehensive income and expenditure account</b>	2015/16 £ 000
	Spending on services	
	Service cost	
4,354	Current service cost	5,315
134	Previous service cost	102
58	Administration expenses	71
	Other spending	
3,296	Net interest on the defined liability	2,913
7,842	Charge to the spending on current services in the comprehensive income and expenditure statement	8,401
.	Other charges	.
26,074	Remeasurement of the pension liability	(8,293)
(12,075)	Return on scheme assets (excluding interest)	1,156
13,999	Other charges to the comprehensive income and expenditure statement	(7,137)
.		.
21,841	Total charges to the comprehensive income and expenditure statement	1,264
.		.
7,964	Employer's contributions charged to the General fund	3,404

In addition to the gains and losses we have included in the Comprehensive income and expenditure statement, we have included a remeasurement surplus identified by the actuaries of £7.1m in 2015/16 (a loss of £14.0m in 2014/15).

31 March 2015	<b>Movements on pension fund assets and liabilities</b>	31 March 2016
£ 000		£ 000
	<b>Scheme liabilities</b>	
204,878	Value at 1 April	237,842
4,354	Current service cost	5,315
1,292	Member contributions	1,289
8,875	Interest costs	7,503
	Remeasurement	
-	Scheme members	-
26,074	Financial returns	(8,293)
134	Past service (gains) or costs	102
(7,765)	Benefits paid	(8,134)
237,842	Value at 31 March	235,624
	<b>Scheme assets</b>	
126,054	Value at 1 April	145,141
5,579	Interest	4,590
	Remeasurement	
12,075	Return on assets (excluding interest)	(1,156)
-	Other	-
-	Changes in foreign exchange rates	-
(58)	Administration expenses	(71)
7,964	Employer contributions	3,404
1,292	Employee contributions	1,289
(7,765)	Benefits paid	(8,134)
145,141	Value at 31 March	145,063
92,701	Net pension liability	90,561

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

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

<b>Pension fund balances</b>	<b>2011/12 £ 000</b>	<b>2012/13 £ 000</b>	<b>2013/14 £ 000</b>	<b>2014/15 £ 000</b>	<b>2015/16 £ 000</b>
Present value of scheme liabilities	(190,907)	(212,905)	(204,878)	(237,842)	(235,624)
Fair value of assets	107,499	119,674	126,054	145,141	145,063
Surplus or (deficit) on the pension fund	(83,408)	(93,231)	(78,824)	(92,701)	(90,561)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £90.6m has a large effect on our net worth, resulting in an overall balance of £169.7m. However, the formal rules for funding the pension-fund deficit mean the Council's financial position remains healthy. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit will be met by increased contributions over 27.5 years. We expect to pay £2.8m to the fund next year.

The actuaries have made an estimate of the pensions that will have to be paid in future years based on their assumptions, for example, about life expectancy and salary levels. The pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation in 2010. The next full valuation will be in 2016.

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

<b>2014/15 %</b>		<b>2015/16 %</b>
	Years we expect to pay current pensioners	
<b>22.8</b>	Men	<b>22.9</b>
<b>25.2</b>	Women	<b>25.3</b>
	Years we expect to pay pensioners retiring in 20 years	
<b>25.1</b>	Men	<b>25.2</b>
<b>27.6</b>	Women	<b>27.7</b>
<b>3.1</b>	Rate of inflation – RPI	<b>3.2</b>
<b>2.2</b>	– CPI	<b>2.3</b>
<b>4.0</b>	Rate of increase in salaries	<b>4.1</b>
<b>2.2</b>	Rate of increase in pensions	<b>2.3</b>
<b>3.2</b>	Discount rate	<b>3.5</b>
<b>60</b>	Percentage of employees choosing to take a lump-sum payment	<b>60</b>
<b>10</b>	Percentage of employees paying a 50% contribution for 50% pension	<b>10</b>

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

	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	7,335	(7,107)
Rate of increase in salaries (increase or decrease by 0.1%)	332	(331)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	3,697	(3,635)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(3,917)	3,986

The weighted average duration of the pension obligation for scheme members is 17 years in 2015/16 (17 years 2014/15).

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

31 March 2015		31 March 2016
£ 000	<b>Scheme assets</b>	£ 000
3,182	<b>Cash and cash equivalents</b>	4,712
	<b>Stocks and shares (by type)</b>	
22,359	UK investments	11,747
75,278	Overseas investments	78,892
97,637		90,639
.		.
	<b>Bonds (by sector)</b>	
13,892	UK Corporate	6,963
6,377	UK Government	4,277
20,269		11,240
.		.
	<b>Property (by type)</b>	
6,416	Listed	6,478
9,349	Unlisted	10,797
15,765		17,275
.		.
-	<b>Private equity</b>	7,541
.		.
	<b>Other investment funds</b>	
4,359	Infrastructure	4,984
290	Financing fund	-
1,459	Timber	2,052
-	Illiquid Debt	2,199
-	Other Managed Funds	7,206
2,180	Currency	-
8,288		16,441
.		.
-	<b>Derivatives</b>	(2,785)
.		.
145,141		145,063

31 March 2015		31 March 2016
£ 000		£ 000
	<b>Stocks and shares (by company size)</b>	
90,509	Listed	90,639
7,128	Unlisted	-
97,637		90,639

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

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

## 32 Contingent liabilities

### **Accounting Policy**

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

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over charging for some of the information provided in land searches. We have not yet made a final decision and do not know whether we will have to refund any of the charges we previously made. At this stage we cannot quantify any costs we may have to meet.

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

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

### 33 Contingent assets

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#### **Accounting Policy**

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

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

### 34 Exceptional items

We do not have any such items.

### 35 Community Infrastructure Levy (CIL)

We started receiving CIL payments from 1 April 2014. We received £4,091,000 which was credited to the Capital Grants Unapplied account. The levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area.

### 36 Government and non-government grants

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

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



2014/15		2015/16
£ 000	<b>Grants</b>	£ 000
	<b>Grant received in advance</b>	
3,078	Money received as part of planning agreements	3,497
	<b>Capital grants unapplied</b>	
3,219	Money received as part of planning agreements	3,688
5,225	Growth Fund grant	5,252
-	Government grants	-
2,643	Empty Homes grant	2,734
424	Construction Industry Levy	4,515
43	Other	44
11,554		16,233
14,632		19,730

### 37 Long-term creditors

2014/15		2015/16
£ 000		£ 000
1,549	Section 106 contributions	1,654
447	Leases	228
631	Property transaction creditor	305
		-
2,627		2,187

## 8 - Collection fund

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

2014/15					2015/16		
Council Tax	Non-Domestic Rates	Total			Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000		Notes	£ 000	£ 000	£ 000
			<b>Income</b>				
(93,097)	-	(93,097)	Council tax	1	(94,736)	-	(94,736)
			Transfers from the General fund				
-	-	-	Council tax benefit		-	-	-
-	(76,230)	(76,230)	Non-domestic rates	2	-	(76,991)	(76,991)
-	431	431	Transitional protection		-	(108)	(108)
(93,097)	(75,799)	(168,896)			(94,736)	(77,099)	(171,835)
			<b>Spending</b>				
			Council Tax precepts and demands				
65,657	-	65,657	Essex County Council		67,793	-	67,793
12,554	-	12,554	Chelmsford City Council		12,966	-	12,966
8,716	-	8,716	Essex Police Authority		9,180	-	9,180
4,013	-	4,013	Essex Fire Authority		4,143	-	4,143
			Non-domestic rates precepts and demands				
-	38,793	38,793	Central Government		-	39,287	39,287
-	31,035	31,035	Chelmsford City Council		-	31,429	31,429
-	6,983	6,983	Essex County Council		-	7,072	7,072
-	776	776	Essex Fire Authority		-	786	786
			Subsidy paid towards the costs of collecting				
-	224	224	National non-domestic rates		-	222	222
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
104	-	104	Council tax		95	-	95
-	(89)	(89)	Non-domestic rates		-	26	26
			Amounts written off				
123	-	123	Council tax		154	-	154
-	698	698	Non-domestic rates		-	726	726
-	8,380	8,380	Provision for appeals		-	3,543	3,543
			Distribution of previous year's Council Tax surplus or (shortfall)				
251	-	251	Essex County Council		1,780	-	1,780
47	-	47	Chelmsford City Council		340	-	340
33	-	33	Essex Police Authority		236	-	236
15	-	15	Essex Fire Authority		109	-	109
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
-	24	24	Central Government		-	(4,243)	(4,243)
-	20	20	Chelmsford City Council		-	(3,394)	(3,394)
-	4	4	Essex County Council		-	(764)	(764)
-	1	1	Essex Fire Authority		-	(85)	(85)
91,513	86,849	178,362			96,796	74,605	171,401
			<b>Movements on the Collection Fund</b>				
(1,584)	11,050	9,466	(Surplus) or shortfall for the year		2,060	(2,494)	(434)
(864)	3,772	2,908	(Surplus) or shortfall at start of the year	3	(2,448)	14,822	12,374
(2,448)	14,822	12,374	(Surplus) or shortfall at end of the year	3	(388)	12,328	11,940

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## Accounting Policy

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

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

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## Notes to the collection fund

### I Council tax

Council tax income comes from charges we make depending on the value of homes. Each home is put into one of eight valuation bands using their value on 1 April 1991. We work out each charge by estimating the amount of income each of the preceptors on the collection fund needs for the coming year, and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion of the band D charge. In 2015/16, the council tax base was 62,382 (in 2014/15 it was 60,416). The basic amount of council tax for a property in band D was £1,508 (£1,505 in 2014/15). This is multiplied by the appropriate proportion for the particular band to give the actual amount due that band.

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

Council tax band	Total number of properties	Number of chargeable properties	Proportion of Band D charge	Number of Band D equivalent properties
A	4,454	3,700	6 / 9	2,467
B	9,887	8,343	7 / 9	6,489
C	22,084	19,974	8 / 9	17,755
D	16,157	10,143	9 / 9	10,143
E	10,014	9,447	11 / 9	11,546
F	5,402	5,182	13 / 9	7,485
G	3,688	3,514	15 / 9	5,856
H	360	321	18 / 9	641
Total	72,046	60,624		62,382

## **2 Non-domestic rates (NDR)**

NDR is a national charge. The Government sets an amount for each pound of rateable value – 49.3p in 2015/16 (48.2p in 2014/15). Depending on the effects of any changes, local businesses pay rates that are worked out by multiplying their rateable value by that amount. We are responsible for collecting the rates due in our area and pay these into the Collection fund. We share the money collected between the Government, Essex County Council and the Essex Fire Authority.

On 31 March 2016, our NDR income after relief totalled £76,991,000 based on the total non-domestic rateable value for our area of £187,121,327.

### 3 Contributions to the collection fund – surpluses and shortfalls

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

2014/15				2015/16		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000		Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
-	7,411	7,411	Central Government	-	6,164	6,164
(338)	5,929	5,591	Chelmsford City Council	(53)	4,931	4,878
(1,768)	1,334	(434)	Essex County Council	(280)	1,110	830
(234)	-	(234)	Essex Police Authority	(38)	-	(38)
(108)	148	40	Essex Fire Authority	(17)	123	106
(2,448)	14,822	12,374		(388)	12,328	11,940

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

### 4 Non-domestic rate appeals

There are a large number of outstanding appeals. The Government has stated its intention to consider and resolve these as soon as possible. We have estimated the effect of these outstanding appeals and raised a provision for the likely amount that we will have to repay to non-domestic ratepayers. The cost of the provision has been charged to the Collection fund and is shared between the preceptors as shown in the table below.

	Share %	Provision £ 000
Central Government	50	1,772
Chelmsford City Council	40	1,417
Essex County Council	9	319
Essex Fire Authority	1	35
	100	3,543

### 5 Non-domestic rate pooling

We joined a Non-domestic rating pool with nine other authorities on 1 April 2015. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool.

## 9 – Restatements

**This is a series of changes we have made to last year's accounts based on changes in the statement of recommended practice on how we have to report our accounts.**

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### **Accounting Policy**

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

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We do not have any restatements.

## **I 0 - Independent auditors' report**

### **Independent auditor's report to the members of Chelmsford City Council**

#### **Opinion on the Authority's financial statements**

We have audited the financial statements of Chelmsford City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund; and
- Related notes 1 to 37 for the core statements, and 1 to 5 for the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Chelmsford City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Director of Financial Services and auditor**

As explained more fully in the Statement of the Director of Financial Services' Responsibilities set out on page 27, the Director of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Opinion on other matters**

In our opinion, the information given in the Annual Report and Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## **Conclusion on Chelmsford City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Authority's responsibilities***

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

### ***Auditor's responsibilities***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



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

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Chelmsford City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Chelmsford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Chelmsford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

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

**Debbie Hanson, (senior statutory auditor)**

for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton

September 2016

## **II - Glossary**

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

### **Actuary**

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

### **Amortisation**

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

### **Audit Committee**

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

### **Balance sheet**

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

### **Cabinet**

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

### **Capital financing costs**

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

### **Capital receipt**

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

### **Capital spending**

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

### **Cash-flow statement**

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

**Collection fund**

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

**Community assets**

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

**Comprehensive income and expenditure statement**

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

**Corporate governance**

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

**Councillor**

An elected Member of the Council.

**Creditors**

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

**Current assets**

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

**Current liabilities**

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

**Curtailments**

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

**Debtors**

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

**Deferred charges**

Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

**Deferred contributions**

Amounts paid to us for future activities.

**Depreciation**

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

**Direct labour organisation (DLO) and direct service organisation (DSO)**

This is our own organisation and it is made up of buildings and equipment we own and workers we directly employ, which we use to do work for us.

**Earmarked reserves**

Money we set aside for a specific purpose.

**Fair value**

The value of the asset on the open market.

**Formula grant**

The money we receive from the Government. This includes revenue support grant and our share of National non-domestic rates.

**Green flag**

An award that recognises how good our parks are.

**Gross spending**

The total cost of providing a service.

**Gross up**

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

**IAS19**

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

**Impairment**

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

**Infrastructure**

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

**Intangible assets**

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

**Leases**

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

**LCTS (Localised Council Tax Support Scheme)**

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

**LGPS (Local Government Pension Scheme)**

The fund that pays and manages our staff pensions.

**Liabilities**

Our debts and responsibilities.

**Liquid resources**

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

**Management Team**

A meeting of the Chief Executive and the Directors.

**Member**

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

**Minimum revenue provision**

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

## **NDR – Non-domestic rates**

A charge that all businesses must pay for their premises. It is worked out by multiplying a property's rateable value by a nationally set multiplier. Non-domestic rates are paid into a pool, which the Government controls. This money is then shared between local authorities depending on the population in their area. The system of accounting for business rates changed in 2013/14.

## **Net book value**

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

## **Net spending**

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

## **Nominal value**

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

## **Non-distributed costs**

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

## **Non-operational assets**

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

## **Operational assets**

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

## **Parish Council**

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

## **Performance indicators**

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

## **Precept**

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

## **Provision**

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

## **Realised gain**

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

## **Registered social landlord**

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

## **Repurchase of borrowing**

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

## **Reserve**

Savings we have built up from surpluses.

## **Restatement**

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

## **Revenue contribution to capital outlay (RCCO)**

Capital spending that is directly paid for from revenue.

## **Revenue spending**

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

**Reverse out**

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

**Surplus**

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

**Tangible assets**

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

**Tax base**

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

**Trading undertakings**

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



## 12 - Our structure chart

