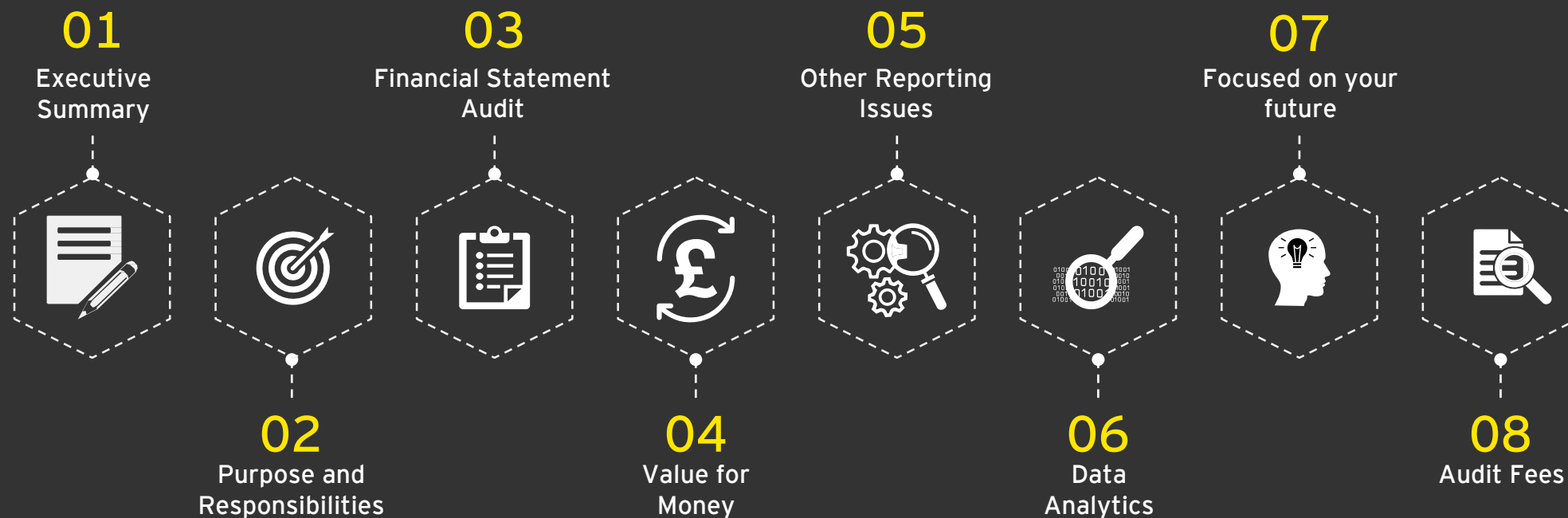


Chelmsford City Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (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 (updated 23 February 2017)' 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.



01

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 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have not put in place proper arrangements to secure value for money in your use of resources as a result of weaknesses in relation to the governance of the Council's Digital Transformation Programme during 2017/18.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The 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
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack. We had no matters to report.



Executive Summary (cont'd)

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 presented to the Audit Committee on 17 July 2018.
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 18 July 2018

In November 2018 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

Associate Partner

For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

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 detailed findings from our audit work in our 2017/18 Audit Results Report to 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 of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2018 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 2017/18 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 you Whole of Government Accounts return.

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, 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.



03

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 18 July 2018. Our detailed findings were reported to the 17th July 2018 Audit Committee.

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

Significant Risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, 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. We identify and respond to this fraud risk on every audit engagement.	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Wrote to the Section 151 officer, Chair of the Audit Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses.• Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed.• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.• Obtained a breakdown of capital additions in the year and tested a sample of them to identify any items that could be revenue in nature. We amended our sample sizes when testing additions to reflect the existence of this risk and agreed samples to source documentation to ensure the capital/revenue split was reasonable.• Reviewed accounting estimates for evidence of management bias.• Evaluated the business rationale for any significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

Financial Statement Audit (cont'd)

Other areas of audit focus	Conclusion
<p>Property, Plant and Equipment valuation</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We are satisfied that the Council's valuers have the necessary qualifications and experience. We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property.</p> <p>Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>We considered the underlying assumptions made by the expert valuer and concluded that the overall valuation estimate was not unreasonable and did not result in a material misstatement of the value of property, plant and equipment.</p>
<p>Pension Liability</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk</p>	<p>We assessed and were satisfied with the competency and objectivity of the Council's actuary: Barnett Waddingham. EY Pensions team and PwC (Consulting Actuary to the NAO) reviewed the work of the actuary. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate.</p> <p>We have received reports from the Essex Pension Fund Auditor and the EY actuarial team.</p> <p>The report from the Essex Pension Fund Auditor identified material movements in the pension assets and related disclosures, as a result of significant movements in the asset values between the date of the estimates used by the actuary to produce the IAS19 report and the year end.</p> <p>As a result, the Council obtained a revised IAS 19 report and updated the accounts to reflect the new figures. This resulted in an increase in the pension liability of £3.52 million and a corresponding increase in the pension reserve.</p> <p>The accounting entries and disclosures are in line with our expectations and the Code.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £2.914 million (2016/17: £2.86 million), which is 2% of gross expenditure on provision of services reported in the accounts of £145.723 million, adjusted for other operating expenditure, interest, and pension costs.</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.148 million (2016/17: £0.143 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Our audit strategy was to check the bandings reported in notes 14 and 15 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues were noted in our testing.
- ▶ Related party transactions. Our audit strategy was to obtain and review declarations from senior officers and members of the Council and make sure that any resulting disclosures were compliant with the Code. No issues were noted in our testing.
- ▶ Members' allowances. Our audit strategy was to test the completeness of the disclosure and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues were noted.

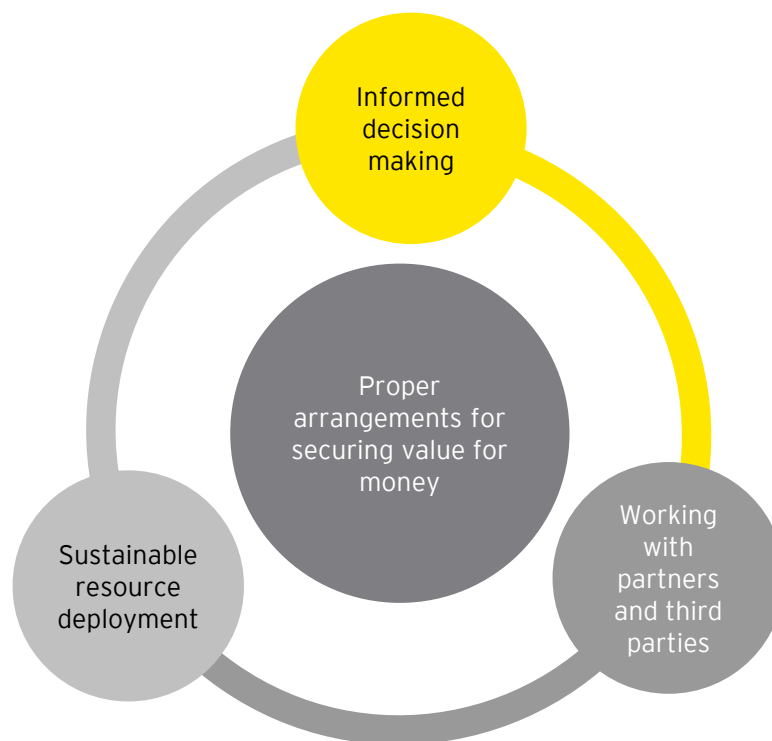


04 Value for Money

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 identified one significant risk in relation to these arrangements, related to the Council's management of significant projects. The table below presents the findings of our work in response to this risk.

We performed the procedures outlined in our Audit Plan. Our review of the management of the Council's digital transformation programme identified weaknesses in the project management, governance, risk management, financial monitoring and reporting.

We therefore issued a qualified value for money conclusion on 18 July 2018.

Significant Risk	Conclusion
<p>Management of significant contracts</p> <p>The Council has undertaken spending on a number of projects during 2017/18. These projects include the redevelopment of the Riverside Leisure Centre and the Council's Digital Transformation Programme (DTP).</p> <p>Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the project management, governance, risk management, monitoring and reporting on these projects is crucial.</p> <p>If appropriate arrangements are not in place there is a risk that the projects will overspend, not produce the planned deliverables and ultimately not add value to the Council.</p> <p>Our review therefore focused on the effectiveness of the Council's arrangements to exercise oversight of these significant projects.</p>	<p>In terms of the two major projects we reviewed:</p> <ul style="list-style-type: none"> ➤ We identified weaknesses in the Council's arrangements to support the implementation of its DTP. The total budget for this project was £3.5 million with £2.1 million spent by the end of 2017/18. We found that the Council did not undertake sufficient and appropriate due diligence on the project in a number of areas. We identified weaknesses in the development and approval of the business case, including options appraisal and scenario planning, as well as an absence of milestone setting and monitoring, and lack of evidence of effective operation of governance arrangements, including risk management and appointment of key consultants, ➤ The Council's management and governance arrangements in relation to the redevelopment of the Riverside Leisure Centre were found to be adequate. The budget for this project is currently £35 million. <p>The issues we identified related to the DTP are evidence of weaknesses in proper arrangements for making informed decisions by acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p> <p>We are satisfied that the weaknesses identified in relation to the digital transformation programme are not reflective of wider governance weaknesses in the Council and are specific to the DTP project only.</p> <p>We include further details on the DTP and the weaknesses identified below:</p> <ul style="list-style-type: none"> ➤ The DTP aimed to provide all of the Councils existing, third-party provided, software solutions, with in-house written and managed versions on a Microsoft Dynamics platform. Some of the outputs that have been delivered to date by the Programme include Office 365 and the introduction of Skype. ➤ The Council recognises that there were weaknesses in the management of the project and has initiated a lessons learnt exercise. Some of the changes that have already been put in place include; regular and formal reporting to the ICT Board; breaking the project into a number of smaller work packages which can be more closely monitored in terms of spend and outcomes; regular (fortnightly) updates and monitoring of the project risk register.

Significant Risk	Conclusion
Management of significant contracts (continued)	<p>➤ In March 2018, prior to the conclusion of our value for money assessment, the Council undertook a fundamental review of the project. As a result, a number of changes were made, including the scope of the Customer Relationship Management element of the project. The use of contractors was also reduced and the lead for the digital project is now a Council employee rather than consultant.</p> <p>The main weaknesses we identified in relation to the DTP are summarised below:</p> <p>Lack of a robust business case for the project. The Council could not provide a fully complete and costed business case which included the expected elements such as scenario planning on options and a full cost/benefit analysis.</p> <p>Lack of formal milestone and outcomes. The spend on the DTP in 2017/18 was £1.8 million, compared to a budget of £2.8 million. It is however not clear whether this has delivered the planned outcomes for the level of spend incurred. Although spend on the DTP was monitored, the lack of clear milestones and outputs meant that it was not possible to demonstrate whether the spend incurred had delivered the intended outcomes for the Council. It was also difficult to obtain a detailed breakdown of spend compared to the individual work packages as individual budgets has not been set for these.</p> <p>Lack of evidence of effective operation of the governance framework. We found a lack of documented evidence of compliance with governance arrangements supporting the implementation, scrutiny and monitoring of the DTP which were agreed by the Council in May 2017. The omission identified include; lack of formal reports and minutes of key meetings; the absence of documented evidence of compliance with agreed procedures for the appointment and subsequent management of some key consultants; and the absence of fully complete project risk register which was used effectively to monitor risks, mitigations and actions related to the Programme. Overall the management of the DTP was not supported by management processes based on data, plans and tangible goals.</p>



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500mn. 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.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members 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 17 July 2018. 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

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none">▶ How financial assets are classified and measured;▶ How the impairment of financial assets are calculated; and▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty.</p>
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none">▶ Leases;▶ Financial instruments;▶ Insurance contracts; and▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



07

Audit Fees

Audit Fees

Our fee for 2017/18 is above the scale fee set by the PSAA as reported in our Annual Results Report to the 17 July 2018 Audit Committee.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee - Code work (Note 1)	77,979	77,979	61,020	64,620
Total Audit Fee - Certification of claims and returns (Housing Benefit Subsidy Certification)	Note 2	16,634	16,634	19,275
Total non-audit services	TBC	94,613	77,654	83,295

Note 1:

The additional work was undertaken in relation to the significant value for money risk identified in our planning report (£15,005). We also undertook a review of the migration of data to the new Fixed Asset Register system which resulted in an additional fee of £1,954. These variations are subject to agreement with management and PSAA.

Note 2:

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Annual Governance Statement 2017/2018

Chelmsford City Council

1.0 Our responsibilities

- 1.1 We have a duty under the Local Government Act 1999 to make arrangements that ensure we continuously improve the way we work in terms of economy, efficiency and effectiveness. This includes a responsibility to ensure that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 1.2 To fulfill this responsibility, we have put in place arrangements for the governance of our affairs and carrying out our functions, which includes arrangements for managing risk.
- 1.3 We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 Edition)*. A copy of the code is on our website [here](#).
- 1.4 This Annual Governance Statement (AGS) sets out the specific aspects of the Code that were reviewed during 2017/18. It also meets the requirements of regulation 6(1) & (2) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2.0 Our Governance Framework

- 2.1 The Governance Framework is made up of:
 - the systems, processes, culture and values by which the Council is directed and controlled, and
 - the Council's activities, through which it accounts to, involves, works closely with and leads the community.
- 2.2 The Framework enables us to monitor how far we achieve our strategic objectives and to consider whether those objectives have led us to provide appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve our policies, aims and objectives, so it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
 - identify and prioritise the risks to us of achieving our policies, aims and objectives
 - evaluate the likelihood of those risks happening and the effects if they do occur, and
 - manage those risks efficiently, effectively and economically.
- 2.4 The following diagrams indicate our established governance framework and how this is then monitored. The remaining sections of this statement describe the key elements of the systems and processes that make up our governance arrangements, which have been in place for the year ended 31 March 2018 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.

Statutory Officers

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

Governance Committee

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

Audit Committee

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

Processes to Ensure Good Governance is monitored

First Line of Defence

Operational Delivery

Assurance by Managers,
Directors & Statutory
Officers

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

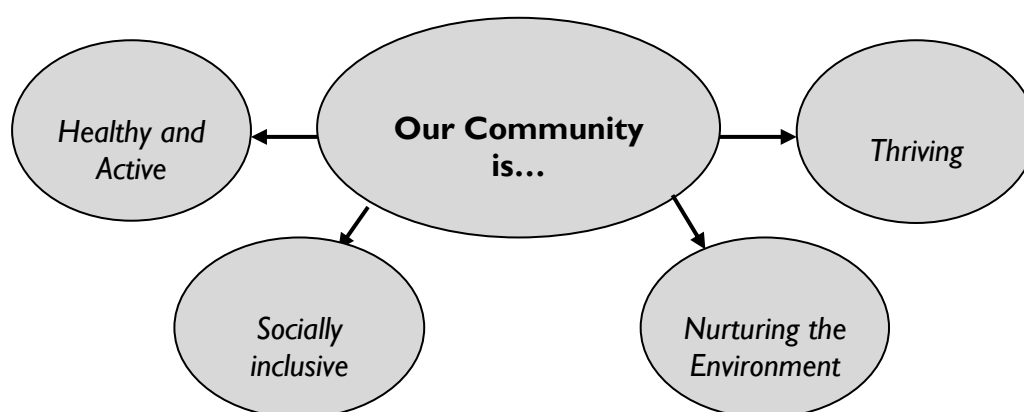
3.0 **The Council's Vision**

- 3.1 The City Council's long-term vision for Chelmsford is 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 we have adopted a number of key objectives and actions to enable 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
 - Actions are also identified to carry out specific work in the City Centre that together will deliver the wider objectives.
- 3.4 Overall responsibility for delivering our Corporate Plan vision, sits with the Council's Cabinet Members and Directors, who have the responsibility for delivering individual actions assigned to individual officers. Officers have the capability of monitoring progress on a continual basis using our performance system called Pentana. Pentana links together all the information from our performance framework (such as the Corporate Plan, Strategies, Team plans and Individual Performance targets). 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 throughout the year.

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

- 4.1 We focus on delivering services against the priorities set out in our Corporate Plan. We prioritise where we should allocate resources depending on how appropriate they are for these themes. Risk management arrangements are 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 Pentana. 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 Pentana. All risk information for assurance purposes is reported from Pentana 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 regularly by Management Team and by the Overview and Scrutiny Committee.

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

4.2.5 PPA (Personal Performance Appraisal) – The overall objective of the appraisal scheme is to help each employee to maximise their performance for the joint benefit of the employee and the Council. It also provides the line manager with a forum to communicate the aims and future direction of the council and service area and to manage the performance of the individuals within their service area.

4.3 The quality of our services is also assessed through satisfaction surveys and customer feedback. Significant examples for this year are set out below and included in **Appendix A**.

4.3.1 Customer Service awards – The Customer Service Award Panel meets every three months to review all the nominations that have been submitted. The panel includes; the Council's Cabinet Member for Corporate Services, the Director of Corporate Services, the Customer Services Manager, the Chief Officer of Chelmsford Volunteering Service and two members of the Citizen Panel. Employees can be nominated for a variety of reasons, including 'going the extra mile' and 'dealing well with a challenging situation'.

4.3.2 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.

4.3.3 Continuous improvement – the Council ensures this by the Corporate Management Team identifying areas of the organisation which could be more effective or benefit from undergoing a review. Directors are responsible for the reviews undertaken within their service areas and report findings from the reviews back to the Senior Management Team before change is implemented examples of which are included in **Appendix A**

4.3.4 Investors in People Gold (IiP) - This was initially awarded in 2014, then reaccredited in 2016 and work is ongoing ahead of the next scheduled reaccreditation in October 2019. It indicates the highest level of achievement in developing staff and continues therefore to create better resources to deliver services to the public.

4.4 Examples of the work undertaken in accordance with the core Cipfa/Solace principles in 2017/2018 are:

4.4.1 Riverside development target – work commenced on site in July 2017 on this significant capital project with a January 2019 completion. External endorsement of the project received from Sport England with a contribution of £1.5m.

4.4.2 Joint working with Epping Forest District Council and Broxbourne Council, through funding provided by Arts Council England, to develop the resilience of the Museum Service; a key delivery objective being the setting up of the Chelmsford Cultural Development Trust.

4.4.3 Successfully being awarded £1.4m contribution from the Heritage Lottery Fund for the £2.2m phase 2 of the Museum redisplay.

4.4.4 Joint working on Arts, Culture and Events strategy with Arts Council England.

4.4.5 Joint working on traveller incursions through membership of the Essex Countywide Traveller Joint Committee with Essex County Council, and a number of other Essex local authorities, the Police and Fire service, for more effective use of resources.

4.4.6 Joint working on council tax recovery data sharing with Essex authorities.

4.4.7 Joint working through the Local Government Association resources to assist with preparation of our approach to increase temporary housing as well as the overall strategy to identify how housing delivery can be improved in the City's area.

4.4.8 Review of the Local Plan, including working with neighboring authorities and other statutory bodies through the 'Duty to Co-operate strategic cross boundary planning issues.

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

5.1 Our Constitution clearly sets out the roles and responsibilities of the Cabinet (Executive), Committees approved by full Council and other bodies where Councillors have a decision-making role. The Executive functions are the responsibility of the Leader of the Council who has adopted a scheme that most decisions will be taken by the Cabinet and no individual responsibilities have been granted to individual Councillors.

5.2 The Constitution also sets out officers' responsibilities for operational and financial matters. Financial Rules that form part of the Constitution define the financial responsibilities. There is a comprehensive scheme of delegating functions to officers, which sets out the scope of delegation and any restrictions.

5.3 The various Codes of Conduct for Councillors and officers and the Councillor/Officer Protocol ensure that roles and responsibilities are defined and understood. The protocol describes and regulates the way Councillors and officers should work together effectively.

5.4 Following the major review of the Constitution which was concluded in 2016/17, some minor changes and additions took place in 2017/18, namely;

5.4.1 Council Procedure Rules – Paragraph 4.1.13.7(c) (Speaking more than once)

5.4.2 Part 3 -Audit Committee Terms of Reference

5.4.3 Part 3 – Regulatory Committee Terms of Reference

5.4.4 Practice Note – Failure to attend meetings

5.4.5 Practice Note - Independent Persons Protocol

5.5 Approval of the changes were discussed with the Cabinet and Governance Committees before being agreed at Full Council. Details of the approval process is captured in **Appendix A**.

5.6 The roles and functions of the key officers and Committees responsible for Governance monitoring are set out in Part 3 of the Constitution. Details can be accessed [here](#).

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

General Principles

6.1 Following the major review of the Council's Constitution in 2016/17 there were only minor changes required in 2017/18. Those changes introduced were considered by Councillors at various stages before formal adoption by Full Council. All these changes directly address the way in which Councillors and Officers are expected to behave and are available through the Council's website for easy access to those engaging with the Council. This ensures that the

rules under which the Council operates are up to date and reflect the latest legislative provisions.

- 6.2 We aim to ensure that Councillors and senior officers have the skills, knowledge and capacity they need to fulfil their responsibilities. We recognise the value of well trained, competent people in effective service delivery as employees play an important role in delivering change. Our People Strategy and associated Workforce Development Plan, which ensures we have those people, are linked to and integrated with our vision and priorities for the future, as set out in our Corporate Plan.
- 6.3 The Terms of Reference for all member Panels and Committees have been included in the Constitution. This reflects the importance placed on transparent decision making. Examples are:
- 6.3.1 Museum Lottery Bid Project Board
 - 6.3.2 Riverside Redevelopment Project Board
 - 6.3.3 Community Infrastructure Spending Panel
 - 6.3.4 ICT Strategy Board
 - 6.3.5 Mayoral Working Group
 - 6.3.6 Civic Centre Panel
 - 6.3.7 Leader's Property Panel

Councillors

- 6.4 We regularly communicate these changes and particularly those related to Councillor's conduct to ensure they are understood. In 2017/18 examples of the briefings provided and the dates changes were introduced though formal adoption procedures are contained in **Appendix A**.

Councillor Development

- i) As part of the Council's agenda to keep members fully informed of ongoing planning developments in the City, City tours are organised for members as appropriate.
- ii) Group leaders are consulted as part of the training needs analysis exercise.
- iii) 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.
- iv) 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 programme of events.
- v) Councillors are offered one-to-one support and a 'quick-fix' helpline for Digital Services, alongside appropriate committee training to enable them to fulfill their civic duties.
- vi) Councillors who serve on Committees receive training that is specifically geared to their role on those Committees.
 - a) 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.
 - b) 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.
- vii) New development sessions are also being explored and appropriately tailored to meet the needs of the first time elected Councillor.

- viii) Councillors receive regular updates on legislative and policy changes through “inform and debate” sessions of the Committee.
- ix) Ongoing training records for Councillors are maintained and reported as appropriate.
- x) 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 207/18 no recommendations were required in relation to Councillor development.
- xi) A task and finish group was formed to look into Member Development. The relevant recommendations and report from the group [can be found on our website](#).

Officers

- 6.5 Our Workforce Development Action Plan and Learning and Organisational Development Strategy both ensure that employees have opportunities to develop their skills and knowledge to keep up-to-date with the changing requirements of the Council and their role.
- 6.6 The Council’s People Strategy and Workplace plan sets out the Council’s plans on how it should creatively use its employees to meet its vision for the future of the city of Chelmsford, linking with the Council’s Corporate Plan. It is recognised that all the Council’s services are provided directly and indirectly through its employees in order to meet the strategic vision for the future. The Council must be able to recruit the right people with the right attitude, skills and expected behaviours to the right jobs, at the right time and at the right cost to enable delivery of excellent services in our community.
- 6.7 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.
- 6.8 The Council is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Council aims to create a work environment where everyone is treated with dignity and respect. The Council has established an Equality and Diversity Champions Group to support the achievement of the Council’s equality and diversity objectives and enable equality and diversity to be embedded within Service activity. All staff are encouraged to attend learning events to enable an understanding of equality, diversity and inclusion. The Council’s website [page](#) sets out our responsibilities and priorities under equality and diversity and the Council’s intranet provides appropriate guidance and resources for all employees.

New Starter Induction

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

6.9.6 Anti-Fraud and Anti-Corruption Policy

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

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)	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. <ul style="list-style-type: none">a) 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.b) 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 participatec) The Council's top management team have also gone through an adaptation of the 'Managers of Chelmsford Tomorrow' development programme.d) 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.e) 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

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

Ensuring Openness

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

7.2 The review of the Council's website was predicated on the need to improve the user experience and was based on the change to mobile device access, which requires the information to be displayed differently. This process was completed on 6th February 2017. Progress on the shift to mobile devices has been measure against the 2015 performance as a baseline.

7.2.1 In 2017, 61.5% of visitors accessed our website on mobile devices compared to 48.2% in 2015.

7.2.2 In 2017, for the first time, smartphones became the main device for accessing our website.

7.2.3 This trend is continuing and for the first 6 weeks of 2018, access on mobile devices is 64.5%, with smartphones now accounting for over half of all visitors.

Year	Desktop	Smartphones	Tablets	Total Mobile
2015	51.8%	31.0%	17.2%	48.2%
2016	47.2%	37.7%	15.1%	52.8%
2017	38.5%	47.3%	14.2%	61.5%
2018	35.6%	51.2%	13.2%	64.5%

How do we engage with our stakeholders?

7.3 The above changes for accessing our website is part of a wider aim to involve 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.

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

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

7.4.2 “The 3 Foot Festival” and “The Fling Festival” – These unique Chelmsford events enjoy long running popularity and in summer 2017 attracted 13,554 and 3,100 visitors respectively. The festivals in 2017 were operationally much more successful than in 2016, although attendances and income were slightly lower than the previous year. New processes, along with a new management structure were introduced in 2017 following an audit of the 2016 festivals. The audit made a number of recommendations, all of which were implemented.

7.4.3 We are Chelmsford’ (WAC) event – The Council has organised these annually since 2013, when the idea was first suggested by Managers of Chelmsford Tomorrow Cohort group 14.

- i) The event aims to strengthen and promote a unified brand of Chelmsford City Council to residents and staff.
- ii) It celebrates the excellence of Chelmsford with Chelmsford City Council. It has always operated as 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.
- iii) In addition to the information market stalls, a number of activities were organised to coincide with the event.
- iv) After a review in 2017, it was agreed that the High Street presence was not really engaging with a sufficient number of the public when compared to the resources and staff time involved across the organisation. Therefore, for this year’s WAC, a number of exclusive or behind the scenes tours, activities or talks have been arranged along with an improved online presence as opposed to a High Street presence. In addition, the focus is to make it more inclusive of other organisations and companies who are as much part of Chelmsford as the Council.

7.4.4 Citizens’ Panel and Youth Panel - The Council has an established process for consultation through their use, but was identified in the Annual Governance Statement for last year as being in need to review.

- i) The Citizens’ Panel currently has over 600 members and the Youth Panel, which is for 14-18-year olds, has approximately 300 members.
- ii) For each, panel members receive newsletters updating them on achievements, issues and developments affecting both the Council and the wider Chelmsford area.
- iii) 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.
- iv) The work and engagement with the panels has been reviewed by a Task and Finish Group of the Overview and Scrutiny Committee. The final report was submitted in June 2016 to the Overview and Scrutiny Committee. It was agreed by the Committee that the Youth Panel be disbanded as it had been demonstrated that it was no longer viable in its existing format, and that other ways of engaging with younger residents through other established groups should be explored. It was also agreed that with regard to the Citizen’s Panel, that significant structural and operational changes be made. It was agreed to relaunch this to both the public and internally, with a new name and an agreed programme of consultations.
- v) Following the Task and Finish Group the following changes have been implemented:

- a. The Youth Panel has been disbanded and a new youth consultation structure in development. This sees a member of the Marketing, Engagement and Event Team working with council services to run meaningful and effective consultation to Chelmsford's younger generation. A trial consultation was run with Chelmsford Museum re the ongoing development. A secondary consultation with a new service area is currently being organised to further develop the scheme.
- b. The Citizen Panel continues to run and now operates with a quarterly newsletter. This provides members with information on all upcoming consultation and how to get involved. Additionally, the annual meetings are currently being explored with the plan to re-launch during 2018.

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

- 7.5.1 The guidance issued in relation to the Code of Conduct for Councillors, referred to in paragraph 5.5 (ii), was specifically drawn to the attention of all Town and Parish Council Clerks before these were considered by the Governance Committee and afterwards.
- 7.5.2 Working with Parish Councils to investigate complaints prior to determinations being made.
- 7.5.3 The Council organises a Parish and Town Council Planning Forum where a number of presentations have been held in relation to how the planning process works as well as on the review of the Council's Local Plan policies.
- 7.5.4 The Council organises annual presentations to Parish and Town Councils in relation to parking and highways. These are occasionally delivered in partnership with Essex Highways officers.

Partnerships and Joint Working Arrangements

7.6 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:

- 7.6.1 One Chelmsford Partnership (a merger of the Chelmsford Partnership and the Safer Chelmsford Partnership)
- 7.6.2 South Essex Parking Partnership – This was reviewed and extended to allow for the delegation of additional powers to agree the making of Traffic Regulation Orders and the re-allocation of contingency funding to assist with that work.
- 7.6.3 Essex Waste Partnership
- 7.6.4 Chelmsford Local Delivery Mechanism

7.6.5 Essex Online Partnership

7.6.6 Mid Essex Children's Partnership

- 7.7 A Protocol for Partnership Working and an accompanying checklist cover key aspects of governance arrangements that need to be satisfied when the Council enters into a new partnership working arrangement. These include having adequate and documented financial, risk, legal, performance, and audit arrangements in place, as well as ensuring that that covers many areas such as roles and responsibilities, decision-making and communication.
- 7.8 The council also aim to work closely with other Essex authorities wherever appropriate. In addition to key partnerships mentioned above, during 2017/18 the Council continued to take an active part in the following joint projects:
- 7.8.1 An Essex-wide data matching agreement was completed. Data sets from individual Councils are being shared to identify any inconsistencies mainly through Council Tax, to reduce the discounts claimed improperly. As at February 2018, £183,000 of improperly claimed discounts across Essex have been identified.
- 7.8.2 The Council Tax Sharing agreement between Essex Billing and Major Precepting authorities that was completed in 2014/15, continues to operate allowing the partners to share the costs of discretionary Council Tax discounts and fund schemes that aim to maximise the Council Tax income collected.

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

- 7.9 Chelmsford City Council has a role in improving public health and reducing health inequalities. It carries this out through a local strategic partnership (One Chelmsford), Chelmsford Health & Wellbeing Group and by fully engaging with Mid Essex Clinical Commissioning Group and Essex County Council's public health team. Whilst Chelmsford City Council has an important role to play the statutory duty for public health rest with Public Health England and Unitary or County Councils.
- 7.10 Chelmsford City Council has a duty of care under section 11 of the Children's Act 2004 to safeguard and promote the welfare of children and young people. Moreover, it has a duty under section 47 of that Act to cooperate with Essex County Council in discharging its safeguarding duties as a Children's Services Authority through the Essex Safeguarding Children's Board. The Council works closely with the Essex Safeguarding Adults Board to ensure that adults who live in the Borough, or receive local services, are safe from harm and are not subjected to exploitation or abuse.
- 7.11 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.
- 7.12 The City Council is now required annually to complete online a self-assessment audit. As a result of the 2017/18 submission, work continues on a new action plan to refresh our current arrangements and make further improvements over the next 12 months. This plan was approved by both Safeguarding Boards.

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

Corporate Plan & Community Plan

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

Local Plan Review

- 8.2 The Council has embarked on a review of its adopted Local Development Framework. The emerging new Local Plan, which covers the period up to 2036, is subject to widespread public and stakeholder consultation. The Council's Development Policy Committee will continue to make the planning policy key decisions as the Local Plan moves forward to eventual adoption by Full Council. Further details of the new Local Plan and its progress [can be found here](#).

Ensuring Effective Arrangements for the Delivery of Infrastructure

- 8.3 The Council approved the basis for assessing applications for use of Community Infrastructure Levy funds. The procedures for allocating and spending the Community Infrastructure Levy funds [can be found here](#).
- 8.4 The form for the agreements used for ensuring delivery of infrastructure under section 106 of the Town and Country Planning Act 1990 was reviewed this year and a new and simpler template document has been introduced, which developers have already indicated is an improvement in terms of clarity. This will streamline the preparation and completion of these documents in future and make better use of resources as well as swifter release of planning decisions.

Working with other agencies

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

8.5.1 Government Departments and Agencies, such as:

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

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

- i) The Riverside Leisure Centre Development;
- ii) Improvements to Mill Yard and the area surrounding the Chelmsford Railway Station utilising South East Local Economy Partnership funding;
- iii) Delivery and improvements to the two Park and Ride facilities in Chelmsford;
- iv) The Beaulieu Park redevelopment and the wider infrastructure requirements;
- v) Consultation as regards the review of the Local Plan
- vi) The process for allocating Community Infrastructure Levy funds

8.5.3 Other Local Authorities eg:

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

8.5.4 Other Organisations eg:

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

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

9.1 The Council establishes and monitors progress of key projects through the use of programme plans. There is also a co-ordinated assessment of how the key objectives have been achieved as well as monitoring risks and taking action to address these. A number of Advisory Panels have been established involving Councillors as well as key officers, to advise on progress and risks, to ensure decisions required are reached in accordance with project plan timelines. The Terms of Reference for those formally established are set out in Part 3 of the Council’s Constitution. Examples of those where work has been ongoing in 2017/18 or have recently been established are shown in **Appendix A**.

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

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

10.1 Where the Council lacks the skills or capacity to deliver projects assistance has been brought in. This is with a view to the transfer of skills where possible such as with the Digital Strategy details of which were set out in the Full Council report in May 2017. In other cases, consultants have been appointed, such as to:

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

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

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

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

Fraud, Internal Audit and Risk Management

11.1 The Internal Audit function produces an annual plan which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and

external audit reports are available to the Audit Committee. The Chief Assurance Executive reports quarterly to Audit Committee.

11.2 In line with the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Statement on the Role of the Head of Internal Audit, the Chief Assurance Executive is required to provide an independent and objective, evidence-based annual audit opinion which will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control, based upon;

- A summary of internal audit work carried out, including reporting on the adequacy of the Council's control environment relating to the prevention and detection of fraud and corruption.
- Follow up on the implementation of recommendations
- Any significant governance issues
- The annual review of the effectiveness of Internal Audit

11.3 During 2017/18, the Chief Assurance Executive was appointed in November 2017, following the departure of an Interim Chief Assurance Executive who was in post April to September 2017. The Internal Audit Service was delivered by an in-house team and independent consultant. The overall annual audit opinion and full summary of the work that Internal Audit has undertaken during the financial year 2017/18, which provides detail on the high risk and priority issues which could impact on the effectiveness of the Council's system of internal control during 2017/18, will be provided in the Annual Report at the June 2018 Audit Committee.

In summary, in forming the annual opinion on the Council's control framework, risk and governance arrangements, the Chief Assurance Executive has had to take in to account various factors at play during 2017/18, such as:

- the impact of resourcing constraints on full plan delivery
- the concern that the audit plan prior to November 2017 was not delivered on a PSIAS compliant basis
- the concern that the 2017/18 audit plan did not fully focus on the Council's highest risks
- the limitations of historical knowledge prior to November 2017

However, on balance, whilst these factors must be taken in to account when placing reliance on the opinion, based solely on the audit work undertaken for the year ended 31st March 2018, it is the Chief Assurance Executive's opinion that the adequacy and effectiveness of the Council's arrangements is: Moderate Assurance. Overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk. This opinion has been derived from consideration of the detail in the Annual Report. This is also in line with the "acceptable" opinion provided by the Interim Chief Audit Executive in 2016/17. In addition, External Audit's Annual Audit letter for 2016/17 provided the Council with an unqualified audit opinion on the financial statements and an unqualified value for money conclusion.

- 11.4 All planned audits from 2017/18 will be scheduled for follow up reviews to ensure that management action plans for implementation of agreed audit recommendations have been fully implemented within agreed timescales. This will provide departmental management teams, Strategic Risk Group, Management Team and the Audit Committee with a direction of travel in the internal control environment across the Council and areas where further improvement is required.
- 11.5 The roles of internal and external audit complement each other. Both are concerned with the Council's control environment and both use an objective, risk based approach in reaching their conclusions.
- 11.6 The Council employs an Accredited Financial Investigator who has been successful in assisting this and other councils in recovering money through the use of the Proceeds of Crime Act 2002.
- 11.7 Pentana, 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.
- 11.8 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 May 2016. The strategy 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.

Monitoring for fraud, corruption and maladministration

- 11.9 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:
 - 11.9.1 Anti-fraud and Corruption Strategy
 - 11.9.2 Whistleblowing Policy
 - 11.9.3 Human Resources policies regarding disciplinary measures for staff involved in such incidents, and
 - 11.9.4 Fraud Response Plan for managers.
- 11.10 The AGS for 2015-16 identified the need to review the Council's Whistleblowing Policy and Procedure. This has now been completed and was approved by the Governance Committee in June 2017.

Using Complaints Procedures to Identify Performance Concerns

- 11.11 The Council has well-established Whistleblowing as well as Comments, Compliments and Complaints schemes. Details of these are accessible on the Council's website and can be viewed [here](#). All these help us to assess whether there are any fundamental issues with the way the Council is operating. No major issues were identified in 2017-18 and the reports to the Governance Committee identified in **Appendix A** show that:
 - 11.11.1 The Local Government Ombudsman's Annual Report indicated no issues of concern.

- 11.11.2 13 complaints against City and Parish Councillors were received under the Code of Conduct for Councillors, and all were addressed without the need for a formal investigation.
- 11.11.3 Of the 16 complaints received through the Whistleblowing Procedure.
- i) Several were service complaints
 - ii) Some were not within the statutory responsibilities of the Council
 - iii) Those which were whistleblowing complaints were investigated internally or externally as appropriate and one remains under investigation.

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

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

Managing Data

- 11.13 The Council has established Policies for dealing with Freedom of Information, Environmental Information and Data subject requests. The processes for dealing with them are included [on the Council's website](#) and there is a dedicated team that deals with requests and also complaints as regards Data Handling. 722 requests were dealt with during 2017/18 and 24 data breaches were identified. *Figures collected 12/02/18
- 11.14 The Council's website was altered to provide a more user-friendly experience for those accessing information via mobile phones or tablets. The Council is one of only 36 nationally that has been awarded 4 stars by SOCITM for it's ease of use of its website on mobile devices and for general accessibility. This is the first time we have achieved this standard and we were one of only 7 out of 93 redesigned sites to get a 4-star rating. In addition, under SOCITM's Better Connected scheme our website also won:
- Best UK Council Website for 2017
 - Best Shire Council Website for 2017
 - Best for Building Control 2017
- 11.15 The council agreed a new Digital Strategy in May 2017. Since this has been agreed the Council has begun it's transformational approach. We have successfully migrated email and staff working data into the Microsoft Cloud (based in the UK). This has delivered us granular security and allowed councilors and officers to access their documents and emails outside of the council building rather than sending work home via personal email. During 2018/19 we will be migrating more shared data and building our CRM solution to allow us more control over documents and personal data. GDPR compliance will form a big part of the council data strategy for this year.

Strong Public Financial Management

- 11.16 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:
- 11.16.1 Assets control and security
 - 11.16.2 Fraud and Corruption
 - 11.16.3 Preparation of Budget
 - 11.16.4 Purchase Ordering and Invoice Payment
 - 11.16.5 Budgetary Control
 - 11.16.6 Insurance and Risk Management

11.16.7 Contracts, External Partners and Third Party Working

11.16.8 Income and Debt Management

- 11.17 We have established a financial planning process including a Medium Term Financial Strategy, the preparation of a robust budget including a review of balances, and a reporting system of controlling spending against approved budgets.
- 11.18 We regularly review our financial systems, rules and risk arrangements to make sure they meet our needs and comply with best practice. We present regular reports to the Audit Committee on the work of Internal Audit, revenue and capital monitoring, risk management and the annual report and Statement of Accounts.
- 11.19 Containing spending within the allocated budget is a high priority for Directors and managers when managing performance. The Council has a rigorous revenue-monitoring process. Management Team and Cabinet Members are given a detailed monthly report, and a quarterly report is presented to the Audit Committee.
- 11.20 Our purchasing process identifies opportunities for better use of resources. The process is designed to encourage competition and ensuring compliance, giving a better deal for us and our purchasing partners.

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

Implementing Transparency and Good Practice in Reporting

- 12.1 The Council complies with all legislative requirements in terms of publishing notices of executive key decisions to be taken and the Cabinet agendas in which the details are set out for Councillors to take these. The definition of “key decisions” are contained in Part 2 - Article 14 of the [Council’s Constitution](#).
- 12.2 Where such decisions are taken by officers, these too are documented and the Notices of the Decisions taken are published on the Council’s website. The processes for recording decisions have recently been review and a new streamlined process will be in operation soon. Occasionally decisions need to be taken urgently and the Chief Executive or in their absence the relevant director is authorised to do so under the Officer Scheme of Delegation in Part 3.4 of the Constitution. In such cases the procedures for taking these are included in the Executive Rules in Part 4.4 of the Constitution.
- 12.3 As regards, Full Council functions and decisions, a number of Committees have been established, the terms of reference for which are set out in Part 3 of the Constitution and where officers have been authorised to take these decisions, the terms for doing so are set out in the Officer Scheme of Delegation.
- 12.4 Template reports are available and used to ensure that any matter requiring approval at Committee identifies the legislative and legal issues that need to be addressed. Legal and Democratic Services are required to be consulted in the preparation of all reports and for executive decisions they are also considered by the Council’s Chief Finance Officer, Monitoring Officer and Director of Corporate services before they are published to ensure compliance with all legal and governance requirements.

Assurance and Effective Accountability

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

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

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

12.5.3 The work of the internal auditors, and

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

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

12.6.1 **Cabinet** - The Cabinet is responsible for monitoring overall financial and performance management and receives comprehensive quarterly reports about this. It is also responsible for monitoring the Corporate Plan's critical performance indicators and key projects, and completes this quarterly: details as to when this occurred appear in **Appendix A**.

12.6.2 **Overview & Scrutiny Committee** - There is a well-supported Overview and Scrutiny Committee with a work programme for the 12 months ahead and reviewed at each meeting of the Committee. A report on the work of the Committee is produced each year. Those addressed in 2017/18 are shown in **Appendix A**.

12.6.3 **Governance Committee** - The Committee has met regularly during the year and received reports on a wide variety of issues as identified in **Appendix A**. Of particular note are:

- i) The need for an Independent Person Protocol, to explain their roles and responsibilities and how they will be involved in the Standards Regime work. This was addressed by the Governance Committee in October 2017, when a protocol was agreed and published as a practice note to the Constitution.
- ii) The Committee received regular reports from the Monitoring Officer to ensure lawful decision-making and high ethical standards. Of specific note are that:
 - a) 13 complaints were received under the standards regime in 2017-18, none of which required formal investigations. The reporting on the outcomes are shown on the Council's website [here](#) and in **Appendix A**.
 - b) The Committee also received an annual report on Whistleblowing and the review of the Policy and Procedure was considered by its meeting in June 2017.
 - c) The Council was assessed for compliance with the Regulation of Investigatory Powers Act in 2016, which is done every three years. The outcome was reported to the Governance Committee and the minor recommendations have either already been addressed or are in hand.

- d) The Annual report was made on the Committee's work by the Chairman to Full Council and means that all the Committees responsible for monitoring the Council's governance continue to report annually to Full Council.

12.6.4 Audit Committee - The Committee met regularly during 2017/18. 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 various updates including the following topics:

- i) Risk Management
- ii) The Annual Internal Audit Report
- iii) Review of the Audit Committee's terms of reference
- iv) Annual report on Fraud Investigations
- v) Audit Charter
- vi) Internal Audit Strategy
- vii) Anti-Fraud and Corruption Strategy
- viii) External Auditor's Annual Audit Letter for the year ending 31 March 2017

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

12.6.6 The Chief Financial Officer 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 therefore has the opportunity to add financial considerations to any reports.

12.6.7 Internal Audit & Performance Management - 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. Investigations is also responsible for fraud investigation and detection, which includes reviewing the control environment in areas where fraud or irregularity has happened. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

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

12.6.9 The assurance framework data is stored and reported through Pentana 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 Pentana including report production for Strategy Risk Board.

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

- 12.7.1 Obtaining assurance from the Chief Financial Officer under section 151 of the Local Government Act 1972 that he is content with information that all managers of key financial systems have given him about the adequacy of existing systems.
- 12.7.2 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 21st June 2017 by Interim Chief Audit Executive and in March 2018 by new Chief Assurance Executive).
- 12.7.3 Reviewing comments received from our external auditor on last year's AGS.
- 12.7.4 Our financial management arrangements conform to the governance requirements of the 2016 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 12.7.5 Appendix A provides a more comprehensive listing of key governance processes and events that took place during 2017/18.

12.8 External Auditors Qualification

- 12.8.1 In the Audit Results Report, for 2017/18 the External Auditors reached a qualified conclusion upon whether the Council had provided value for money as a result of a number of weaknesses in the Digital Transformation programme. The programme was reviewed in December 2017 and Operational and Governance arrangements were strengthened to overcome the weaknesses identified.

13.0 Targets for Improvement

13.1 The main improvements made to governance arrangements in 2017/18 are captured in **Appendix B**.

13.2 The following governance issues have been identified to be addressed in 2018/19:

Important areas of governance for 2018/19	
i)	Ensuring compliance regarding the governance arrangements for the Riverside Ice and Leisure Centre redevelopment.
ii)	Ensuring compliance regarding the governance arrangements for the Digital Transformation.
iii)	Ensuring compliance regarding the governance arrangements for the new Local Plan.
iv)	Ensuring compliance regarding the governance arrangements for the changes in Housing Services.
v)	Ensuring compliance regarding the governance arrangements for the Museum redevelopment.

14. Certification

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

Signed.....
Leader of the Council

Signed.....
Chief Executive

Signed.....
Interim Director of Financial Services

Date: 2018

2017/18 Calendar of key Governance events

May 2017	Annual Council – <ul style="list-style-type: none"> Digital Transformation Strategy
June 2017	Overview & Scrutiny Committee – <ul style="list-style-type: none"> End of Year Key Performance Report 2016-17 Annual Report on the Scrutiny Function 2016-17 Decisions taken under Delegation to the Chief Executive Joint Audit & Governance Committee- <ul style="list-style-type: none"> Review of Local Code of Corporate Governance and Annual Governance Statement 2016/17 Audit Committee- <ul style="list-style-type: none"> Audit Committee Annual Report 2016/17 Internal Audit Annual Report 2016/17 Internal Audit Operational Report Update for Internal Audit Plan Compliance with the Public Sector Internal Audit Standards Internal Audit Transformation Review of the Audit Committee's Terms of Reference Governance Committee- <ul style="list-style-type: none"> Monitoring Officer Report Whistleblowing Policy Annual Report of the Governance Committee 2016/17
July 2017	Cabinet- <ul style="list-style-type: none"> Treasury Management Outturn 2016/17 Capital Programme Update Medium Term Financial Strategy Homelessness Strategy and Review 2017-22 Full Council- <ul style="list-style-type: none"> Allocating and Spending Community Infrastructure Levy Section 106 Spending Plan Treasury Management Outturn 2016/17 Capital Programme Update and Outturn 2016/17 Medium Term Financial Strategy Riverside Ice & Leisure Redevelopment Project – Award of Main Contract Amendment to the Constitution – Code of Conduct for Members Annual Report of the Governance Committee 2016/17 Amendments to Terms of Reference of the Audit Committee Annual Report from Overview and Scrutiny Committee 2016/17 Amendments to Terms of Reference of the Regulatory Committee Development Policy Committee- <ul style="list-style-type: none"> Chelmsford Local Plan Preferred Options Consultation – Initial Consultation Feedback
September 2017	Cabinet- <ul style="list-style-type: none"> Discretionary Business Rate Relief Policy

<p>October 2017</p>	<ul style="list-style-type: none"> • Redevelopment of Chelmsford Museum • Chelmsford Car Parking Fees & Charges 2018 & 2019 <p>Audit Committee-</p> <ul style="list-style-type: none"> • Audit Results Report 2016/17 (ISA 260) • Revenue Budget Monitoring • Internal Audit Operational Report <p>Development Policy Committee-</p> <ul style="list-style-type: none"> • Local Plan Update • Local Development Scheme • Strategic Land Availability Assessment Update • Annual Monitoring Report <p>Treasury Management Sub Committee</p> <ul style="list-style-type: none"> • Treasury Management Mid-Year Review 2017-18 <p>Governance Committee-</p> <ul style="list-style-type: none"> • Monitoring Officer Report • Annual Whistleblowing Report • Complaints to the Local Government and Social Care Ombudsman – Annual Review • Introduction of an Independent Persons Protocol • Disqualification Criteria for Councillors • Amendment to Council Procedure Rules
<p>November 2017</p>	<p>Cabinet-</p> <ul style="list-style-type: none"> • Local Council Tax Scheme for 2018/19 • Treasury Management Mid-Year Review 2017/18 • Mid-Year Budget Review 2017/18 • Proposed Chelmsford Business Improvement District <p>Overview & Scrutiny Committee-</p> <ul style="list-style-type: none"> • Quarter 1 & 2 2017/18 Performance Information Report • Annual Report on Housing Delivery • Review of the City Centre Public Spaces Protection Order • Update on the Citizens & Youth Panel • Task & Finish Group on Member Development • Representatives on Outside Bodies Update • Decisions taken under delegation to the Chief Executive
<p>December 2017</p>	<p>Full Council-</p> <ul style="list-style-type: none"> • Local Council Tax Scheme for 2018/19 • Treasury Management Mid-Year Review 2017/18 • Mid-Year Review of the Budget 2017/18 • Amendment to Council Procedure Rule • Appointment of Electoral Registration Officer & Returning Officer <p>Audit Committee-</p> <ul style="list-style-type: none"> • Annual Audit Letter • Revenue Monitoring • Risk Management Update • Fraud Investigations Annual Report 2016/17 • Internal Audit Operational Report <p>Treasury Management Sub Committee-</p> <ul style="list-style-type: none"> • Treasury Management Strategy 2018/19

January 2018

Development Policy Committee-

- Chelmsford Local Plan Pre-Submission Consultation
- Local Plan Viability Study, including Community Infrastructure Levy Review
- North Essex Garden Communities Issues and Options Consultations, November 2017-January 2018

Cabinet-

- Treasury Management Strategy 2018/19
- Revenue Estimates 2018/19

February 2018

Overview and Scrutiny Committee-

- Quarter Three 2017/18 Performance Information Report
- Annual Presentation by Safer Chelmsford Partnership
- Annual Presentation by Essex Police

Full Council-

- Revenue Budget 2018/19
- Revenue Estimates 2018/19
- Capital Programme
- Pay Policy Statement for 2018/19
- Amendment to Procedure Rules for Meetings

March 2018

Cabinet-

- Proposed Public Spaces Protection Order

Governance Committee-

- Monitoring Officer Report
- Complaints to Local Government Ombudsman – Finding of Fault
- Annual Report for 2017/18 Regulation of Investigatory Powers Act 2000 (“RIPA”)
- Local Government Ethical Standards – Consultation
- Gifts and Hospitality Report

Audit Committee-

- Annual Audit Plan
- Revenue Monitoring
- Internal Audit Plan 2018/19
- Internal Audit Operational Report
- Internal Audit Charter & Strategy
- Digital Services Update
- Grant Claim Certification
- Accounting Policies

April 2018

Cabinet-

- Business Improvement District Update
- Local Development Scheme Review
- Neighborhood Allocation of Community Infrastructure Levy
- Community Infrastructure Levy Cap
- Grant funding to facilitate Community led Housing in Chelmsford

May 2018

Annual Council-

- Arrangements for and Appointments to City Council and Outside Bodies

Appendix B

Progress of outstanding Governance Issues identified in 2017/18

Governance Issue	Progress	Outcome	Core Principle
Reviewing the Council's Whistleblowing Policy and Procedures	This was reviewed by the Governance Committee in <i>June 2017</i> .	An updated policy and procedures have been in place since June 2017. The new policy is available here.	A, B & G
Introducing an Independent Person Protocol related to complaints made in relation to the Councillor Code of Conduct to explain the role and how Independent Persons will engage in the standard regime.	This was agreed by the Governance Committee in <i>October 2017</i> .	The Independent Person Protocol is now in place and available to view here.	A & G
Ensuring that compliance with the Public Sector Internal Audit Standards is reviewed by the Audit Committee.	This was reviewed by the Audit Committee in <i>June 2017</i> .	Compliance with the Public Sector Internal Audit Standards was ensured by the Audit Committee in June 2017 and the report is available to view here.	F & G
Refreshing the Council's procedures for addressing assessments under the Equalities Act 2010.	A new Equality, Diversity and Inclusion Group was set up in <i>2017/18</i> .	<ul style="list-style-type: none"> • A revised E&D action plan. • An updated equality, diversity and inclusion intranet page. • Published Equality Monitoring Data. • Reviewed the E&D training provision. • Provided guidance and training to identified employees within services to enable equality assessment of community focussed policies, plans and strategies. 	A & E

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

ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2017/18



I - CONTENTS

Section	<u>MAIN INDEX</u>	Page
I	CONTENTS	-
2	ANNUAL REPORT	I
3	ENVIRONMENTAL ISSUES	II
4	NARRATIVE REPORT	12
	THE STATEMENT OF ACCOUNTS	
5	Statement of responsibilities for the Statement of accounts	25
6	The main financial statements: <ul style="list-style-type: none"> ▪ Comprehensive income and expenditure statement ▪ Movement in reserves statement ▪ Balance sheet ▪ Cashflow statement 	26
7	NOTES TO THE MAIN FINANCIAL STATEMENTS (see individual notes index below)	30
8	COLLECTION FUND	90
9	INDEPENDENT AUDITORS REPORT	94
	APPENDICES	
10	Glossary	99
11	Our structure chart	106

<u>NOTES INDEX</u>	Note	Page
Expenditure and Funding Analysis	1	30
General accounting policies	2	31
Accounting standards issued but not yet adopted	3	34
Critical judgements in applying accounting policies	4	35
Uncertainty about the future and other assumptions	5	36
Note to the Expenditure and Funding Analysis	6	38
Major classes of cash receipts and payments	7	39
Events after the Balance sheet date	8	40
Adjustments to expenditure to arrive at the final charge to council tax	9	40
A detailed assessment of our earmarked reserves	10	43
Other operating expenditure	11	44
Financing and investments	12	44
Taxation and non-specific grants	13	44
Movements on our assets	14	45
Heritage assets	15	56
Categories of financial assets and liabilities	16	58
Major commitments under capital contracts	17	65
Debtors	18	66
Cash and cash equivalents	19	66
Creditors	20	67
Provisions	21	67
Unusable reserves	22	68
Cashflow	23	70
Expenditure and Income analysed by nature	24	71
Trading operations	25	72
South Essex Parking Partnership (SEPP)	26	72
Councillors' allowances	27	73
Employee pay	28	73
External audit costs	29	76
Grants	30	77
Related party transactions	31	78
Leases	32	79
Pensions	33	81
Contingent liabilities	34	87
Contingent assets	35	87
Exceptional items	36	88
Community Infrastructure Levy (CIL)	37	88
Government and non-government grants	38	88
Long-term creditors	39	89
Restatements	40	89

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 2017/18.

On a personal note, the loss of our Chief Executive following a long battle with illness made it a very difficult year for the Council but I would like to express my thanks for the professional way in which our staff and members continued to deliver excellent services to our residents.

We are, however, a resilient Council and this year has seen us start to realise our ambitions for the City and by next year many of our major projects should be nearing completion enhancing the facilities that we offer within Chelmsford.

Chelmsford has once again been acknowledged as one of the happiest places to live and I believe that we have played an important part in that.

The City continues to develop at pace; the new retail park at the old Britvic site has transformed that part of the City and major housing developments, together with new shops and schools, have opened within the City Centre and North Chelmsford.

Not only are private developers enhancing the City but the Council has embarked on a number of projects, some of which are among the first of their kind in the country such as our modular housing schemes. I am confident that all of our major projects will improve the lives of our residents.

When I became the Leader of the Council I had two major ambitions. The first was to bring John Lewis to Chelmsford and I am delighted that they now occupy a prominent position in the City. My second ambition was to see the removal of the gas holders in the City centre and I am equally pleased to announce that we have now purchased the National Grid site. This means we can begin to develop exciting plans to regenerate this area.

I hope that you find our report and accounts informative and I look forward to receiving your feedback.



Councillor Roy Whitehead
Leader of the Council

Views from the Chief Executive

The sad passing of Steve Packham, our previous Chief Executive, in October meant that 2017/18 was a challenging year for the City Council. The Management Team, Members and staff rallied together to ensure that we continued to provide excellent services to our residents.

During 2017/18, the City Council embarked on a number of major projects which, when delivered, will provide excellent facilities for our residents in our growing City. Projects include the redevelopment of the Riverside leisure centre, the Museum project, development of our new Local Plan and the launch of our digital strategy, together with the transformation of our Housing Service.

I was also delighted to see the creation of the Chelmsford Cultural Development Trust, an independent body that will help to enhance the delivery of arts and culture within the City, complementing our growth in housing, retail and infrastructure. Work is well underway to further enhance our Public Realm with improvements taking place around the station and in our parks.

Yet again the City has seen the delivery of over 1,000 new homes, and businesses continue to thrive. The Anglia Ruskin University has recently been granted permission to open a world class medical school which will see its first 100 students arriving in September.

As the new Chief Executive, I want to build upon our successes and continue to strive to deliver even better services to our residents over the years to come.

We will be developing new Corporate Priorities over the next few months and these will set out our plans for the immediate future together with the longer term working with our partners to deliver our objectives. I am sure that the coming year will present a number of challenges. However, I believe that we are well equipped to meet these and will continue to deliver excellent services to our residents.



Nick Eveleigh
Chief Executive

Achievements

Riverside Ice and Leisure Centre received national recognition from APSE (Association for Public Service Excellence) in their prestigious Performance Networks quality awards. The Council- run leisure facility was shortlisted for the 'Best Performer' and 'Most Improved Performer' award in the category of Sports and Leisure Facility Management.

Steve Packham received Leader of the Year award from liP (Investors in People) for his contribution and achievements.

The Council's website won "best local authority website in the UK" from SOCITM (the Society for IT practitioners in the public sector) Better Connected Awards.

Chelmsford Museum was awarded the prestigious National Autism Friendly Award by NAS (National Autistic Society). It is one of the first museums in the country to have gained gold standard for the welcome given to people who are on the autistic spectrum and their families.

A Council employee won 'Most Innovative HR Professional' award, at MHR (Midland HR) Impact Awards for recognition of their commitment and dedication to digital HR transformation.

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

Review of the financial year

The established trend of increasing financial pressure on the Council continued during 2017/18. Central Government has reduced our grant by a further £0.9 million, adding more challenges to the inflationary and demand pressures that the Council is facing.

Consequently, the Council increasingly relies on its discretionary income to fund the wide range of services it provides. However, the discretionary income can be volatile and could be influenced by any future economic downturn, as consumers spend less money on services. Our rental income has increased, following improvements made to High Chelmer shopping centre and the development of the new restaurant quarter.

The restrictions imposed by welfare reforms have increased demand for affordable housing and created further financial pressures due to additional households being placed in temporary accommodation. We have introduced a range of measures to help address this problem including the direct purchase of properties, Homes2Lease Scheme, a rent deposit guarantee scheme and the development of modular accommodation. During 2017/18 we undertook a review of our Housing Service with the aim of reducing the time that tenants spend in temporary accommodation and to improve the efficiency and effectiveness of the Service.

During the year the Council has embarked on two significant projects. Recognising the need to invest into its Information and Communication Technology to improve processes and provide more efficient services, the Council is developing a new Digital Strategy. This transformation program will take several years to complete and will change the way we deliver services to our residents. The Riverside Pool complex redevelopment project is also well underway. This is a large project that requires major investment but will provide the City with a first-class facility for many years to come.

We have continued to apply strong financial discipline in our financial planning and this has necessitated making difficult decisions over the last few years. Significant efficiency savings were achieved in 2017/18, following the introduction of the fortnightly refuse collection for residual waste, reducing the cost of providing the service.

In responding to the funding and service pressures, Financial Services has introduced further initiatives to improve the way we work and continued to deliver a strong performance.

Achievements

We have listed below some of our achievements during 2017/18.

- Processed Benefit Claims under the target of 9 days
- Implemented County wide data matching system to identify potential fraud, generating significant financial return
- Underwent external audit of payments to identify potential duplication and fraud, resulting in additional income for the Council

- Agreed sale of Threadneedle House and agreed terms for sale of land at Hall Lane Sandon, both will generate capital receipts for the Council
- Purchased Wharf Road Gas Works with an option to complete a development of the land in the future
- Completed Freehold investment purchase of 109 Waterhouse Lane and agreed terms for the purchase of properties in support of the Lockside Growth Area project
- Reduced the number of cases in temporary accommodation from 380 to 313 and the average subsidy loss per claim from £3,400 to £2,970

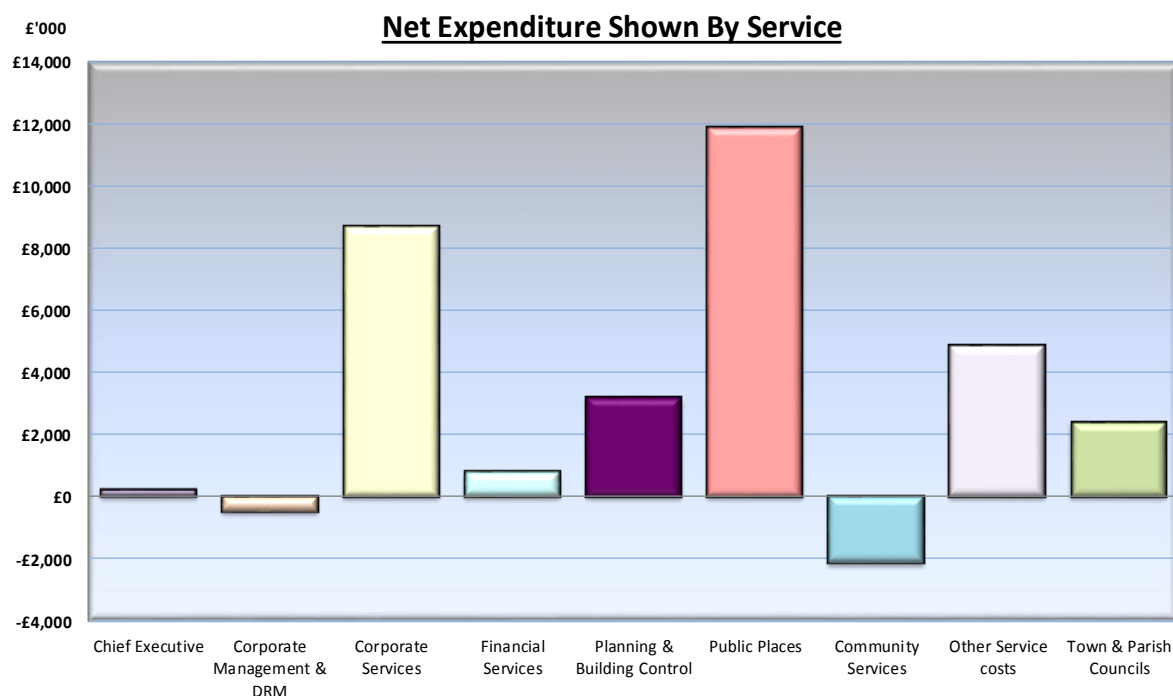
Performance

Our performance is measured in many ways and key amongst these are the performance indicators shown in the table below. We have achieved a further increase in the number of benefit claims received online and this helps improve the efficiency of claim handling. Our collection rates for Council Tax and Non-Domestic Rates (NDR) are holding up well despite difficult economic circumstances.

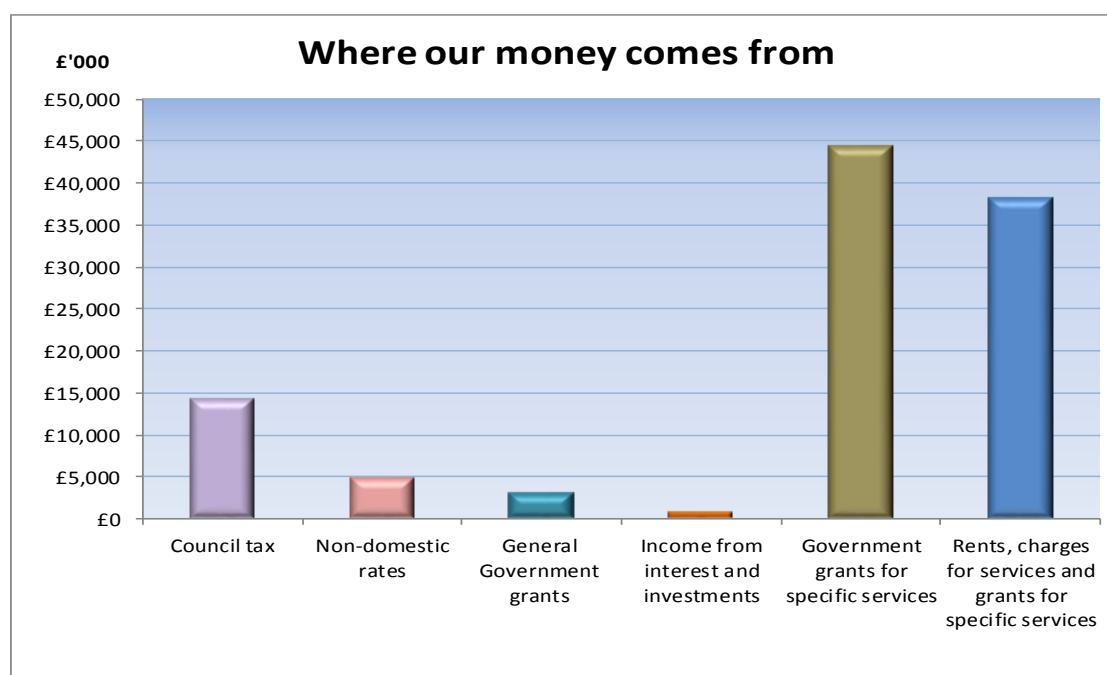
Performance indicator	Performance in 2015/16	Performance in 2016/17	Performance in 2017/18
Percentage of invoices due that were paid on time	96.13%	98.53%	97.62%
Percentage of council tax due that we collected during the year	98.1 %	97.8 %	97.6 %
Percentage of NDR due that we collected during the year	97.9 %	97.4 %	97.8 %
Benefits claims completed online	47.38 %	56.5 %	66.55 %
Benefit overpayments recovered	84.8 %	85.11 %	86.15 %
Average time to process all new claims and change events in existing housing benefit	7.3 days	7.9 days	7.99 days

Spending and Income

The bar chart below shows the main areas of spending in 2017/18. The amounts shown represent expenditure less any income that the service receives.



The bar chart below shows where our money came from in 2017/18. You will see that £14.2m of our total income comes from Council Tax, this includes £2.4m for Parish Councils. Of the total Council Tax collected only 11.4% comes to us. The remaining 88.6% goes to Essex County Council, Essex Police, Essex Fire and Rescue Service and Parish councils.



Reserves

We keep our General Fund balance and the money we have in reserves for specific expenses under review to make sure they are at the right levels, and that our reserves can meet our needs going forward. The Movement in Reserves table gives the size of our reserves at 31 March 2018 and in note 10 we show that 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, that aims to identify all significant budget pressures, will be presented to Council in July 2018. In October 2016, the Council signed up to the Government's four-year finance settlement to provide greater certainty for future grant funding levels. As part of this settlement the Government completely removed grant to our authority for 2018/19. To achieve departmental spending targets, and to equalise resources between authorities, the Government will also charge us an additional tariff payment on business rates income from 2019/20. This, along with changes in services and slow growth in the economy, has contributed to projected budget shortfalls in future years. Some difficult choices will need to be made to produce a balanced budget over the medium term, but the Council is better placed than many other authorities because of our history of prudent financial management.

Part of that prudence has been the treatment of New Homes Bonus (NHB) and not building this fully into our base budgets. NHB has primarily been used to support capital schemes with only a small amount taken for revenue funding. Through the introduction of a funding baseline for NHB, the Government has significantly reduced the amount paid to individual authorities. As the Government has made it clear that further reductions in NHB are likely we will seek to remove this support from revenue budgets over the medium term.

In 2017/18 we issued business rates bills for the first time on the new rating list produced by the Valuation Office Agency (VOA). The VOA also introduced a new check, challenge appeal system for processing business rates appeals. This process should ultimately lead to fewer challenges and a quicker resolution for challenges that are raised. However, initial problems with the process have meant very few appeals have been raised to date. This makes it difficult to estimate the full impact of the revaluation and the potential resulting appeals that will be made by businesses against their new rates. A prudent provision has been made and if this proves too cautious it can be released in subsequent years as better information becomes available.

Going forward it seems likely that local government will be funded entirely from retained business rates. The initial proposal for 100% retention has now been reduced to 75%, although this will still involve a system of tariffs and top-ups to redistribute income. The original design of the system of business rate retention caused some difficulties for the Council. Our income did not match the government's calculations so we had to rely on support from the safety net. With the recent growth in business in the city the position is more positive and our income comfortably exceeded the calculated baseline for 2017/18. Our ability to retain more of this growth will be enhanced in 2018/19 as we have joined other Essex authorities in a business rates pool.

The backdrop of Brexit and uncertainty in both domestic and global economies makes financial planning very difficult. 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.

Uncertainty in the budget puts pressure on the Council and we will have to make prudent assumptions on these and other issues. If a deficit arises, we may have to meet some one-off expenditure from our reserves but they have been maintained at a level to accommodate this in the short-term.

We continually review the way we work so we can provide more efficient services and limit the need to make savings by reducing services. Financial Services will be involved in supporting our major schemes and will continue to provide help and advice to other services across the Council throughout the year.



Councillor John Galley
Cabinet Member for Finance



Bob Palmer
Interim Director of Financial Services

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

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

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

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

We have detailed below which council provides which services.

Chelmsford City Council	Essex County Council
Abandoned cars 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, improving energy efficiency 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:

- Reduced levels of non-recyclable waste collected and increased levels of recycling and composting
- Lower energy consumption

During 2017/18 the Council has:

- Changed the collection frequency of general non-recyclable waste from once per week to once per fortnight, as part of the long-term strategy to improve recycling rates and reduce the level of waste generated. The impact of this change has seen the recycling rate rise to just under 53%, whilst the amount of general, so-called 'residual' waste generated from each household has fallen by 15%.
- Increased the proportion of energy consumed by the City Council that is from renewable sources to 12%, whilst also continuing to reduce overall energy consumption.
- Promoted a collective energy buying scheme for residents of Chelmsford with a 100% 'green energy' tariff.
- Introduced six additional electric vehicle charging points into key City centre car parks.
- Continued the LED replacement lighting programme.
- Undertaken an air quality assessment for Chelmsford.
- Developed a 'Green Infrastructure Strategy, Action Plan and Design Guidelines to support the new Local Plan, focusing on the multi-purpose roles and benefits of green space and the opportunities for protecting and enhancing the biodiversity of the green infrastructure.

4 – NARRATIVE REPORT

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

Background

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

Chelmsford has a population of around 174,000 and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with significant housing developments underway within City Centre as well as north of Chelmsford.

Chelmsford has a very strong economy with 85,000 jobs and over 9,000 businesses in the heart of the City, with very low unemployment rates close to just 1%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing.

The Council's long-term vision is captured in our Corporate plan. Currently, we have six key priorities for Chelmsford and its residents. Under each of these priorities we have a number of key objectives and actions to help us achieve and monitor how we are progressing against each priority.



We engage with other Local Authorities on various joint working arrangements, and work with a wide range of other organisations and agencies to help us achieve the above priorities.

Our annual statement of accounts summarises our financial affairs for 2017/18 and shows our financial position on 31 March 2018. 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.
 - **Comprehensive income and expenditure statement** – This shows the cost of providing services in line with accounting practices, rather than the costs to be met by local taxation. We raise taxation to meet costs as defined by law. This is different to the cost of providing services in line with accounting practices. The taxation position is shown in the Movement in reserves statement.
 - **Movement in reserves statement** – This shows the movement on our reserves in the year. These are analysed into usable reserves, which can be applied to fund expenditure or to reduce local taxation and other reserves. In the statement, the Total comprehensive expenditure and income line shows the true economic cost of providing the services. This is shown in more detail in the Comprehensive income and expenditure statement. These are different from the amounts we must charge to the General fund by law for setting the Council tax. In the statement, the line that gives the net increase or decrease shows the statutory General fund balance movement.
 - **Balance sheet** - This shows the value of our assets and liabilities at the Balance sheet date. Our net assets are matched by our reserves. The reserves are reported in two categories, usable and unusable. Usable reserves are those we can use subject to keeping a prudent level of reserves and any statutory limitations on their use (for example, we can only use the capital receipts reserve to fund capital expenditure or repay debt). Unusable reserves cannot be used to provide services. This type of reserve includes reserves that contain unrealised gains and losses (for example, the revaluation reserve) where the amount only becomes available for use when the asset is sold, and reserves that hold timing differences, for example in the amount owed for leave that has not been taken. These are shown in the Movement in reserves statement line 'Adjustments to move from the Comprehensive income and expenditure account to the costs met by local taxpayers'.
 - **Cash-flow statement** - This shows the changes in our cash and cash equivalents during the year. It shows how we received and used those amounts by classifying cash flows as operating, investing or financing activities. The cash

flows in operating activities are a key indicator of how much is met by taxation, grants or from service users. Investing activities show how we have used cash outflows to buy resources intended to deliver future services. Cash flows arising from financing activities are useful in predicting claims on future cash flows 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.

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

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

We did not need to make any restatements for last year’s accounts due to error, however we made some presentational changes to how we report our management information. We reflected these changes in the presentational format of the Comprehensive Income and Expenditure statement and Expenditure and Funding Analysis statement and its supporting note and restated last year’s figures in the same format.

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

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

Summary tables

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2017 to 31 March 2018	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	109,161	(77,801)	31,360
Other Income and Expenditure	36,562	(84,482)	(47,920)
Total spending on services as presented in the Comprehensive Income and Expenditure account			(16,560)
add Adjustments between the Funding and Accounting bases			16,133
Change in General fund (including Earmarked Reserves)			(427)

The complete Comprehensive income and expenditure statement is shown in section 6.

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

The Comprehensive Income and Expenditure account includes capital adjustments and the Cost of IAS 19 pension adjustment made under generally accepted accounting principles that do not need to be met from the Council Tax.

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

Simplified Balance sheet statement

A simplified Balance Sheet		31 March 2018
		£ 000
What we own		
Assets		235,016
Stocks		292
Investments		50,287
		285,595
What we are owed		
Amounts due before 31 March 2018		19,311
Amounts due after 31 March 2018		3,979
		23,290
What we owe		
Amounts due before 31 March 2018		(22,002)
Amounts due after 31 March 2018		(5,477)
Provisions		(3,809)
Pension deficit		(105,178)
		(136,466)
Cash and equivalents in hand or (overdrawn)		24,725
Net assets		197,144
Our reserves		31 March 2018
		£ 000
Usable reserves		64,724
Unusable reserves		132,420
Total reserves		197,144

The complete Balance sheet is shown in section 6.

Pensions

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

Changes in accounting policies

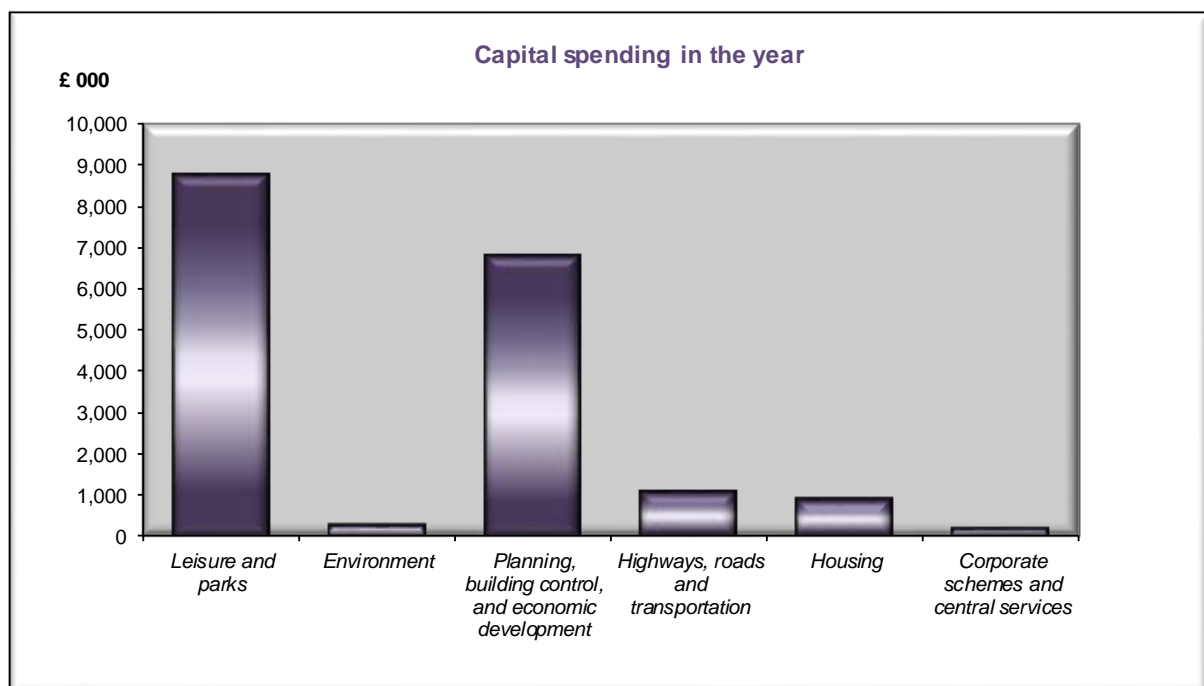
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

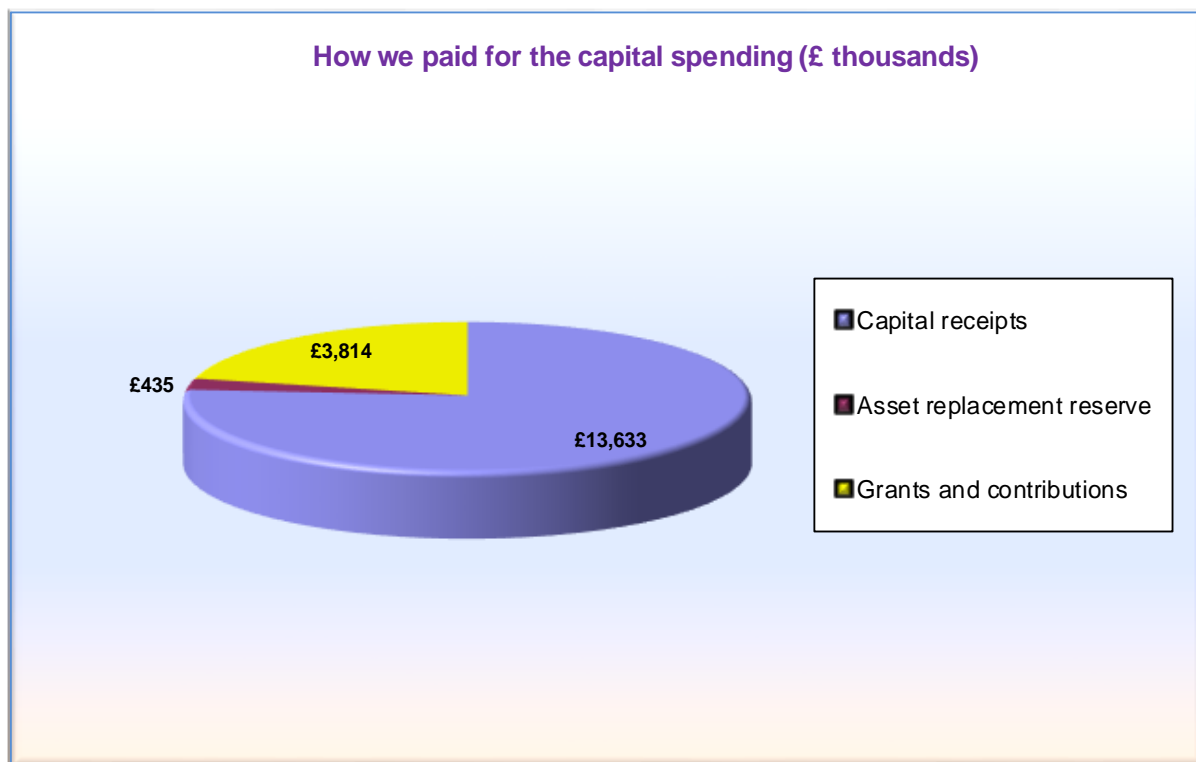
Borrowing

We have repaid all our loans. Our only borrowing at the start of the year was finance leases which were repaid in 2017/18.

Capital spending

During the year we spent £17,882,000 on capital schemes. Our asset values in the Balance sheet have not necessarily increased by the amount of our capital spending as the Balance sheet shows the asset's change in value, after any impairments, and not simply the amount spent in creating that asset. The following tables show the capital spending and how the spending was paid for (capital financing).





Material unusual charges to the accounts

There have not been any of these.

Major changes in statutory functions

There have not been any of these.

Significant provisions or contingencies or material write-offs

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

Material events after the Statement of accounts was prepared

There are no such events.

Effects of the current economic climate

Our support grant from the Government continued to be reduced in 2017/18, as it was in previous years, and the Government confirmed its intention to completely remove it in 2018/19. Despite this we have still produced a balanced budget and expect this to continue into the future.

Auditors

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

Monitoring our performance during 2017/18

Performance measures

For 2017/18 we have established 21 performance indicators that were regularly reviewed and reported to the Overview and Scrutiny Committee. These are financial and non-financial indicators that measure the progress made in terms of achieving the Council's Priorities.

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

We achieved our targets or came within 2% allowable tolerance limit for the following key performance indicators during 2017/18:

Indicator	Achieved in 2016/17	Achieved in 2017/18	Target set as
<u>Net additional homes provided</u> To encourage a greater supply of new homes in England to address the long term housing affordability issue. This indicator measures the net increase in dwelling stock over one year. It is calculated as the sum of new build completions, minus demolitions, plus any gains or losses through change of use and conversions.	1002	1008	805
<u>Number of affordable homes delivered</u> Affordable housing is measured as the numbers of affordable dwellings provided in each year, through new build and acquisitions. This does not take account of losses through sales of affordable housing and demolitions.	226	200	179
<u>Number of households living in temporary accommodation</u> This indicator measures the numbers of households living in temporary accommodation provided under the homelessness legislation.	343	313	456
<u>Green' queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre for Concessionary Fares and Parking Permits.	97.50%	90.75%	90.00% customers to see an advisor within 15 minutes
<u>Blue queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre for Housing, Revenues and Benefits.	95.75%	88.75%	90.00%

Indicator	Achieved in 2016/17	Achieved in 2017/18	Target set as
<u>Average number of unique visitors to the Visit Chelmsford website</u> The Visit Chelmsford website was launched in 2014 and this indicator enables us to measure the site's performance.	8,639	10,485	9,000
<u>The average time taken in calendar days to process all new claims and change events in Housing Benefit and Council Tax Benefit</u> This indicator monitors our performance in processing all new claims and change events in Housing Benefit and Council Tax Benefit enabling us to make comparison to the national average performance.	7.91 days	7.99 days	process claims in under 9.00 days
<u>Theatre hire visits (Discontinued)</u> Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres at shows or events where the venues are hired by a third party. This indicator has been discontinued in year and replaced with the below indicator. It is felt that it is more appropriate to monitor income from external theatre hires than number of attendees as the Council does not earn revenue based on ticket sales for these private hires.	37,877	No longer reported	No longer reported
<u>Theatre Hire Income (New indicator)</u> Monitoring income against budget at the Civic & Cramphorn Theatres for shows or events where the venues are hired by a third party.	New Indicator	103.54% of budget set	£134,300
<u>Income from Theatres</u> This indicator monitors income achieved from Theatre admissions against the set budget.	108.79% of budget set	103.79% of budget set	£1,401,200
<u>Income from Riverside Leisure Centre</u> This indicator measures income achieved by the Riverside Leisure Centre against set budget.	103.50% of budget set	106.12% of budget set	£3,132,600
<u>Income from Hylands House and Visitor Centre</u> This indicator monitors income achieved from facility hire for events and rents against set budget.	116.27% of budget set	109.71% of budget set	£1,004,400
<u>Base budget income for Car Parking</u> Total amount of Car Parks fee income achieved against the set budget.	104.09% of budget set	101.88% of budget set	£5,691,000
<u>Base budget income for Cemetery and Crematorium</u> This indicator monitors income achieved from Cemetery and Crematorium fees against the set budget.	101.38% of budget set	100.13% of budget set	£1,818,500
<u>Number of Customer visits to our sport centres and sport activities</u> This indicator monitors visits to our sports centres and sports activities attendance.	1,492,958	1,490,168	1,485,000

Indicator	Achieved in 2016/17	Achieved in 2017/18	Target set as
<u>Percentage of waste reused, recycled & composted</u> The indicator measures percentage of household waste arising's which have been sent by the Council for reuse, recycling, composting or anaerobic digestion.	43.16%	52.80%	50.00%
<u>Residual waste per household</u> This indicator is the number of kilograms of residual household waste collected per household. Local authorities have an important role to play in assisting their residents to reduce waste (as well as encouraging sorting of waste for recycling, re-use, home composting and other forms of home treatment of waste). This indicator monitors the Council's performance in reducing the amount of waste that is sent to landfill, incineration or energy recovery.	624.64kg	441.88kg	550.0kg

We did not reach our targets for the following indicators during 2017/18:

Target	Supporting information
<u>The number of working days lost due to sickness absence</u> This indicator is used to monitor the level of sickness absence in local authorities.	The number of days lost due to sickness in 2017/18 increase to 8.47 days per employee from 6.95 days in 2016/17. The target for this indicator is 7.09 days.
<u>Theatre promotion visits</u> Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres for the Councils own promotion.	In 2017/18 Theatre promotion visits fell to 75,001 from 75,449 the previous year. The target for the year was 78,328 visits.
<u>CSC abandoned calls</u> This indicator measures the rate of abandonment of incoming phone calls for the Customer Service Centre (CSC).	This indicator deteriorated to 13.88% in 2017/18 from 11.00% in 2016/17, the target for 2017/18 was set to 10%.
<u>CSC average waiting time for calls (in seconds)</u> This indicator enables the Service manager to monitor the average waiting time for calls.	The target set for this indicator was 40 seconds. There was a fall in waiting time for calls from 43 seconds in 2016/17 to 74 seconds in 2017/18.
<u>Percentage of online contact forms responded to within one working day</u> This indicator is designed to measure the speed of response within the CSC to online contact forms. It is important that those customers who choose to self-serve receive a high level of prompt service.	This indicator deteriorated to 85.58% in 2017/18 from 87.33% in 2016/17, the target for 2017/18 was set to 90.00%.

Financial Monitoring and Reporting

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

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

Revenue and Budget Process

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

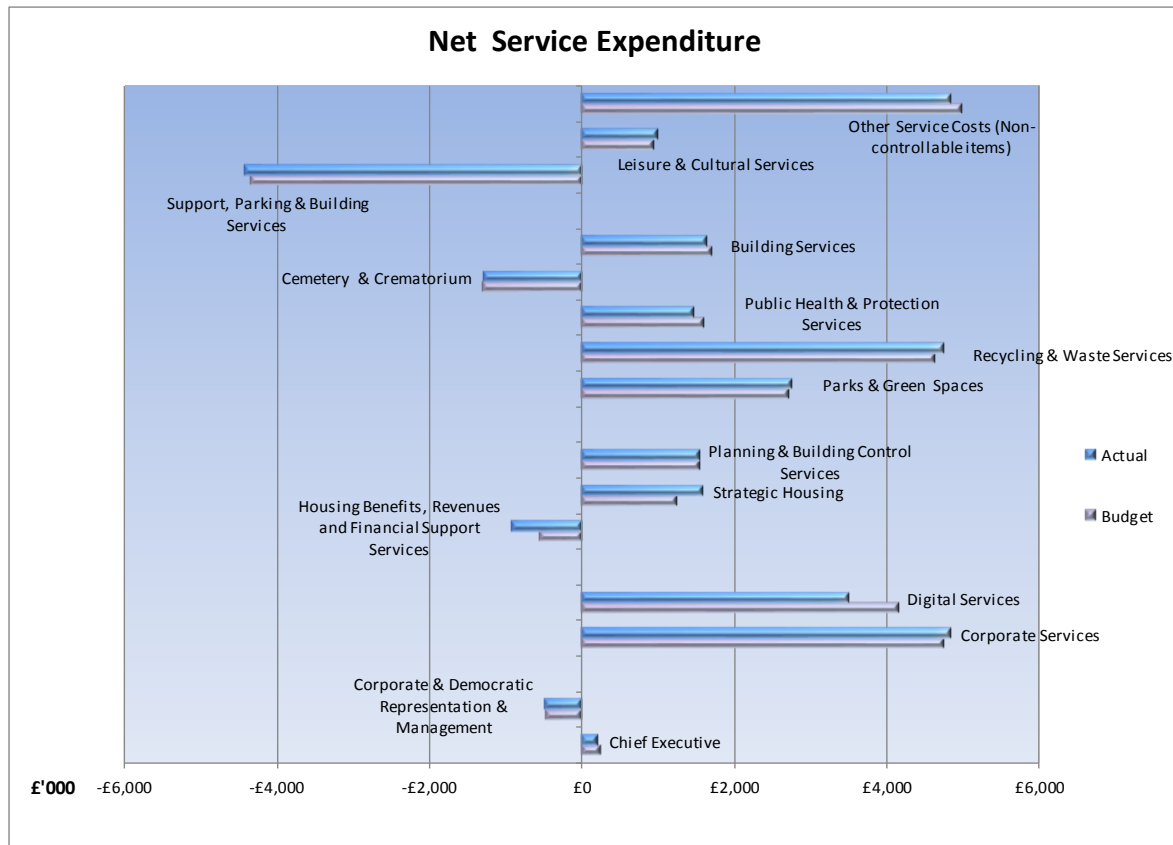
This enables us to identify any financial shortcomings or potential savings throughout the year.

During 2017/18 as part of our outturn savings review and regular monitoring we identified potential ongoing savings of £231k. We realigned our budgets to reflect these savings as part of our budget review in January 2018.

Revenue Outturn position

The Revenue outturn analysis identified an underspend of £836k against our £21,808k budget at the service expenditure level. Although we have achieved underspends in some expenditure costs and achieved better than anticipated property rental income, these have mostly been offset by a shortfall in anticipated income from fees and charges. Realignment of works on the Digital Strategy transformation program and consequently rephasing of expenditure costs, form a significant part of the underspend. These savings will be put aside in an earmarked reserve for future expenditure on the Digital Strategy.

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



In addition to service underspend, following major developments within the city centre and subsequent increase in additional retail units, the Council has seen an increase in business rates income retained. In 2017/18 the income retained was £1.7m above the Government baseline funding. The business rates income retained is however volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. After allowing for budgeted transfers to earmarked reserves, our general fund balance has increased by £371k and the earmarked reserves have increased by £56K.

Medium Term Financial strategy for 2017/18 to 2021/22

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 and support the Corporate objectives we aim to prepare a robust financial strategy and are undertaking:

- The timely and cost effective delivery of the redevelopment of the Riverside Leisure Centre /pool complex.
- To deliver efficiencies and budget reductions from the implementation of the Digital Strategy
- The monitoring of the Government proposals for changes to local government funding and identify their impact where possible.

- To identify income generation ideas for consideration and development.
- To bid for external funding and use any funds to deliver corporate objectives.
- To work with partners at every opportunity to deliver efficiencies.
- To review services and budgets to release efficiencies and identify new income streams.
- To use Reserves to fund capital expenditure, one off loss of income and manage risk.
- That Capital resources are used to achieve revenue budget savings by undertaking schemes that produce additional income or reduce running costs. Schemes within the Capital programme and replacement programme are reviewed and spend prioritised.
- That Property assets continue to be reviewed to release surplus assets, to achieve value for money and to examine options to acquire new assets that deliver additional financial and service benefits.

Workforce

We understand that the Council's employees play an important role in delivering our objectives and we have in place a robust People strategy which aims to ensure that we employ people with the right skills and support their development. In 2017/18 we continued to invest in our workforce by employing several interns and apprentices within various departments of the Council.

We were awarded with Investor in People Gold (IiP) award, indicating the highest level of achievement in developing staff.

Our workforce consists of 47% females and 53% males.

5 - Statement of responsibilities for the Statement of accounts

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

Our responsibilities

We must:

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

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

Councillor Stephen Robinson
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.

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 2018 and the income and spending for the year ended 31 March 2018.

Bob Palmer
Interim Director of Financial Services

6 - The main financial statements

Comprehensive income and expenditure statement

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

2016/17			Money spent on services direct to the public	Notes	2017/18		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
242	-	242	Chief Executive		230	-	230
-	(592)	(592)	Corporate Management & DRM		-	(480)	(480)
			Corporate Services				
5,330	(553)	4,777	Corporate Services		5,755	(411)	5,344
2,208	(47)	2,161	Digital Services		3,996	(28)	3,968
			Financial Services				
			Housing Benefits, Revenues & Financial				
4,785	(1,740)	3,045	Support Services		5,484	(1,717)	3,767
3,935	(2,938)	997	Strategic Housing		5,253	(3,431)	1,822
6,631	(2,430)	4,201	Planning and Building Control		5,847	(2,202)	3,645
			Public Places				
4,094	(826)	3,268	Parks & Green Spaces		4,193	(688)	3,505
12,152	(5,501)	6,651	Recycling & Waste Services		12,132	(5,686)	6,446
2,821	(674)	2,147	Public Health & Protection		3,162	(673)	2,489
708	(1,884)	(1,176)	Cemetery and Crematorium		708	(1,822)	(1,114)
2,168	(155)	2,013	Building Services		2,138	(38)	2,100
			Community Services				
3,182	(7,531)	(4,349)	Support, Parking		3,462	(7,142)	(3,680)
10,072	(8,418)	1,654	Leisure and Cultural Services		10,959	(8,295)	2,664
			Other Service Costs (including Housing Benefit subsidy)				
46,612	(46,146)	466			45,842	(45,188)	654
104,940	(79,435)	25,505	Spending on current services		109,161	(77,801)	31,360
5,556	(4,885)	671	Other operating expenditure	11	5,683	(18,261)	(12,578)
3,454	(6,289)	(2,835)	Financing and investment	12	3,519	(5,937)	(2,418)
-	-	-	Spending on discontinued operations		-	-	-
29,240	(57,840)	(28,600)	Taxation and general grants	13	27,360	(60,284)	(32,924)
143,190	(148,449)	(5,259)			145,723	(162,283)	(16,560)
			Items that will not be reclassified to the Total spending on services				
		(10,479)	(Surplus) or loss from our assets being revalued				2,219
		24,892	Remeasurement of the assets of the pension fund	33			(18,525)
			Items that may be reclassified to the Total spending on services				
		135	(Surplus) or loss from our available for sale assets being revalued				(335)
		9,289	Total income and expenditure	24			(33,201)

Movement in reserves statement

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

	General fund	Capital receipts reserve	Capital grants unapplied (note 38)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2016	23,007	13,837	16,233	53,077	120,155	173,232
Total comprehensive expenditure and income	5,259	-	-	5,259	(14,548)	(9,289)
Adjustments from council tax levied and accounting regulations (note 9)	(5,529)	(1,174)	2,942	(3,761)	3,761	-
Net increase or (decrease)	(270)	(1,174)	2,942	1,498	(10,787)	(9,289)
Balance at 31 March 2017	22,737	12,663	19,175	54,575	109,368	163,943

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

Balance sheet

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

31 March 2017			31 March 2018
£ 000	Balance Sheet	Notes	£ 000
	Long-term assets		
152,827	Property, plant and equipment	14	157,622
69,290	Investment property	14	73,258
653	Intangible assets	14	420
3,590	Heritage assets	15	3,716
6,280	Long-term investments	16	14,625
1,932	Long-term debtors		3,979
234,572			253,620
	Current assets		
291	Stocks		292
40,664	Short-term investments	16	35,662
16,982	Short-term debtors	18	19,311
-	Assets held for sale	14	-
23,776	Cash in hand and cash equivalents	19	25,545
81,713			80,810
	Current liabilities		
(22,060)	Short-term creditors	20	(22,002)
(4,315)	Provisions	21	(3,809)
(586)	Cash overdrawn	19	(820)
(26,961)			(26,631)
	Long-term liabilities		
-	Long-term borrowing	16	-
(766)	Long-term creditors	39	(1,936)
-	Donated assets account	30	-
(4,206)	Capital grants received in advance	30	(3,541)
(120,409)	Liability relating to our pensions	33	(105,178)
(125,381)			(110,655)
163,943	Net assets		197,144

31 March 2017			31 March 2018
£ 000		Notes	£ 000
	Reserves		
54,575	Usable reserves (see Movement in Reserves Statement)		64,724
109,368	Unusable reserves	22	132,420
163,943	Total reserves		197,144

Cashflow statement

This section shows what cash we spend and receive.

2016/17 £ 000	Cash Flow	Notes	2017/18 £ 000
	Operating activities		
	Spending		
(24,933)	Cash paid to and for employees		(31,038)
(46,438)	Housing benefit paid out		(45,709)
(224)	NNDR payments to the national pool		(217)
(2,275)	Precepts		(2,391)
(3)	Payment to the housing capital receipts pool		(1)
(29,240)	Tariff & Levy/ Safety Net		(27,360)
(10)	Interest paid		(19)
(29,477)	Other costs		(31,171)
	Income		
8,899	Rents (after rebates)		9,233
13,661	Council tax		14,340
31,636	NDR we received		30,322
1,359	Revenue support grant		387
44,912	DWP grants for rebates		43,922
3,596	Other government grants		5,263
21,793	Cash we received for goods and services		21,321
891	Interest we received		707
7,550	Other revenue cash payments or income		7,229
1,697	Net cash inflow or (outflow) from operating	23	(5,182)
	Investing activities		
	Spending		
(3,843)	Buying non-current assets		(13,128)
(3,448)	Other capital cash payments		(2,370)
-	Other payments		-
	Income		
5,119	Selling non-current assets		16,643
7,882	Capital grants we received		10,037
	Grants applied to fund capital spending		
(1,421)	Other contributions		1,034
(7,382)	Change in our investments		(3,008)
(3,093)	Net cash inflow or (outflow) from capital		9,208
(1,396)	Net cash inflow or (outflow) before financing		4,026
	Management of liquid resources		
	Financing activities		
10,784	Other liquid resources		(2,491)
	Spending		
-	Repaying loans		-
	Income		
-	New loans		-
10,784	Cash flow from financing activities		(2,491)
9,388	Increase or (decrease) in cash		1,535
13,802	Cash balance at the beginning of the year		23,190
23,190	Cash balance at the end of the year		24,725

7 - Notes to the main financial statements

I Expenditure and Funding Analysis

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

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
228	14	242	Chief Executive	206	24	230
(592)	-	(592)	Corporate Management & DRM	(480)	-	(480)
			Corporate Services			
4,513	264	4,777	Corporate Services	4,836	508	5,344
1,774	387	2,161	Digital Strategy	3,497	471	3,968
			Financial Services			
			Housing Benefits, Revenues & Financial Support			
(1,365)	4,410	3,045	Services	(905)	4,672	3,767
843	154	997	Strategic Housing	1,588	234	1,822
1,243	2,958	4,201	Planning and Building Control	1,538	2,107	3,645
			Public Places			
2,890	378	3,268	Parks & Green Spaces	2,755	750	3,505
5,309	1,342	6,651	Recycling & Waste Services	4,739	1,707	6,446
1,385	762	2,147	Public Health & Protection	1,472	1,017	2,489
(1,262)	86	(1,176)	Cemetery and Crematorium	(1,291)	177	(1,114)
1,721	292	2,013	Building Services	1,627	473	2,100
			Community Services			
(4,732)	383	(4,349)	Support, Parking	(4,427)	747	(3,680)
360	1,294	1,654	Leisure and Cultural Services	986	1,678	2,664
			Other Service Costs (including Housing Benefit subsidy)			
618	(152)	466		4,831	(4,177)	654
12,933	12,572	25,505	Spending on current services	20,972	10,388	31,360
2,275	(1,604)	671	Other operating expenditure	2,391	(14,969)	(12,578)
(27)	(2,808)	(2,835)	Financing and investment	(77)	(2,341)	(2,418)
-	-	-	Spending on discontinued operations	-	-	-
(14,911)	(13,689)	(28,600)	Taxation and general grants	(23,713)	(9,211)	(32,924)
270	(5,529)	(5,259)	Total spending on services	(427)	(16,133)	(16,560)

2016/17	Movement on General fund Balance	2017/18
£ 000		£ 000
23,007	Opening Balance	22,737
(270)	Surplus/(Deficit)	427
22,737	Closing Balance at 31 March	23,164

2 General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2017/18 and our position at the year end, 31 March 2018. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, a statement of recommended practice ('the Code') and 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, when we think a change in policy will provide better understanding for the user of the accounts or will improve the way we manage our finances. When we do change a policy, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared.

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

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

Effects of changes in estimates

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

Employee benefits

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

Exceptional items

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

Fair value

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

Asset type	Fair value
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 in accordance with IAS19 and IFRS13

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 revenue provision (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

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

Revenue and capital transactions

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

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.

3 Accounting standards issued but not yet adopted

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

IFRS 9 – Financial Instruments

There are two significant changes to IFRS 9 which will impact the Council's accounts when they come in to force for financial year 2018/19.

I. Reclassification of financial assets

Currently, we recognise financial instruments which have a quoted market price as "available for sale", taking any income to the Comprehensive Income and Expenditure Statement as it becomes receivable and taking any unrealised gain or loss from the change in market price to the "available for sale asset reserve". When the investment is sold the loss or gain is realised and only then does it the impact on the Council Tax payer.

The introduction of IFRS 9 will mean that this treatment is no longer valid; requiring the Council to take any unrealised gain or loss through to the Comprehensive Income and Expenditure Statement in each financial year which will affect Council Tax Payers.

At present the change only materially affects a £5m investment in CCLA Local Authority Property Fund which has a £1.6m unrealised gain, that under the new rules would become available to spend. However, should the value of CCLA fund fall below £5m then the Council Taxpayer would be charged for the unrealised loss. IFRS 9 does allow for an irrevocable designation of some investments as being "fair value through other comprehensive income" which avoids charging unrealised gains or losses to the Council Tax Payer.

The Council has decided to await an expected decision by the Government on whether to issue a statutory override of this accounting rule before taking a decision on whether or not to elect to designate the CCLA Property Fund at fair value through other comprehensive income in order to protect Council Tax payers from the volatility of such funds.

2. Impairment of Financial Assets

Under the revised IFRS 9 regulations, provisions must now be made for possible losses on financial assets rather than actual losses. The creation of provisions for losses will have a direct effect on the tax payer.

The Council considers that government debt, including local authority debt, is exempt from credit losses and so a provision will not be required on these types of investment. The Council's current investment portfolio is mostly invested in government debt so the credit loss provision is therefore unlikely to have a material impact on the accounts.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 will be adopted within the 2018/19 code. The standard requires contractual income as defined, to be recognised when or as the performance obligations of the contracts are satisfied, potentially changing the date the income is recognised. We do not expect that these changes will have a material impact on our accounts.

4 Critical judgements in applying accounting policies

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

- There is a lot of uncertainty about the future level of Government grant funding. The Government is committed to removing the Formula grant funding and the New Homes Bonus grant may reduce in the future. It is also unclear how Britain's decision to leave the European Union will impact on Local Government finances. We believe that we will be able to produce a balanced budget despite this and that our asset values do not need to be impaired 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.

5 Uncertainty about the future and other assumptions

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

Item	Uncertainties	Effect if assumptions change
Property, plant and equipment	Assets are depreciated over their useful lives and that life depends on how we maintain the assets. In the current economic climate there is some uncertainty about whether we may be able to continue our current level of maintenance	The average life of our assets is 42 years and the depreciation charge for the year is £3.7m. 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 33 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2018 following successful appeals. Our share of this provision is £3.8m (see Note 21). In 2017 Valuation Office Agency (VOA) completed a revaluation exercise for the Business Rates and new appeals are now being lodged for the 2017 list. The estimate for the appeals lodged before the revaluation has been calculated using the VOA ratings list of appeals, and historical data on successful appeals to date. The new check, challenge system of lodging and processing the appeals introduced for the 2017 list means that some lodged appeals will not be published by the VOA until they are validated. Due to lack of data available, we calculated our provision based on appeals lodged to date information and included properties where we think there

		is high risk of them lodging an appeal based on historical tendencies. It is possible that appeals will be settled at amounts which differ from the estimate made.
Arrears	We had a balance on sundry debtors of £19.0m at the year end. We have made an allowance for doubtful debts of £1.9m, based on various percentages of different ages of debts. In the current economic climate these assumptions may change.	If the economic conditions deteriorate, a doubling of the allowance for doubtful debts would require us to set aside another £1.9m.
Fair Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 16 below.</p>	The Council uses Level 1 and 2 observable inputs for valuing its Investment properties and financial instruments. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.

6 Note to the Expenditure and Funding Analysis

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

2016/17						2017/18						
Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases	Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases
(Note 1)	(Note 2)	(Note 3)		(Note 4)			(Note 1)	(Note 2)	(Note 3)		(Note 4)	
£ 000	£ 000	£ 000	£ 000	£ 000	£ 000		£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
-	14		14		14	Chief Executive	-	24		24		24
-	-		-		-	Corporate Management & DRM	-	-		-		-
						Corporate Services				-		-
29	235		264		264	Corporate Services	22	486		508		508
327	60		387		387	Digital Strategy	327	144		471		471
						Financial Services						
14	210		224	4,186	4,410	Housing Benefits, Revenues & Financial Support	15	471		486	4,186	4,672
61	41		102	52	154	Strategic Housing	82	103		185	49	234
2,762	196		2,958		2,958	Planning and Building Control	1,652	455		2,107		2,107
						Public Places						
414	165		579	(201)	378	Parks & Green Spaces	529	353		882	(132)	750
907	385		1,292	50	1,342	Recycling & Waste Services	945	829		1,774	(67)	1,707
642	116		758	4	762	Public Health & Protection	757	256		1,013	4	1,017
52	12		64	22	86	Cemetery and Crematorium	121	33		154	23	177
129	48		177	115	292	Building Services	253	114		367	106	473
						Community Services						
194	152		346	37	383	Support, Parking	370	338		708	39	747
967	327		1,294		1,294	Leisure and Cultural Services	934	744		1,678		1,678
	(115)	(37)	(152)		(152)	Other Services Costs (including HB subsidy)	(17)	(4,204)	44	(4,177)		(4,177)
6498	1,846	(37)	8,307	4,265	12,572	Spending on current services	5,990	146	44	6,180	4,208	10,388
(1,680)			(1,680)	76	(1,604)	Other operating expenditure	(15,090)			(15,090)	121	(14,969)
(1,577)	3,110		1,533	(4,341)	(2,808)	Financing and investment	(1,160)	3,148		1,988	(4,329)	(2,341)
(7,081)		(6,608)	(13,689)		(13,689)	Taxation and general grants	(10,566)		1,355	(9,211)		(9,211)
(3,840)	4,956	(6,645)	(5,529)	-	(5,529)	Total spending on services	(20,826)	3,294	1,399	(16,133)	-	(16,133)

1) Adjustments for Capital Purposes

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

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

Financing and investment income and expenditure – The statutory charges for capital financing including MRP.

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

2) Net Change for the Pension Adjustments

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

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

3) Other Statutory Adjustments

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

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

4) Other Non-Statutory Adjustments

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

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

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

- Housing benefit payments (£45.7m)
- Government grant in respect of housing benefit paid to the Council (£43.9m)
- Income from sales, fees and charges and rents (£30.6m)
- Employee costs (£31.0m)

8 Events after the Balance sheet date

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

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

Accounting Policy

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

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

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

Movements in 2016/17	General fund	Capital receipts	Capital grants unapplied	Total usable reserves	Unusable reserves
	£ 000	£ 000	£ 000	£ 000	£ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)					
Depreciation and impairment of non-current assets	(3,565)	-	-	(3,565)	3,565
Revaluation losses on property, plant and equipment	761	-	-	761	(761)
Change in the market value of investment properties (+gain/-loss)	885	-	-	885	(885)
Amortisation of intangible assets	(245)	-	-	(245)	245
Capital grants and contributions applied to capital financing	1,290	-	-	1,290	(1,290)
Movement in the donated assets account	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,450)	-	-	(3,450)	3,450
Gain or loss on the disposal of non-current assets	(125)	(3,311)	-	(3,436)	3,436
Unrealised Gain on Investments	-	-	-	-	-
Inclusion of items not included in the CI&ES					
Statutory provision for the financing of capital investment	228	-	-	228	(228)
Capital expenditure charged to the general fund	464	-	-	464	(464)
Adjustments involving the capital receipts reserve					
Asset sale proceeds credited to the CI&ES	1,809	(1,869)	-	(60)	60
Use of capital receipts to fund new capital spending	-	6,355	-	6,355	(6,355)
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
Adjustments involving the capital grants unapplied account					
Reversal of unapplied capital grants and contributions credited to the CI&ES	2,309	-	(2,309)	-	-
CIL grant	3,481	-	(3,481)	-	-
Grants applied to capital financing	-	-	2,848	2,848	(2,848)
Adjustments involving the deferred capital receipts reserve					
Deferred asset sale proceeds credited to the CI&ES	-	-	-	-	-
Adjustments involving the financial instruments adjustment account					
Difference between financing costs charged under statutory and accounting requirements	-	-	-	-	-
Adjustments involving the pension reserve					
Reversal of post-employment benefits charged to the CI&ES	(8,334)	-	-	(8,334)	8,334
Employer's pension contributions paid in the year	3,378	-	-	3,378	(3,378)
Actuarial gains or losses	-	-	-	-	-
Adjustments involving the collection fund adjustment account					
Adjustment for Council Tax collection fund income	153	-	-	153	(153)
Adjustment for Non-domestic rates collection fund income	6,456	-	-	6,456	(6,456)
Adjustments involving the unequal back-pay adjustment account					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	-	-	-	-	-
Adjustments involving the accumulating compensated absences adjustment					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	37	-	-	37	(37)
Total adjustments	5,529	1,174	(2,942)	3,761	(3,761)

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

10 A detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Insurance reserve	Future replacement of assets	Digital Strategy	Contingency	Chelmsford Development	NNDR reserve	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2016	1,047	939	2,799	-	3,082	4,131	5,000	873	17,871
Transfers in	2,794	233	1,537	-	-	2,446	-	117	7,127
Transfers out	(367)	(295)	(463)	-	(696)	-	(5,000)	(317)	(7,138)
Balance at 31 March 2017	3,474	877	3,873	-	2,386	6,577	-	673	17,860
Transfers in	1,369	292	1,738	652	1,129	2,498	37	591	8,306
Transfers out	(4,705)	(228)	(2,617)	-	(175)	(297)	-	(229)	(8,251)
Balance at 31 March 2018	138	941	2,994	652	3,340	8,778	37	1,035	17,915

a Pensions

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

b Insurance reserve

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

c Future replacement of assets

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

d Digital Strategy

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

e Contingency reserve

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

f Chelmsford Development Fund

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

g NNDR reserve

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

11 Other operating expenditure

2016/17			Other operating expenditure	2017/18		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
2,275	-	2,275	Parish council precepts	2,391	-	2,391
3,153	(3,077)	76	(Gains) or losses on trading operations (note 25)	3,291	(3,170)	121
125	-	125	(Gain) or losses on disposal of non-current assets	-	(13,841)	(13,841)
-	(1,808)	(1,808)	(Gain) or losses on disposal of unattached assets	-	(1,250)	(1,250)
3	-	3	Payments to the Housing capital receipts pool	1	-	1
5,556	(4,885)	671		5,683	(18,261)	(12,578)

12 Financing and investments

2016/17			Financing and investments	Notes	2017/18		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
-	(729)	(729)	Interest and investment income	16	-	(707)	(707)
-	-	-	Interest we have to pay	16	19	-	19
10	-	10	Interest on finance leases	16	-	-	-
3,110	-	3,110	Pension interest and remeasurement of the liabilities of the pension fund	33	3,148	-	3,148
-	(885)	(885)	Revaluation of investment properties		-	(549)	(549)
334	(4,675)	(4,341)	Investment properties	25	352	(4,681)	(4,329)
3,454	(6,289)	(2,835)			3,519	(5,937)	(2,418)

13 Taxation and non-specific grants

2016/17			Taxation & general grants	2017/18		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(1,359)	(1,359)	Revenue support grant	-	(387)	(387)
-	(32,662)	(32,662)	National non-domestic rates	-	(30,608)	(30,608)
29,240	(761)	28,479	Government tariff, s31 grant, levy and safety net on non-domestic rates	27,360	(1,702)	25,658
-	(13,624)	(13,624)	Demand on the collection fund	-	(14,289)	(14,289)
-	(9,434)	(9,434)	Capital grants, New homes bonus, Council Tax freeze grant, contributions from the Business rates pool and other contributions	-	(13,298)	(13,298)
29,240	(57,840)	(28,600)	Total recharged services	27,360	(60,284)	(32,924)

14 Movements on our assets

Independent external valuers are used to revalue our properties and we will review a proportion of our assets every year. The valuations for 2017/18 were undertaken by Wilkes Head and Eve on 31st December 2017.

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

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

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

Accounting policies

Assets held for sale

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

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

We do not charge depreciation on assets held for sale.

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

Charges to revenue for assets

We charge service revenue accounts, central support services and trading undertakings for all the fixed assets they use to provide their services. The charge covers the estimated 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 amortised (depreciated) annually based on its estimated life. The assets are reviewed for impairment annually and if found to be less productive, we charge losses to the service using it. The cost is reversed out before affecting council tax.

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

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

Different types of asset are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- 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 in their existing use.
- Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell.
- Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. They are valued at their fair value.

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

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

We charge decreases in valuations as follows:

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

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

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

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

We reduce the value of most of our assets steadily throughout their useful lives from the time they are ready for use (depreciation). The exceptions to this are community assets, freehold

investment properties and other assets held for sale (but only from the date we have decided to sell them).

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

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	10-66 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.

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings £ 000	Vehicles and equipment £ 000	Infra-structure £ 000	Community assets £ 000	Assets being built £ 000	Surplus assets £ 000	Total £ 000
Net book value on 1 April 2016 (after depreciation)	126,361	8,023	-	5,379	370	1,398	141,531
Total book value on 1 April 2016	127,043	16,730	-	5,379	370	1,402	150,924
Assets we have transferred	1,253	137		(534)	(856)		-
Assets we have bought or improved	909	1,193			2,252		4,354
Assets that were donated							-
Adjustment to accruals for assets we bought							-
Assets we have sold	(632)	(114)					(746)
Assets no longer required		(1,243)					(1,243)
Assets we have impaired							-
Assets revalued	9,149					21	9,170
Total book value on 31 March 2017	137,722	16,703	-	4,845	1,766	1,423	162,459
Depreciation and impairment on 1 April 2016	682	8,707	-	-	-	4	9,393
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have sold		(1,339)					(1,339)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Depreciation written out	(1,980)					(3)	(1,983)
Depreciation for the year	1,908	1,653					3,561
Depreciation on 31 March 2017	610	9,021	-	-	-	1	9,632
Net book value on 31 March 2017 (after depreciation)	137,112	7,682	-	4,845	1,766	1,422	152,827

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

FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Historic cost	1,360	15,324	-	4,828	11,386	-	32,898
Carrying fair value at:							
31 March 2018 (valuation date 31/12/2017 & 31/03/2018)	43,275						43,275
31 March 2017 (valuation date 31/12/2016)	80,396			12		1,359	81,767
31 March 2016 (valuation date 31/12/2015)	8,300					66	8,366
31 March 2015 (valuation date 31/03/2015)	1,840			25			1,865
31 March 2014 (valuation date 1/04/2013)	3,110						3,110
Total	138,281	15,324	-	4,865	11,386	1,425	171,281

The Council has impaired the Riverside public car park in 2017/18 as a result of redeveloping Riverside Ice and Leisure centre.

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	Assets being built	Assets	2016/17
	£ 000	£ 000	£ 000
Balance on 1 April	-	68,355	68,355
Additions			
Properties we bought	40	-	40
Properties we built	-	-	-
Properties we improved	-	2,785	2,785
Disposals	-	(2,775)	(2,775)
Net gain or (loss) from fair value adjustments	-	885	885
Transfers (to) or from	-	-	-
Stocks	-	-	-
Property, plant and equipment	-	-	-
Other changes	-	-	-
Balance on 31 March	40	69,250	69,290

Assets being built	Assets	2017/18
£ 000	£ 000	£ 000
40	69,250	69,290
-	3,928	3,928
-	-	-
-	-	-
-	(734)	(734)
-	549	549
-	-	-
-	-	-
-	225	225
-	-	-
40	73,218	73,258

The operating costs and income from our investment properties can be found in note 25 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 2018 £ 000
Recurring fair value measurements using:				
Commercial Site	-	10,058	-	10,058
Development site	-	8,450	-	8,450
Pending Sale	-	-	-	-
Residential (market rental) properties	-	257	-	257
Retail Sites	-	54,453	-	54,453
Balance on 31 March	-	73,218	-	73,218

ASSETS HELD FOR SALE	Current assets	
	2016/17	2017/18
	£ 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)	<----- 2016/17 ----->		
	Software licences	Work in progress	Total
	£ 000	£ 000	£ 000
Net book value on 1 April (after amortisation)	761	36	797
Total book value on 1 April	3,680	36	3,716
Assets we have transferred	56	(56)	-
Assets we have bought or improved	95	20	115
Assets that were developed internally	-	-	-
Adjustment to accruals for assets we bought	(4)	-	(4)
Assets no longer required	(317)	-	(317)
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	3,510	-	3,510
Amortisation on 1 April	2,919	-	2,919
Assets we have transferred	-	-	-
Amounts written out on assets we have finished with	(307)	-	(307)
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	245	-	245
Amortisation on 31 March	2,857	-	2,857
Net book value on 31 March (after amortisation)	653	-	653

<----- 2017/18 ----->		
Software licences	Work in progress	Total
£ 000	£ 000	£ 000
653	-	653
3,510	-	3,510
(5)	-	(5)
24	-	24
-	-	-
-	-	-
(264)	-	(264)
-	-	-
-	-	-
-	-	-
3,265	-	3,265
2,857	-	2,857
(5)	-	(5)
(265)	-	(265)
-	-	-
-	-	-
-	-	-
-	-	-
258	-	258
2,845	-	2,845
420	-	420

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, at the end of 2016/17 we did have some finance leases which were repaid in 2017/18.

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		
	2016/17	2017/18
	£ 000	£ 000
Opening capital finance requirement at 1 April	404	177
Expenditure on		
Property plant and equipment	4,355	11,547
Investment properties	2,825	3,926
Intangible assets	111	24
Revenue expenditure funded from capital under statute and Renovation Loans	3,668	2,409
Less sources of finance		
Capital receipts	(6,355)	(13,633)
Government grants and other contributions	(4,140)	(3,839)
Revenue funding	(463)	(435)
MRP	(228)	(176)
Capital financing requirement at 31 March	177	-

15 Heritage assets

Accounting Policies

Heritage assets

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

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

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

- **Archaeology and Numismatics**
- **Pottery, drinking glasses and pewter**
- **Works of art**
- **Natural History taxidermy, botanical and geological specimens**
- **Social, agricultural and industrial history, including costume**
- **Statues**
- **Mayor's office**
- **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, and are displayed under a 25-year management agreement with the Council signed in March 1999. This stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections. However, we do not include regimental collections in our Balance sheet valuations.

Heritage intangible assets

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

Heritage Valuers

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

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

Heritage assets by category

Heritage Assets	Archaeology and Numismatics	Natural History taxidermy, botanical and geological specimens	Pottery, drinking glasses and pewter	Social, agricultural & industrial history, including costume	Statues	Mayor's Office	Works of Art	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
1st April 2016	208	215	456	1,021	458	136	1,014	3,508
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluations	4	4	9	33	9	3	20	82
Impairments -Losses/reversals in revaluation reserve	-	-	-	-	-	-	-	-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
31 March 2017	212	219	465	1,054	467	139	1,034	3,590
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluations	8	8	16	37	16	5	36	126
Impairments -Losses/reversals in revaluation reserve	-	-	-	-	-	-	-	-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
31 March 2018	220	227	481	1,091	483	144	1,070	3,716

Commentary on movements

The movement on heritage assets reflects the fact that no material purchases or donations were made in 2015/16, 2016/17 or 2017/18. 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.

Heritage Assets	2016/17	2017/18
Summary of Movements	£000s	£000s
Cost Acquisitions of Heritage Assets	-	-
Donations of Heritage Assets	-	-
Disposals of Heritage Assets	-	-
Impairments of Heritage Assets	-	-

16 Categories of financial assets and liabilities

Accounting policy

We record our investments and borrowings in the following ways:

- *Most of our investments are deposits with banks, building societies or other UK local authorities. We have to show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due at the balance sheet date is shown in the Comprehensive income and expenditure statement. These types of investment are 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 Council accounts for them as available for sale, 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 by 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.

2016/17 £ 000	SHORT-TERM	2017/18 £ 000
	Loans and receivables	
40,664	Short-term investments	35,662
23,709	Cash equivalents	25,486
67	Cash	59
13,511	Receivables	14,314
77,951		75,521
	Other financial liabilities	
(5,616)	Trade payables	(6,202)
(586)	Cash overdrawn	(820)
(6,202)		(7,022)

2016/17 £ 000	LONG-TERM	2017/18 £ 000
	Loans and receivables	
-	Loans and receivables	-
4	Mortgages	2
1,928	Other long-term debtors	3,977
6,280	Long-term investments	14,625
8,212		18,604
	Other financial liabilities	
-	Long-term borrowing	-
(766)	Long-term creditors	(1,936)
(766)		(1,936)

2016/17					Financial Assets & Liabilities	2017/18				
Financial liabilities	Financial assets			Total		Financial liabilities	Financial assets			Total
Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss			Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss	
£ 000	£ 000	£ 000	£ 000			£ 000	£ 000	£ 000	£ 000	
10	-	-	-	10	Interest paid (note 12)	19	-	-	-	19
-	-	-	-	-	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	-	-	-	-	Impairment losses	-	-	-	-	-
-	-	-	-	-	Fees paid	-	-	-	-	-
10	-	-	-	10	Net cost of services - total cost	19	-	-	-	19
-	(729)	-	-	(729)	Interest received (note 12)	-	(707)	-	-	(707)
-	-	-	-	-	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Increases in fair value	-	-	-	-	-
-	-	-	-	-	Interest accrued on impaired assets	-	-	-	-	-
-	-	-	-	-	Fees received	-	-	-	-	-
-	(729)	-	-	(729)	Net cost of services - total income	-	(707)	-	-	(707)
-	-	-	-	-	Gains on revaluation	-	-	(335)	-	(335)
-	-	135	-	135	Losses on revaluation	-	-		-	-
					Amounts recycled to cost of services after impairment					
-	-	-	-	-		-	-	-	-	-
					(Surplus) or deficit on revaluation of financial assets in other comprehensive income and expenditure					
-	-	135	-	135		-	-	(335)	-	(335)
10	(729)	135	-	(584)	Net (gain) or loss for the year	19	(707)	(335)	-	(1,023)

Fair value

The fair value is calculated by comparing investments made at the year end to the interest rates available on 31 March 2018 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.

Fair Value	1 April 2016		31 March 2017		31 March 2018	
	Amortised	Fair value	Amortised	Fair value	Amortised	Fair value
	cost £ 000	£ 000	cost £ 000	£ 000	cost £ 000	£ 000
Financial assets						
Investments and cash equivalents	53,791	53,880	70,740	70,846	75,569	75,414
Cash	67	67	67	67	59	59
Leasing debtor	-	-	-	-	-	-
Long-term receivables	3,677	3,677	1,928	1,928	3,977	3,977
Financial liabilities						
Cash	(520)	(520)	(586)	(586)	(820)	(820)
Borrowing	-	-	-	-	-	-

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value	Valuation technique to measure fair value	31st March 2017	31st March 2018
Local Authority Property Fund	Level 1	Unit Prices	6,280	6,620
Royal London Fund	Level 1	Unit Prices	4,999	4,997
Barclays Bank PLC AAA rated FRN	Level 1	Market price	-	3,008
			11,279	14,625

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 (limits approved at February 2017 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, Government Bills or Gilts	UK Government	No Limit	5 years
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years
UK Banks	A-	£3m each	364 days
Building Societies	A-	£3m each	364 days
Money Market Funds (per fund)	AAA	£6m each fund	Instant access
Non-UK Banks	AA-	£3m each	364 days
Non-UK Banks	A-	£3m each	100 days
Registered Social Landlord Loans (these deposits would be	A-	£3m each	364 days
Covered Bonds (per bond)	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	364 days
Supranational Bonds (per institution)	AAA	£6m	3 years
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee	

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-18		31-Mar-18	31-Mar-18	31-Mar-17
	£ 000	%	%	£ 000	£ 000
Bonds, Gilts, Deposits with banks, Fund Managers and building societies	75,773	Nil	Nil	Nil	Nil
Debtors (excluding prepayments)	14,314	14.31%	12.26%	1,754	1,656
Long-term debtors, former right-to-buy mortgages and other loans	4,212	10.61%	6.24%	263	229
				2,017	1,885

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

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

2016/17	Age of debt	2017/18
£ 000		£ 000
9,508	Less than three months	9,972
436	Three to six months	783
834	Six months to a year	709
2,733	More than a year	2,850
13,511		14,314

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 do not 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.

2016/17 £ 000	Financial assets returned to the Council in	2017/18 £ 000
44,338	Less than three months, including cash	41,110
8,022	Three to six months	10,029
12,013	Six months to a year	10,009
6,280	More than a year	14,625
70,653		75,773

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 principally in bank and local authority deposits, their value does not change in our accounts. We must note in our accounts the effect, if there had been one, of a 1% change in interest rates on our variable investments in 2017/18. The effect of a 1% increase in interest rates would have resulted in an extra income of £859,000 (or £303,000 just on variable rate investments). If interest rates had fallen by 1%, the loss of interest would have been the same amount.

17 Major commitments under capital contracts

On the 31st March 2018, we were legally committed to the following schemes:-

Museum Extension £0.9m. Building works and creation of Café area
Acquisition of Land at Wharf Road £2.7m
Riverside Sports Centre Redevelopment £26m
Improvements to Mill Yard £2.1m

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

Museum Extension £1m. The redisplay of exhibits
Remediation and Development of Land at Wharf Road £1.8m
Flood Alleviation Scheme Contribution, £4.8m
Beaulieu Park Station £2.9m

18 Debtors

Accounting Policy

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

2016/17 £ 000	Debtors	2017/18 £ 000
723	Government departments ***	865
2,831	Other local authorities ***	4,004
15,555	Other organisations and individuals	16,343
(2,127)	Debts we may not be able to collect	(1,901)
16,982		19,311

*** Balances with related parties

19 Cash and cash equivalents

Accounting Policy

Cash is represented by cash in hand and balances with banks where we can access the money within a day. Cash equivalents are investments that when made, last no longer than 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.

2016/17 £ 000	Cash & cash equivalents	2017/18 £ 000
67	Cash held by officers	59
(586)	Bank current accounts	(820)
23,709	Cash equivalents (short-term deposits)	25,486
23,190		24,725

20 Creditors

2016/17	Creditors	2017/18
£ 000		£ 000
9,034	Government departments ***	7,925
5,501	Other local authorities ***	5,707
6,261	Sundry creditors	6,950
1,264	Receipts in advance	1,420
22,060		22,002

*** Balances with related parties

21 Provisions

Accounting policy

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

Provisions	NDR appeals	Total
	£ 000	£ 000
Balance at 1 April 2016	5,843	5,843
Transfers in	-	-
Transfers out	(1,528)	(1,528)
Balance at 31 March 2017	4,315	4,315
Transfers in	-	-
Transfers out	(506)	(506)
Balance at 31 March 2018	3,809	3,809
Explanation	The amount that may be repayable if appeals against NDR valuations are successful	

22 Unusable reserves

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

Unusable Reserves	Revaluation reserve	Capital adjustment account	Deferred capital receipts	Available for sale financial instruments reserve	Collection fund adjustment account	Pension reserve (note 33)	Accumulating compensated absences adjustment account	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2016	58,688	155,952	8	1,414	(4,879)	(90,561)	(467)	120,155
Change on the reserve during the year	9,791	2,763	(4)	(135)	6,609	(29,848)	37	(10,787)
Balance at 31 March 2017	68,479	158,715	4	1,279	1,730	(120,409)	(430)	109,368
Change on the reserve during the year	(2,986)	11,873	(2)	335	(1,355)	15,231	(44)	23,052
Balance at 31 March 2018	65,493	170,588	2	1,614	375	(105,178)	(474)	132,420
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 difference between what we paid for our investments and what they are valued at	Adjusting for paid and accrued council tax and NNDR	Our liability to pay future pensions	The value of the leave that our employees have not taken at the end of the year	

Revaluation reserve

2016/17 £ 000	Revaluation Reserve	2017/18 £ 000
58,688	Opening balance	68,479
10,479	Revaluation of assets	1,506
-	Impairment losses	(3,725)
-	Write-out of revaluations of assets we have sold	(8)
(688)	Difference between fair value and historic	(759)
-	Depreciation and amortisation chargeable to the revaluation reserve	-
68,479		65,493

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

Capital adjustment account

2016/17 £ 000	Capital Adjustment Account	2017/18 £ 000
155,952	Opening balance	158,715
(3,810)	Allowance for depreciation and amortisation	(3,959)
688	Less depreciation and amortisation charged to the revaluation reserve	759
(3,450)	Revenue expenditure funded from capital	(2,370)
761	Impairments and amortisation charged to revenue	339
-	Transfer from revaluation reserve on disposals	
228	Adjustment plus MRP split on final	176
(61)	Repaid Capital loan receipts	16
10,958	Application of receipts and contributions	17,906
(3,436)	Assets disposed of	(1,543)
885	Movements in the value of investment	549
-	Movements in the value of donated assets in the CI&ES	-
158,715		170,588

23 Cashflow

2016/17 £ 000	I&E to cash flow	2017/18 £ 000
	Revenue shortfall or (surplus)	
258	Movement on the General fund	(371)
(95)	Provision for bad debts	226
3,450	Revenue funded by capital under statute	2,370
(228)	Minimum revenue provision	(176)
(372)	Asset replacement reserve	(435)
3	Housing Capital Receipts pool	1
-	Commuted sums	-
11	GF contribution to reserves	(56)
3,027		1,559
(6,609)	Our part of the collection fund	1,356
(3,582)		2,915
	Non-cash transactions	
1,491	Transfers to reserves	550
10,784	Net throughput on the collection fund	(2,491)
12,275		(1,941)
	Change in	
39	Stock	1
(1,358)	Debtors	4,149
(9,071)	Creditors	58
(10,390)		4,208
(1,697)	Net cash (inflow) or outflow from revenue activities	5,182

24 Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income.

2016/17	Expenditure and Income Analysed by Nature	2017/18
£ 000		£ 000
	Expenditure	
31,672	Employee benefits expenses	36,332
20,879	Other services expenses	22,523
6,633	Depreciation, amortisation, impairment	5,654
10	Interest payments	19
2,275	Precepts and levies	2,391
3	Payments to Housing Capital Receipts Pool	1
3,110	Pension interest and return on investment	3,148
24,892	Remeasurement of the assets of the pension fund	(18,525)
(13,047)	Gain or loss on the disposal and revaluation of Assets	(13,421)
76,427	Total Expenditure	38,122
	Income	
(30,616)	Fees, charges and other services income	(31,372)
(729)	Interest and investment income	(707)
(13,624)	Income from Council Tax	(14,289)
(15,086)	Government grants and other contributions	(14,390)
(7,083)	Capital Grants and contributions	(10,565)
(67,138)	Total Income	(71,323)
9,289	Total expenditure and income	(33,201)

25 Trading operations

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

2016/17			Trading accounts not shown in Spending on current services	2017/18		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			Other operating expenditure			
2,773	(2,639)	134	Grounds maintenance	2,768	(2,706)	62
380	(438)	(58)	Vehicle maintenance	523	(464)	59
3,153	(3,077)	76		3,291	(3,170)	121
			Financing and investment			
334	(4,675)	(4,341)	Investment properties	352	(4,681)	(4,329)
334	(4,675)	(4,341)		352	(4,681)	(4,329)
3,487	(7,752)	(4,265)	Total trading activity	3,643	(7,851)	(4,208)

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

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

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

26 South Essex Parking Partnership (SEPP)

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

2016/17		Revenue expenditure	2017/18	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
1,855	530	Expenditure	1,871	481
(2,258)	(844)	Income	(2,406)	(961)
(403)	(314)	Net position	(535)	(480)

27 Councillors' allowances

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

2016/17 £ 000	Councillors allowances	2017/18 £ 000
325	Basic allowance	328
167	Special responsibility allowance	168
5	Other expenses	5
11	Mayor and Deputy Mayor allowance	15
508	Total we paid in the year	516

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

28 Employee pay

Accounting policy

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

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

Employee pay band	Number of employees		Number who left in the year	
	2016/17	2017/18	2016/17	2017/18
£50,000–54,999	13	10	2	1
£55,000–59,999	7	9	1	1
£60,000–64,999	3	4	1	1
£65,000–69,999	3	2	-	1
£70,000–74,999	1	3	-	-
£75,000–79,999	1	1	-	-
£80,000–84,999	-	1	-	-
£85,000–89,999	-	1	-	1
£90,000–94,999	-	-	-	-
£95,000 – 99,999	-	-	-	-
£100,000 - 104,999	-	1	-	1
£105,000 – 109,999	-	1	-	1
£110,000 - 114,999	-	-	-	-
£115,000 – 119,999	-	-	-	-
£120,000 - 124,999	-	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.

Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind	Employer pension contributions ****	TOTAL
2016/17	£	£	£	£	£	£	£
Chief Executive (Mr S Packham)	135,739				2,034	17,972	155,745
Directors of:							
Corporate Services	121,874				2,034	16,250	140,158
Financial Services	115,748				8,786	16,250	140,784
Public Places	120,146				1,627	15,938	137,711
Community Services	116,027				5,093	16,250	137,370
Sustainable Communities	86,710				10,252	12,187	109,149

Chief officers	Salary, fees and allow- ances	Bonuses	Expense allow- ances	Compen- sation for loss of employ- ment	Benefits in kind ***	Employer pension contri- butions ****	TOTAL
2017/18	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh) Started 22 Feb 18	17,060				187	2,515	19,762
Chief Executive (Mr S Packham) Up to 24 Oct 17	83,898				2,881	11,265	98,044
Directors of:							
Corporate Services	122,534				2,250	18,042	142,826
Financial Services Changed position 22 Feb 18	105,767				7,035	16,163	128,965
Public Places	120,848				1,800	17,696	140,344
Community Services	116,592				7,880	18,042	142,514
Sustainable Communities	87,300				11,623	13,532	112,455

Mr Steve Packham was in the Chief Executive post as part-time (75% of a full-time equivalent). The full-time equivalent up to 24 October 2018 would be £126,024.

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £136,243.

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

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

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

2016/17 £ 000	Termination benefits	2017/18 £ 000
	Termination benefits	
367	Redundancy costs	525
31	Additional pension costs	151
398	Total spending	676
	No of employees whose employment was terminated	
22		18

2016/17		Exit packages	2017/18	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
18	178	£0 - £20,000	8	74
9	283	£20,001 - £60,000	7	265
-	-	£60,001 - £200,000	4	345
27	461	Total	19	684

We made six employees compulsorily redundant in 2017/18, and two in the previous year.

29 External audit costs

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

2016/17 £ 000	External audit costs	2017/18 £ 000
	Fees we paid to the auditor	
81	Basic audit	88
-	Other Audit Services	-
81	Total we paid in the year	88

30 Grants

Accounting policy

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

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

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

2016/17		2017/18
£ 000	Grants and contributions	£ 000
44,911	Housing benefits grants	43,922
2,925	Other grants and contributions	3,201
47,836		47,123

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.

2016/17		2017/18
£ 000	Donated assets	£ 000
-	Opening balance	-
-	Additional contributions	-
-	Donations where conditions have been met	-
-		-

2016/17		2017/18
£ 000	Capital grants received in advance	£ 000
3,497	Opening balance	4,206
709	In-year movements	(665)
4,206		3,541

31 Related party transactions

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

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

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

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

Some of our Members are also Parish Councillors. We receive funds for the Chelmsford Development fund from the Developers some of which we then pay over to other organisations when agreement conditions are met. During 2017/18 we paid from the Chelmsford Development fund the amounts to the following parishes Boreham, £38,522, Good Easter, £1,175, Little Baddow, £5,050, Rettendon, £8,287, South Hanningfield, £8,136, South Woodham Ferrers, £4,551, Springfield, £1,116, Stock, £17,655 and Writtle, £6,351.

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

Chelmsford Age Concern, £5,000
Chelmsford Citizens Advice Bureau (CAB), £113,000
Chelmsford Council for Voluntary Services (CVS), £54,000
Chelmsford YMCA, £25,000
Chelmsford United Charities, £2,000

During 2017/18 we paid Event Sound and Light Limited £52,717 a Member's son is a partner in this company, and we paid Colchester Arts Centre £750 a Chief Officer is a Trustee. We also paid the Museum Association £894 a Councillor is a Board Representative.

In addition, the following groups paid us rents: Chelmsford CAB £29,880 and Chelmsford CVS £11,708.

32 Leases

Accounting policies

Leases we get from other organisations

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

For finance leases we include the depreciated fair value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the landlord. We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, 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 effectively handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments are then split using a calculation into interest paid to the Council and payment for the sale of the asset. A long-term debtor is created in our Balance sheet and when we receive a payment for the lease it reduces the value of the debtor and recognises a capital receipt. Interest income is then credited to the Comprehensive income and expenditure statement.

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

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.

2016/17 £ 000	Finance Leases Payable	2017/18 £ 000
-	Other land and buildings	-
184	Vehicles and plant	-
184		-

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.

2016/17 £ 000	Leases	2017/18 £ 000
	Net present value of lease payments	
-	Current	-
-	Non-current	-
-	Financing costs payable in future years	-
-	Lease payments	-

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

2016/17		Lease Rentals Payable and Liabilities	2017/18	
Lease payments £ 000	Lease liabilities £ 000		Lease payments £ 000	Lease liabilities £ 000
-	-	Lease payments due in less than a year	-	-
-	-	Lease payments due from 1 to 5 years	-	-
-	-	Lease payments due in more than 5 years	-	-
-	-	Lease payments	-	-

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.

2016/17 £ 000	Operational Leases Rentals Payable	2017/18 £ 000
297	Lease payments due in less than a year	574
813	Lease payments due from 1 to 5 years	876
54	Lease payments due in more than 5 years	57
1,164		1,507

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).

2016/17 £ 000	Operational Leases Income	2017/18 £ 000
299	Lease payments due in less than a year	362
239	Lease payments due from 1 to 5 years	487
3,710	Lease payments due in more than 5 years	3,697
4,248		4,546

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

2016/17	Lease Payments for Current Services	2017/18
£ 000		£ 000
320	Operating lease payment made	315
320		315

33 Pensions

Accounting Policy

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

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

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

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

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

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

2016/17 £ 000	Charges to the Comprehensive income and expenditure account	2017/18 £ 000
	Spending on services	
	Service cost	
5,066	Current service cost	7,717
126	Previous service cost	199
(29)	(Gain)/loss from settlements	-
61	Administration expenses	59
	Other spending	
3,110	Net interest on the defined liability	3,148
8,334	Charge to the spending on current services in the comprehensive income and expenditure statement	11,123
	Other charges	
47,900	Remeasurement of the pension liability	(10,751)
(23,008)	Return on scheme assets (excluding interest)	(7,774)
24,892	Other charges to the comprehensive income and expenditure statement	(18,525)
33,226	Total charges to the comprehensive income and expenditure statement	(7,402)
3,378	Employer's contributions charged to the General fund	7,829

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 £18.5m in 2017/18 (a loss of £24.9 in 2016/17).

31 March 2017	Movements on pension fund assets and liabilities	31 March 2018
£ 000		£ 000
	Scheme liabilities	
235,624	Value at 1 April	290,267
5,066	Current service cost	7,717
1,296	Member contributions	1,325
8,124	Interest costs	7,754
	Remeasurement	
-	Scheme members	-
48,386	Financial returns	(10,751)
126	Past service (gains) or costs	199
(8,262)	Benefits paid	(7,640)
(93)	Liabilities extinguished on settlements	-
290,267	Value at 31 March	288,871
	Scheme assets	
145,063	Value at 1 April	169,858
5,014	Interest	4,606
	Remeasurement	
23,008	Return on assets (excluding interest)	7,774
486	Other	-
-	Changes in foreign exchange rates	-
(61)	Administration expenses	(59)
3,378	Employer contributions	7,829
1,296	Employee contributions	1,325
(8,262)	Benefits paid	(7,640)
(64)	Settlement prices received/ (paid)	-
169,858	Value at 31 March	183,693
120,409	Net pension liability	105,178

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

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

Pension fund balances	2012/13 £ 000	2013/14 £ 000	2014/15 £ 000	2015/16 £ 000	2016/17 £ 000	2017/18 £ 000
Present value of scheme liabilities	(212,905)	(204,878)	(237,842)	(235,624)	(290,267)	(288,871)
Fair value of assets	119,674	126,054	145,141	145,063	169,858	183,693
Surplus or (deficit) on the pension fund	(93,231)	(78,824)	(92,701)	(90,561)	(120,409)	(105,178)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £105.2m has a large effect on our net worth, resulting in an overall balance of £197.1m. However, the formal rules for funding the pension-fund deficit mean the Council's financial position remains healthy. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit will be met by contributions over 22 years. We expect to pay £3.2m to the fund next year.

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

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

2016/17 %		2017/18 %
22.1	Years we expect to pay current pensioners Men	22.2
24.6	Women	24.7
	Years we expect to pay pensioners retiring in 20 years	
24.3	Men	24.4
26.9	Women	27.0
3.6	Rate of inflation – RPI	3.4
2.7	– CPI	2.4
4.2	Rate of increase in salaries	3.9
2.7	Rate of increase in pensions	2.4
2.7	Discount rate	2.6
50	Percentage of employees choosing to take a lump-sum payment	50
10	Percentage of employees paying a 50% contribution for 50% pension	10

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

table below shows the effect on the value of the pension fund if the above assumptions change.

	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	11,149	(10,721)
Rate of increase in salaries (increase or decrease by 0.1%)	486	(482)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	4,687	(4,603)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(5,071)	5,168

The weighted average duration of the pension obligation for scheme members is 18 years in 2017/18 (18 years 2016/17).

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

31 March 2017	Scheme assets	31 March 2018
£ 000		£ 000
5,113	Cash and cash equivalents	6,317
	Stocks and shares (by type)	
13,060	UK investments	-
94,476	Overseas investments	111,444
107,536		111,444
	Bonds (by sector)	
6,903	UK Corporate	6,824
6,426	UK Government	12,220
13,329		19,044
	Property (by type)	
10,455	Listed	6,302
6,070	Unlisted	11,122
16,525		17,424
8,481	Private equity	8,445
	Other investment funds	
5,835	Infrastructure	8,435
-	Financing fund	-
2,918	Timber	3,117
2,918	Illiquid and Private Debt	2,934
7,546	Other Managed Funds	7,450
-	Currency	-
19,217		21,936
(343)	Derivatives	(917)
169,858		183,693

31 March 2017		31 March 2018
£ 000	Stocks and Shares	£ 000
	Stocks and shares (by company size)	
107,536	Listed	111,444
-	Unlisted	-
107,536		111,444

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

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

34 **Contingent liabilities**

Accounting Policy

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

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

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

35 **Contingent assets**

Accounting Policy

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

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

36 Exceptional items

We do not have any such items.

37 Community Infrastructure Levy (CIL)

We started receiving CIL payments from 1 April 2014. We have billed £5,839,000 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.

38 Government and non-government grants

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

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

2016/17		2017/18
£ 000	Grants	£ 000
	Grant received in advance	
4,207	Money received as part of planning agreements	3,541
	Capital grants unapplied	
2,620	Money received as part of planning agreements	2,377
5,251	Growth Fund grant	5,231
322	Government grants	1,679
2,757	Empty Homes grant	2,665
7,997	Community Infrastructure Levy	13,666
228	Other	284
19,175		25,902
23,382		29,443

39 Long-term creditors

2016/17 £ 000	Long-term Creditors	2017/18 £ 000
461	Section 106 contributions	1,613
-	Leases	-
305	Property transaction creditor	323
-		-
766		1,936

40 Restatements

Accounting Policy

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

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

The presentation of note 6 'Note to the Expenditure and Funding Analysis' was amended to further split other statutory and other non-statutory adjustments. This split does not result in changes to the values.

8 - Collection fund

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

2016/17			Collection Fund	Notes	2017/18		
Council Tax	Non-Domestic Rates	Total			Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000			£ 000	£ 000	£ 000
(100,172)	-	(100,172)	Income		(104,558)	-	(104,558)
			Council tax	1			
			Transfers from the General fund				
-	(79,261)	(79,261)	Non-domestic rates	2	-	(80,224)	(80,224)
-	170	170	Transitional protection		-	4,420	4,420
(100,172)	(79,091)	(179,263)			(104,558)	(75,804)	(180,362)
			Spending				
			Council Tax precepts and demands				
71,462	-	71,462	Essex County Council		74,937	-	74,937
13,479	-	13,479	Chelmsford City Council		14,225	-	14,225
9,618	-	9,618	Essex Police Authority		10,113	-	10,113
4,280	-	4,280	Essex Fire Authority		4,445	-	4,445
			Non-domestic rates precepts and demands				
-	38,653	38,653	Central Government		-	38,307	38,307
-	30,922	30,922	Chelmsford City Council		-	30,646	30,646
-	6,958	6,958	Essex County Council		-	6,895	6,895
-	773	773	Essex Fire Authority		-	766	766
			Subsidy paid towards the costs of collecting				
-	224	224	National non-domestic rates		-	217	217
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
133	-	133	Council tax		(88)	-	(88)
-	(74)	(74)	Non-domestic rates		-	44	44
			Amounts written off				
134	-	134	Council tax		465	-	465
-	1,106	1,106	Non-domestic rates		-	287	287
-	(3,819)	(3,819)	Provision for appeals		-	(1,265)	(1,265)
			Distribution of previous year's Council Tax surplus or (shortfall)				
(37)	-	(37)	Essex County Council		977	-	977
(7)	-	(7)	Chelmsford City Council		184	-	184
(5)	-	(5)	Essex Police Authority		131	-	131
(2)	-	(2)	Essex Fire Authority		59	-	59
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
-	(5,896)	(5,896)	Central Government		-	1,497	1,497
-	(4,716)	(4,716)	Chelmsford City Council		-	1,198	1,198
-	(1,061)	(1,061)	Essex County Council		-	270	270
-	(118)	(118)	Essex Fire Authority		-	30	30
99,055	62,952	162,007			105,448	78,892	184,340
			Movements on the Collection Fund				
(1,117)	(16,139)	(17,256)	(Surplus) or shortfall for the year		890	3,088	3,978
(388)	12,328	11,940	(Surplus) or shortfall at start of the year	3	(1,505)	(3,811)	(5,316)
(1,505)	(3,811)	(5,316)	(Surplus) or shortfall at end of the year	3	(615)	(723)	(1,338)

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.

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 2017/18, the council tax base was 64,396 (in 2016/17 it was 63,236). The basic amount of council tax for a property in band D was £1,611 (£1,563 in 2016/17). This is multiplied by the appropriate proportion for the particular band to give the actual amount due for that band.

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

Council tax band	Total number of properties	Number of chargeable properties	Proportion of Band D charge	Number of Band D equivalent properties
A	4,467	3,547	6 / 9	2,364
B	10,150	8,529	7 / 9	6,634
C	22,476	20,433	8 / 9	18,163
D	16,657	10,915	9 / 9	10,915
E	10,227	9,691	11 / 9	11,844
F	5,552	5,416	13 / 9	7,824
G	3,761	3,601	15 / 9	6,001
H	362	325	18 / 9	651
Total	73,652	62,457		64,396

2 Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – 47.9p in 2017/18 (49.7p in 2016/17). 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 2018, our NDR income after relief totalled £80,224,345 based on the total non-domestic rateable value for our area of £191,421,820.

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.

2016/17			Contributions to the collection fund - surpluses and shortfalls		2017/18		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000			Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
-	(1,906)	(1,906)	Central Government		-	(362)	(362)
(205)	(1,524)	(1,729)	Chelmsford City Council		(84)	(289)	(373)
(1,088)	(343)	(1,431)	Essex County Council		(444)	(65)	(509)
(147)	-	(147)	Essex Police Authority		(60)	-	(60)
(65)	(38)	(103)	Essex Fire Authority		(27)	(7)	(34)
(1,505)	(3,811)	(5,316)			(615)	(723)	(1,338)

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

4 Non-domestic rate appeals

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

Non-domestic rate appeals	Share	Provision
	%	£ 000
Central Government	50	(632)
Chelmsford City Council	40	(506)
Essex County Council	9	(114)
Essex Fire Authority	1	(13)
	100	(1,265)

5 Non-domestic rate pooling

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

6 Business Improvement District

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

9 - Independent auditors' report

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

Opinion

We have audited the financial statements of Chelmsford City Council for the year ended 31 March 2018 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
- the related notes 1 to 40 of the Authority Financial Statements and notes 1 to 6 of 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Annual Report and Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Director of Financial Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

During the 2017/18 financial year, we identified weaknesses in the Council's arrangements to support the implementation of its Digital Transformation Programme. We found that the Council was not able to evidence that it had undertaken sufficient and appropriate due diligence on the scheme in a number of areas, including options appraisal and scenario planning. We also found a lack of evidence of effective operation of the agreed governance framework supporting the implementation, scrutiny and monitoring of the Programme. This included the absence of documented evidence of compliance with agreed procedures for the

appointment and subsequent management of some key consultants and the absence of fully complete project risk register which was used effectively to monitor risks, mitigations and actions related to the Programme.

The issues above are evidence of weaknesses in proper arrangements for making informed decisions by acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph above, 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 2018.

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.

Responsibility of the Director of Financial Services

As explained more fully in the Statement of the Director of Financial Services' Responsibilities set out on page 25, 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Financial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

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

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

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 2017, 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 2018.

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, the Chelmsford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

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.

Use of our report

This report is made solely to the members of Chelmsford City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and 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.

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

The maintenance and integrity of Chelmsford City Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

10 - Glossary

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

Actuary

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

Amortisation

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

Audit Committee

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

Balance sheet

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

Cabinet

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

Capital financing costs

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

Capital receipt

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

Capital spending

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

Cash-flow statement

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

Collection fund

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

Community assets

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

Comprehensive income and expenditure statement

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

Corporate governance

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

Councillor

An elected Member of the Council.

Creditors

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

Current assets

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

Current liabilities

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

Curtailments

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

Debtors

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

Deferred contributions

Amounts paid to us for future activities.

Depreciation

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

Earmarked reserves

Money we set aside for a specific purpose.

Fair value

The value of the asset on the open market.

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.

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 Comprehensive income and expenditure account shows that we have received more income than we have spent, that account is known as being 'in surplus'.

Tangible assets

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

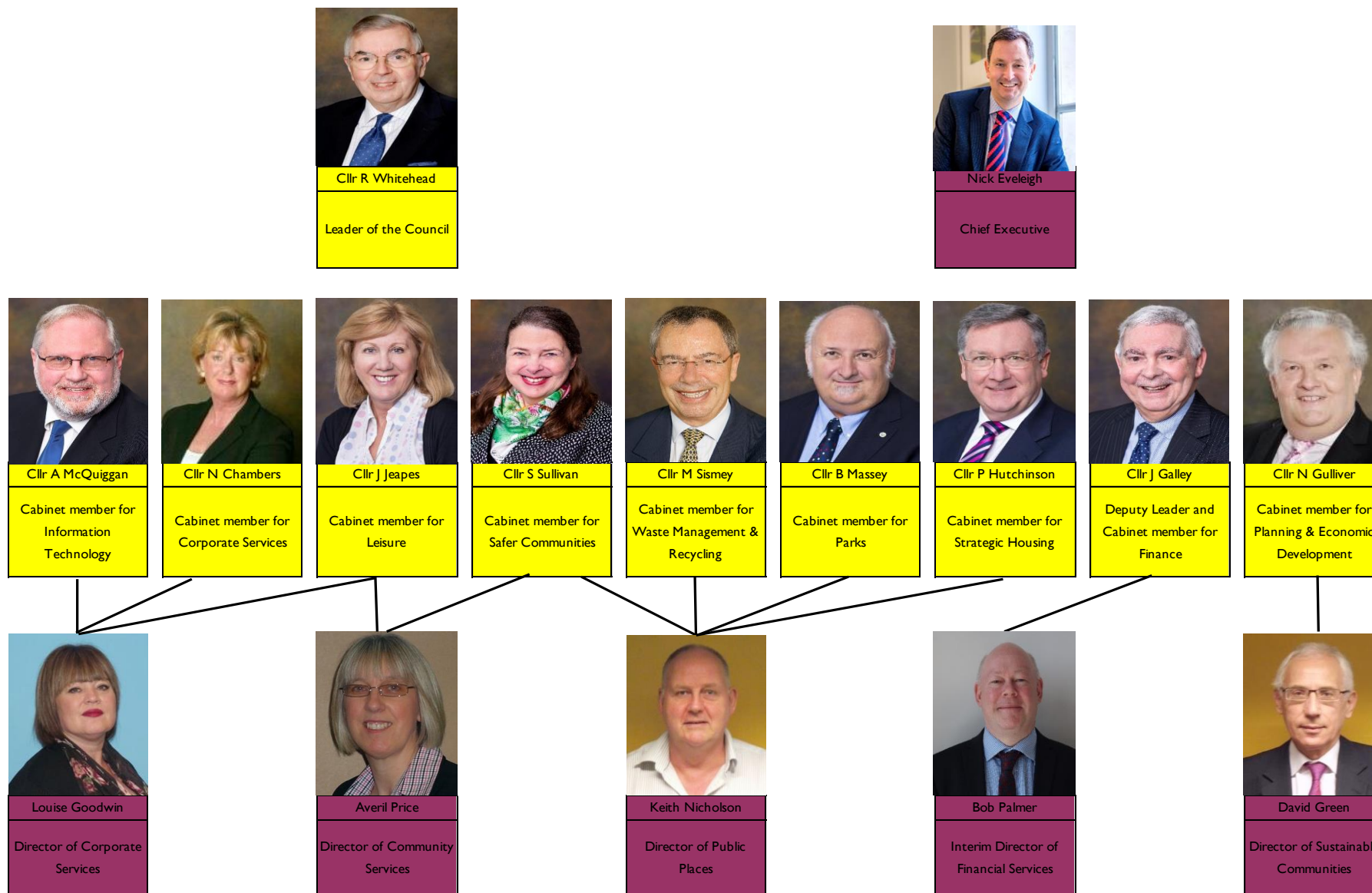
Tax base

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

Trading undertakings

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

II - Our structure chart as at 31 March 2018



CHELMSFORD CITY COUNCIL
AUDIT OF ACCOUNTS 2017/18
NOTICE OF CONCLUSION OF AUDIT

The Audit of the Council's accounts for 2017/18 has been concluded.

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

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

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

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

Dated 25 July 2018

Nick Eveleigh
Chief Executive

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE



AUDIT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2018

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 2018, 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 Interim Director of Financial Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE between 9.30 am and 4.30 pm commencing Tuesday, 29th May, 2018 and ending on Monday, 9th July, 2018.

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

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

Graham White
Interim Legal and Democratic Services Manager

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

18th May 2018