

# Audit and Risk Committee Agenda



**27 September 2023 at 7pm**

**Marconi Room, Civic Centre, Chelmsford**

## **Membership**

Councillor N. Walsh (Chair)

## **and Councillors**

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

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

# Audit and Risk Committee

## 27 September 2023

### AGENDA

#### 1. Apologies for Absence and Substitutions

#### 2. Minutes

To consider the minutes of the meeting held on 21 June 2023.

#### 3. Declaration of Interests

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

#### 4. Public Question Time

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

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

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

#### 5. Announcements

#### 6. External Audit Update

7. Draft 2022/23 Statements of Accounts
8. Health and Safety Annual Report
9. Internal Audit Plan September 2023 to March 2024
10. Counter Fraud Strategy Action Plan Update
11. Work Programme
12. Urgent Business

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

**MINUTES OF THE  
AUDIT AND RISK COMMITTEE**  
held on 21 June 2023 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors N. Bugbee, D. Clark, N. Dudley, K. Franks, S. Hall, I. Grundy, B. Knight,  
and A.B. Sosin

### 1. Attendance and Apologies for Absence

Apologies for absence were received from Councillor Raven.

### 2. Election of Vice-Chair

Councillor Grundy was nominated to be elected as Vice Chair. This was seconded and agreed by the Committee.

RESOLVED that Councillor I. Grundy be elected as Vice Chair of the Committee for 2023/24.

### 3. Minutes

The minutes of the meeting on 15 March 2023 were confirmed as a correct record.

### 4. Declarations of Interests

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

### 5. Public Questions

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

## 6. Announcements

No announcements were made by the Chair.

## 7. Risk Management Report – Spring/Summer 2023

The Committee received a report updating them on Risk Management. The report summarised the current position for the Council's Principal Risks, reviewed risk management activity for 2022/23, and outlined immediate priorities for the risk management function. The Committee was also introduced to the new Risk and Insurance Manager, Graham Page, who updated members with the report.

The Committee was informed of the key things regarding the risk management activity for 2023/24. The Principal Risks Register was to be reviewed and refreshed with the senior management team by August 2023. It was also noted the implementation of Lighthouse which would be the new risk management and compliance tool for the Council. A full insurance programme review would be taking place in preparation for the insurance tender in 2025/26. There were no changes with regards to operational risk and the Committee was informed that the Corporate Governance Group would meet in the summer and the full risk register would now be reviewed every six months. With regards to the Principal Risk Summary, it was noted that there were no changes to the scoring.

With regards to the questions and statements from the Committee, it was advised that:

- Information and data from Lighthouse was backed up in the cloud so that this would be accessible from any PC. The Committee were reassured that the Council was provided with the best possible protection from attacks. Members were informed that Lighthouse was a management tool that would allow officers to oversee compliance and actions. A demonstration of Lighthouse was offered as it would be useful for Audit & Risk Committee to see.
- Regarding the Housing Action Group formed to address housing challenges, it was advised this was an organisation response to the housing risk and a run through of the budget programmes would be needed before we would see data. The Committee were reassured that there would be an improvement to the homelessness risk score in light of this.

RESOLVED that the contents of the Risk Management Report be noted.

(7.12pm to 7.24pm)

## 8. Update on External Progress

The Committee received a report from the S151 officer regarding an update on the backlog of external audit assessments nationally and at the Council. A delegation was requested to the Chair to review and agree the overdue 2020/21 Value for Money Assessment once completed by the Council's external auditor.

The Committee was informed that the delays in the delivery of external audits was not just an issue at Chelmsford City Council but a problem that local authorities were experiencing nationally. BDO, the Council's auditor, has stated the delays are not due to any failing of the City Council. The committee were also informed of additional workloads generated by the late audit, an example is adjusting the 2021/22 accounts in light of the changes in pension funds which now resulted in the 2022/23 draft accounts being published late. The 2020/21 statement of accounts audit had just been completed and auditor's report would be circulated to the Committee in due course. It was noted that because the audit was completed late, it has little value and this was echoed by the members of the Committee.

The committee were informed that; there are national discussions on how to tackle this issue. The Government is actively working on finding a solution to the problems and there have been several workshops, consultations, and Parliamentary committee meetings. National initiatives were hoped to be announced soon.

The Committee was informed that unfortunately there was no certainty on when the accounts for 2021/22 or 2022/23 would be completed. However, it was reassured that a draft audited 2022/23 accounts would be presented at the September Audit & Risk Committee meeting. It was noted that the issues that have driven the delays were unfortunately something that would not be fixed easily and would require national action. The report noted that the Council is to have a new auditor Ernest Young for 2023/24.

In response to the comments and queries raised by members, it was advised that;

- There were signs that external auditors should be able to recruit more staff due the higher audit fees being charged.
- It was noted that the new audit contracts allowed for the client to not pay the auditor until certain stages were completed. It was noted that BDO have not been paid for 2021/22, as the audit has not yet started.

RESOLVED that the update be noted.

(7.24pm to 7.33pm)

## 9. Provisional Revenue Outturn Report for 2022/23

The Committee received a report of the Council's revenue outturn position for 2022/23, outlining the Council's expenditure and income against the approved budgets for 2022/23. The report also identified key variations that impacted the and was divided into two categories: service budgets and non-service budgets.

The Committee noted that the original budget was lower than the latest approved budget, by £2.453 million higher. This was mostly due to need to agree a higher pay settlement than expected due to rising inflation and the resulting increase in the minimum wage. The outturn also reported that at the service level, there was a total overspend against the latest approved budget of £0.865 million but an overspend against the original budget of £3.317 million. This was explained by key variations including the 2022/23 staff pay award and a £1.034 million loss of car parks income.

However, the overspend was off-set by favourable variances on non-service level budgets such as additional earnings from higher interest rates, and income from VAT Leisure refund. The Committee was also updated on the earmarked and unearmarked reserves. The general reserve was reported to be £6m million higher than projected in the 2023/24 budget report and this was mainly due to the expected Leisure VAT refund of £5.3 million from HMRC.

It was reported that further work and investigations were needed as part of the 2024/25 budget. These areas include overspends on Housing costs and business retention rates. The level of reserves was also to be addressed in the 2024/25 budget process.

RESOLVED that;

- the provisional revenue outturn report for 2022/23 and the supplementary estimates sought to approve the items for carry forward budgets in 2023/24 be noted.

(7.33pm to 7.42pm)

## 10. Capital Programme Update and Provisional Outturn 2022/23

The Committee considered a report which detailed the capital expenditure incurred in 2022/23 and gave an update on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.

The Committee was informed that the total cost of the Capital Schemes was forecasted to be a net of £0.183 million more than the latest approved budget. They were also informed that this did not include the Chelmer Waterside development which would be reviewed at the July Council meeting. This was an underspend of £37.796 million in 2022/23 Capital Schemes, which would slip into later years budgets. A risk that was reported, was that final accounts were still being negotiated with the contractors so some reported scheme costs might not reflect the final negotiated costs.

Regarding asset replacements, the Committee was informed that there was a net increase of £0.076 million and £0.176 million was moved forward to 2023/24 or later years which was favourable to the Council. The Committee were also provided reasons for variations greater than £25k in the asset replacement programme which included increase in costs to run refuse vehicles and improvement of disability facilities.

In response to the questions and comments raised by the Committee, it was advised that;

- There was a recognition made in the budget report last year that disruptions from COVID could not fully be estimated, and there was real risk of budget variances, which explains some of the differences between the outturn and the budget.
- Regarding the Chelmer Waterside development, it was advised that this would be reviewed at July Council. The decision in July would not determine the method of development but would seek approval for the capital works to enable the site to be developed.

- Regarding the development of Beaulieu Park Station, members were reminded that this was mainly an ECC scheme.
- Regarding the mass tree planting scheme, it was advised that the financing of the cost for this scheme was from both revenue and capital and money was provided in the revenue reserves.

*(Cllr Knight left at 7.57pm)*

RESOLVED that the updated capital programme and provisional outturn 2022/23 be noted.

(7.42pm to 7.58pm)

## 11. Internal Audit Annual Report 2022/23

The Committee received a report summarising the work that Internal Audit had undertaken during the financial year 2022/23, identifying key themes, highlighting how responsive management had been in implementing recommendations, and reviewing the effectiveness of Internal Audit. The Public Sector Internal Audit Standards also requires Internal Audit to provide an annual audit opinion and report.

The report concluded that the overall audit opinion was of moderate assurance and generally, sufficient controls were in place. It was found that medium risks identified were not significant to the system of internal control, the high risks were isolated to specific systems or processes, and none had an overall classification of critical risk and/or no assurance. There were high priority findings outlined in the report which are being monitored, including a review of Temporary Accommodation which remained a Principal Risk. It was also noted that there was a level of good engagement in implementing audit recommendations.

RESOLVED that the Internal Audit Annual Report 2022/23 be noted.

(7.58pm to 8.03pm)

## 12. Audit & Risk Committee Annual Report 2022/23

The Committee received a report summarising the work undertaken during 2022/23 in line with CIPFA's Position Statement for Audit Committees 2022 and information had been gathered from the previous minutes and reports during 2022/23.

RESOLVED that the annual report be noted and agreed for submission to Full Council.

(8.03pm to 8.07pm)



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

The Committee received a report outlining the revised Terms of Reference for Audit & Risk Committee and actions to be considered to ensure that the Committee was operating in line with the recently published CIPFA Audit Committees Position Statement. It was noted that the Terms of Reference were reviewed annually and should reflect the best practice framework for the Committee.

It was reported that the Committee had been adhering to the suggested additions to the Terms of Reference in practice anyway. The notable changes include considering reports on the effectiveness of financial management arrangements in compliance to the CIPFA's Financial Management Code, providing free and unfettered access to the audit committee chair for the external auditors which was noted has always been available, and for a conclusion on the compliance with the CIPFA Position Statement to be included in the annual report. The Committee was also recommended to undertake self-assessment which would be issued to members by the officers; consider training to fulfil their role in the Committee, and; consider recruitment of Co-opted Independent Members to gain independent support and expertise.

In response to questions and comments from the members of the Committee, it was advised that;

- Recommendations for the independent members came from Governance Committee's recruitment. It was found that some applications were suitable for the role of independent members for Audit and Risk Committee and there were concerns about missing out on the candidates.
- There was capacity within the members' allowance to allow payment for independent members.
- A specification for independent members would be drafted and the Terms of Reference for Audit and Risk Committee would be revised to include the role of independent members.
- Independent Members would be appointed for a term of four years.

RESOLVED that;

- The Committee noted and agreed the revised Terms of Reference and action plan for compliance with the updated best practice.
- The recruitment of independent members to be delegated to officers in consultation with the Chair.

(8.07pm to 8.24pm)

### 14. Work Programme

The Committee was updated of the rolling work programme of future reports and work for the next series of meetings.

RESOLVED that the work programme to be agreed.

(8.24pm to 8.25pm)

## 15. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.25pm.

Chair



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## Chelmsford City Council Audit and Risk Committee

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

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### **Update on External Process**

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Report by: Accountancy Services Manager (Section 151 officer)

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#### **Officer Contact:**

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

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#### **Purpose**

This is an update on significant delays to the external audit of the statement of accounts.

#### **Recommendations**

That the Committee note the latest information on the delays in external audit assessments and provide views as necessary on the issues.

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## 1. Introduction

- 1.1 As reported at previous committee meetings, there are significant delays to the external audit of Chelmsford City's accounts by BDO.
- 1.2 Nationally only a minority of external audits have been completed on time.
- 1.3 The lateness of the audits over the last few years has implications not just for the scrutiny of accounts, but also for the workload of the Council.

## 2. Background

- 2.1 BDO the Council's external auditor remains unable to advise on the timing of the restart of their audit work. This means Value-For-Money and Financial Accounts audits for 2021/22 and 2022/23 have not yet begun.
- 2.2 It is unclear how a handover to EY the auditor for 2023/24 will be achieved in the circumstances.
- 2.3 This position is repeated in most local authorities, and it is not common for the backlog to be more than 3 years or more.
- 2.4 There remains no statutory or contractual mechanism to penalize or enforce an Auditor to undertake any work.

## 3. Government Action to restart External Local Audits

- 3.1 The Government and Parliament have both concluded that action is needed at a national level to enable a full restart of external audits.
- 3.2 Appendix 1 of this report is a letter from Lee Rowley MP Parliamentary Under-secretary of state for Local Government and Building Safety. It states actions will be identified in the coming months, to help to resolve the national backlog. The letter was accompanied by a more detailed document in **Appendix 2**. It is not necessary for members to read the guidance, but it has been provided for completeness. The next paragraph is a summary of the key points.
- 3.3 Fundamentally there is a commitment to:
  - i) making the accounts more focused on local government risks, which in turn should also reduce unnecessary audit work.
  - ii) change statutory deadlines for publication of accounts and audit to recognise the current backlog.
  - iii) allowing Auditors the option to not audit sections of accounts and notify the users of the accounts of the limitation of the audit.
  - iv) produce Value for Money assessments for all outstanding years.
  - v) that the Financial Reporting Council who regulates auditors will increase emphasis on timeliness of audits.

- vi) improve external auditor capacity.

3.4 The Government has proposed a timetable to remove the backlog. Audits are expected to be completed as follows:

- i) 2021/22 – 31st March 2024
- ii) 2022/23 - 30th September 2024
- iii) 2023/24 - 30th March 2025

3.5 Given BDO's lack of engagement it is unclear how realistic this timetable is.

#### 4. Summary

4.1 The proposed actions by the Government could certainly over the longer term enable a return to timely audits.

4.2 The s151 officer will continue to press BDO for work to restart.

4.3 The s151 seeks the views of the Audit & Risk committee Members.

#### List of appendices:

Appendix 1- Letter from Lee Rowley MP

Appendix 2 - Cross-System statement on proposals to clear the backlog and embed timely audit

#### Background papers:

Nil

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#### Corporate Implications:

Legal/Constitutional: None

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees:

None

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Relevant Policies and Strategies:

None directly relevant



Department for Levelling Up,  
Housing & Communities

**Lee Rowley MP**

*Parliamentary Under-Secretary of State for Local  
Government and Building Safety*

To: Local Authority Chief Executives, Local Authority  
Leaders and  
Chief Financial Officers in England, and  
Local Audit Firm Partners

***Department for Levelling Up, Housing and  
Communities***

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

18 July 2023

Dear Chief Executive / Chief Financial Officer / Local Authority Leaders / Local Audit Firm Partners,

This letter comprises an update on work since the Spring that DLUHC officials, along with Financial Reporting Council (FRC) colleagues, have undertaken to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges which the sector has faced in recent years. At the time of writing, only 27% of local audits have been completed for the financial year 2021-22. The combined total of outstanding local audits dating back to 2015-16 is now totalling nearly 520.

The attached paper derives from the recent work and outlines a proposed approach to resolving these issues, which has been agreed in principle with key partners across the local audit system. As Leaders of Local Authorities, Chief Executive Officers and Chief Financial Officers, you and your finance teams, alongside your auditors and Key Audit Partners, are critical to delivering high-quality financial reporting and audit in the public interest. As the paper suggests, decisive and concerted action is required to deal with the challenges in the local audit system. I would very much welcome your support in these endeavours and DLUHC officials will continue to engage with you as these proposals are further developed.

In summary, we are proposing that the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

It will be the case that these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, there is broad consensus across the system that without any action being taken,

delays will continue for a number of years, and in that scenario, when the delayed audits are reported they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

The Comptroller & Auditor General (C&AG) is therefore considering changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation. The C&AG will of course keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

To support this broader work, it is important that the accounting framework set through the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting carefully balances the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. CIPFA is therefore exploring changes to the Code for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for local authority non-investment assets and pension valuations for a local authority context.

CIPFA has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

In terms of ongoing regulatory requirements, the FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC's inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.

The Levelling Up, Housing and Community Committee is conducting an inquiry into Local Financial Reporting and Audit. I gave evidence to the Committee on 17 July and I have shared a copy of the enclosed cross-system statement with the Committee Chair.

The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. We look forward to discussing this further with you in the coming weeks and will ensure that there are arrangements in place to engage all parts of the local audit sector, including the range of local bodies. Subject to the conclusion of the appropriate details, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Yours sincerely,





**LEE ROWLEY MP**

**Parliamentary Under-Secretary of State for**

**Local Government and Building Safety**

## LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

### Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.<sup>1</sup> In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,<sup>2</sup> in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

### Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

### ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

<sup>1</sup> [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

<sup>2</sup> Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

### **Commitments by system partners**

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
  - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
  12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits<sup>3</sup> (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
  13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
  14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
  15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
  16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.<sup>4</sup> The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
  17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

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<sup>3</sup> An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

<sup>4</sup> ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

### **LONGER TERM CHANGE**

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

## Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC<sup>5</sup> board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

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<sup>5</sup> Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FRoM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

## **Conclusion**

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023





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## Chelmsford City Council Audit and Risk Committee

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

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### **Draft Statement of Accounts 2022/23**

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#### Report by:

Accountancy Services Manager (s151)

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#### Officer Contact:

Zuzana Clarke, Principal Accountant, tel: 01245 606324, email:

[Zuzana.clarke@chelmsford.gov.uk](mailto:Zuzana.clarke@chelmsford.gov.uk)

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#### Purpose

This report is for the Committee to consider the draft unaudited Statement of Accounts 2022/23.

#### Recommendation

that the Committee considers the draft Statement of Accounts 2022/23

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### 1. Background or Introduction

- 1.1. The Draft Statement of Accounts were published and circulated to the members of the Committee in June 2023.
- 1.2. In previous years, we would only present to the committee the final statement of accounts after the audit completion prior to its approval.
- 1.3. Due to ongoing delays in audits, and the deadline for the completion and sign off of the final statement of account being moved to 30<sup>th</sup> of September 2024, the draft statements are being brought to the Committee to provide an opportunity for timely consideration and review of the accounts.

1.4. The Council's accounts only need to be formally approved post external audit, so will be brought back to the Committee for approval once the external audit is completed. We are awaiting confirmation of the dates for the audit from our external auditor.

## 2. Impact of audit delays on the draft statement

2.1. There is a significant risk that the published 2022/23 unaudited accounts include figures that will need to be revised during the external audit process, due to time delay in the audit process and the statement completion, as more information becomes available.

2.2. The 2022/23 accounts saw similar revision to its opening balances due to post balance sheet events taking place that required a revision to the 2021/22 accounts that are still subject to audit.

2.3. The restatement for two post balance sheet events means that the opening balances in the 2022/23 statement differ to closing balances in the published 2021/22 statement of accounts. The published draft 2021/22 statement of accounts will also need to be amended prior to publication, which will only take place on completion of the audit. The post balance sheet events were:

- The Council won a tribunal case to reclaim the VAT on leisure income and was due a refund, net of legal fees of £4.7m, relating to income up to period ending March 2022. The refund has not been paid.
- The completion of a statutory triennial 2022 pension fund valuation has resulted in a need to change to assumptions used to estimate assets and liabilities of the fund. These assumption changes are retrospective, so during the audit (timing not yet known) of the 2021/22 accounts and prior to their formal sign off by the Audit and Risk committee revision of the Council's share of the pension fund will be made.

## 3. Conclusion

3.1. Members are asked to consider the draft Accounts and recognise the risk of revisions to the Accounts.

3.2. Members to note that the Accounts will be brought back for formal approval, subject to the completion of the external audit, in line with the amended timescales for the 2022/23 publication of Accounts.

List of appendices:

Appendix 1 - Draft Statement of Accounts 2022/23

Background papers: None

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Corporate Implications

Legal/Constitutional: Meets obligations on reporting Accounts

Financial: As detailed in the Statement of Accounts

Potential impact on climate change and the environment: N/A

Contribution toward achieving a net zero carbon position by 2030: N/A

Personnel: N/A

Risk Management: N/A

Equality and Diversity: N/A

Health and Safety: N/A

Digital: N/A

Other: N/A

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Consultees:

N/A

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Relevant Policies and Strategies: N/A

# CHELMSFORD CITY COUNCIL

## DRAFT STATEMENT OF ACCOUNTS

2022/23



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## **2. Introduction to the accounts**

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

### **Introduction by the Leader of the Council and the Chief Executive**

Chelmsford City Council has continued to improve services and facilities in the Chelmsford area in 2022/23, despite experiencing similar cost-of-living challenges faced by residents as a result of very high inflation.

### **Help for residents**

Over the last year, the Council delivered help to residents in need, including:

- Council tax rebate energy support payments: the Government provided money to award £150 to all council taxpayers living in properties in bands A to D. More than 53,000 payments were made to Chelmsford residents, totalling £8.1m.
- Discretionary council tax rebate energy support payments: the Government provided £263,850 for councils to extend the £150 payment scheme to eligible people in properties in bands E to H. There were sufficient funds to make an additional £31 payment to all recipients of council tax support.
- Household support fund: an £80 payment distributed on behalf of Essex County Council, payable to pensioner households in receipt of council tax support or housing benefit. £248,000 was distributed in total.
- Energy bill support schemes: applications for these began in February 2023 and are still ongoing. The Council is making payments of £400 to households that couldn't receive the £67-a-month support which was made available to households paying their electricity bills directly to an energy supplier. The Council is also making payments of £200 to households without a mains gas supply that use alternative fuels for home heating.

### **Delivering a greener, safer, fairer and more-connected Chelmsford**

Although the financial outlook was even more difficult than the previous year, the Council delivered on its objectives of making Chelmsford a greener, fairer and better-connected place.

### **Greener Chelmsford**

The Chelmsford Greening Project is well under way, helping to achieve a Climate and Ecological Emergency target to make the Council's activities net-zero carbon by 2030. The project originally planned to plant 180,000 new trees in the district and this target has been increased to 192,000 trees by 2030 to reflect anticipated population growth. This year, 17 of the Council's main parks across the city were again recognised by the Green Flag Award scheme as some of the best parks and green spaces in the UK. Frankland Fields in South Woodham Ferrers was also declared a Local Nature Reserve by Natural England. The Council has improved air quality monitoring in the city, with a new interactive map which provides residents with current air quality measurements across Chelmsford.

### **Safer Chelmsford**

During this period, Chelmsford City Council co-created the city's first Women's Safety Charter, along with a campaign and training for businesses to remind people that women's safety is everyone's problem. Chelmsford also received its 10<sup>th</sup> Purple Flag Award for its night-time economy, recognising the city as a vibrant and safe place to live. Riverside Leisure Centre, the Council's flagship centre, was awarded a 'Very Good' rating for its customer service, and it received more than a million customer visits over the year. Elsewhere in the city, investment in South Woodham Ferrers Leisure Centre led to its gym being revamped. The community sport and wellbeing team continued to provide free events for families during the summer, including an extended 'Play in the Park' scheme and 'Picnic in the Park' – a week-long event with activities and a free lunch for children eligible for the free school meal scheme.

### **Fairer Chelmsford**

In 2022, Chelmsford City Council commenced a Local Plan review with an Issues and Options consultation, which ran for 10 weeks and included in-person and virtual exhibitions. In the north of the city, work began on the new train station at Beaulieu, the first on the Great Eastern Main Line for more than 100 years. The pedestrianisation of Tindal Square, a public realm partnership project, has provided a new public square at the head of the High Street next to Shire Hall and much of these works took place in 2022/23. The space will open up a new area of the city centre for cultural events, available for community and arts groups to use. The Council's first 'Invest in Chelmsford' event was held in 2022 to show what the city has to offer businesses looking to invest in Chelmsford, and to share ideas about the future.

Chelmsford City Council invested in schemes to reduce homelessness in the city over this financial year. A two-storey extension was created at an existing housing complex to provide more supported accommodation for single homeless people. The Council received more than £300,000 from the Rough Sleeping Initiative to fund its team of Rough Sleeper Navigators. During 2022/23, the Council's housing team supported Afghan refugees living in the city as part of the Afghan citizens' resettlement scheme. The Council also helped families living in the city as part of the Homes for Ukraine scheme, inspecting the properties of potential hosts. This work continues.

### **Connected Chelmsford**

Efforts to create a more-connected Chelmsford took a step forward in 2022/23 with the refurbishment of Chelmsford Theatre's front-of-house spaces. The tired and dated interiors of the Civic and Cramphorn theatres were transformed with a much-needed revamp. The theatre re-opened to audiences in early 2023 with a new café, an expanded upstairs bar and a membership scheme. The first district-wide Cultural Strategy for Chelmsford was launched at the start of 2023, supported by the City Council. The strategy marks the start of a 10-year journey to a culturally vibrant destination that will put Chelmsford on the map.

Chelmsford's Local Cultural Education Partnership (LCEP) also announced its very first set of initiatives during this period, with the launch of a 9-month incubator programme for children and young people. Chelmsford Museum was presented with a 'Best Told Story' award from VisitEngland for its engaging storytelling. The museum also collaborated with interdisciplinary artist Sian Fan on a groundbreaking exhibition



inspired by the history of the UK's first public radio broadcasts. Hylands Estate developed a new free multimedia guide in 2022/23 to share more of its unique horticultural history with visitors. Creamfields South made its debut at Hylands Park, cementing Chelmsford as a venue on the UK festival circuit.

### **The Council's finances**

Like its residents, the Council has faced many challenges created by high inflation, which peaked at nearly 11% in 2022/23. However, council tax can only rise by 3%, meaning that the Council must find other additional income – and reduce spending – to close that gap.

The statutory national living wage increased by 10% in April 2023 and as a result, lower-paid council staff had to see their pay go up by a similar amount. This meant that during 2022/23 the Council was obliged to increase pay significantly. Awards were made ranging from 2.5% for higher paid staff, to 10% for those on lower pay.

Higher gas and electricity prices have hit the Council hard. Budgets increased by a total of £3m over 2022/23 and in 2023/24. The Council received no additional Government funding to cover the higher cost of energy. To put this challenge into context, the increase in council tax in 2022/23 of 3% generated £0.35m. The Council therefore budgeted to use £0.6m of reserves to temporarily cover the cost of higher energy bills in 2022/23. For 2023/24 the Council assumed a further increase in energy costs of £1.5m, also to be met initially from reserves. It now believed that energy costs will ease somewhat over the coming years.

There was some positive news for the Council in a difficult year: the accounts also include the results of a successful legal challenge on the VAT treatment of leisure income. After 10 years of fighting on behalf of the local taxpayer, the City Council is now able to retain more income, which previously it had to pay to HMRC. The retention of this income will help the Council to maintain services in the face of inflation. The Council's accounts also include an estimated refund of VAT of £5.3m from HMRC. This money bolsters our reserves and will help to protect services in future.

The Council will continue in future years to forecast budget shortfalls as a result of changes in behaviour following the Covid-19 pandemic and Government funding not keeping up with inflation. The Council's income will therefore not keep pace with demands from residents for services and the cost increases in providing those services. This is a common problem for nearly all UK local authorities.

The Council has a long history of managing its finances carefully and effectively, and although the outlook is increasingly challenging, the Council will continue to be ambitious – always seeking the best outcomes for residents. The Council will start planning its 2024/25 budget in the summer of 2023 and will look to find solutions for the financial challenges for the year ahead.

The process of producing audited accounts has been hugely delayed by a national crisis in local authority audit firms. As of April 2023, only one sixth of the 2021/22 local councils audits have been completed by the audit firms. The City Council is expecting it to be at least 18 months after it has produced this 2022/23 statement of

accounts before the external auditors start their review. This delay is due to a shortage of audit staff. There are no statutory or regulatory requirements placed on auditors to produce the audit in a timely manner. The Council cannot enforce a faster audit, nor seek new auditors due to the staffing shortage. The reader and public should be aware that these delays increase workloads and costs for the Council. The external audit of the accounts is an essential independent review which gives the public and councillors confidence that the financial management of the Council is effective, and delays are therefore problematic.

### **Our priorities for 2023/24**

A greener, safer, fairer and connected Chelmsford remain the cornerstones of the Council's strategic objectives for 2023/24, as the administration enters a second four-year term.

Unfortunately, high inflation limits the Council's ability to make improvements and deliver its ambitions for Chelmsford residents. That is the reality of the budget gap the Council has worked hard to close for 2023/24 and further gaps in future years that it must be mindful of. But the Council remains ambitious for Chelmsford; last year investment was made in the theatre, and in coming years other improvements are planned, along with an important project to reduce the Council's reliance on fossil fuels to protect both current and future generations of Chelmsfordians.

For now, the Council will do its utmost to provide the high-quality, cost-effective services expected, despite the challenges still faced. Residents, councillors and staff continue to adapt in difficult circumstances and, although more budget gaps will be faced in the years to come, the careful management of finances will allow the Council to meet these tests.



Councillor Stephen Robinson, Council Leader



Nick Eveleigh, Chief Executive

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 narrative 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 Accountancy Services Manager (Section 151 officer)  
Civic Centre  
Duke Street  
Chelmsford  
Essex  
CM1 1JE

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

<b>Chelmsford City Council</b>	<b>Essex County Council</b>
Abandoned cars Air quality Allotments Business rates Building control CCTV Cemetery and crematorium – including municipal funerals Council tax – including benefits Dangerous structures Dog litter Domestic waste Drains – private sewers Dropped kerbs Elections Environmental Services/Health Graffiti Grass cutting Homelessness Housing Land charges Leisure centres/sports centres Licensing (all forms of) Litter Museums Service Parking – car parks and residential permits Parks – including playing fields Planning Public toilets Refuse collection and recycling Road signs – street nameplates Street cleaning and sweeping Theatres City centre management Tree preservation orders Voting	Adoptions Care for the elderly Childcare 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.**

On 16 July 2019 the Council declared a Climate and Ecological Emergency reflecting growing concerns about the impact of climate change on the local environment, natural resources and the conditions in which people live and work. The Climate and Ecological Emergency Declaration set out ambitions to reduce carbon and greenhouse gas emissions and develop plans to create a more sustainable future for the area. The Declaration also embraced a commitment to take appropriate action to make the Council's activities net-zero carbon by 2030.

The Declaration is accompanied by a Climate and Ecological Emergency Action Plan which was approved at Cabinet on 28 January 2020, the current priorities for implementation being:

- i. Implementing further measures to reduce the amount of waste generated and ensure that as much as possible of any waste that is generated is reused, recycled or composted
- ii. Implementing measures to lower energy consumption by Council operations and activities, ensure the most efficient use of water resources, reduce pollution and improve air quality
- iii. Undertaking a greening programme to significantly increase the amount of woodland and the proportion of tree cover in Chelmsford
- iv. Implementing measures to improve the 'green infrastructure' of Chelmsford, protecting and expanding natural habitats and increasing biodiversity
- v. Improving the environmental quality, attractiveness and recreational potential of public spaces, rivers and waterways and associated green corridors in the City Centre and surrounding areas
- vi. Upgrading the Council's vehicle fleet to embrace the latest low emission technology, including ultra-low emission electric powered vehicles as they become operationally and commercially viable
- vii. Supporting the Environment Agency to implement further flood resilience measure in and around Chelmsford to reduce the risk of flooding to residential and commercial properties
- viii. Creating opportunities for people, local organisations and businesses to get involved, to influence and to inspire innovation and cooperation in response to the key challenges identified in the Climate and Ecological Emergency

Progress made on implementing the Action Plan was last reported to the Overview and Scrutiny Committee on 26 September 2022, highlighting that 80% of the actions are on track, with 14% on hold or not due to start as yet. 44% of the actions were identified as being completed.

Some of the key achievements include the significant increase in community engagement through the Love Your Chelmsford programme, the establishment of a 'green initiatives fund' to support the delivery of the CaEE Action Plan and the adoption of a Plan for Improving the Rivers and Waterways in and around Chelmsford.

On 31 March 2023 an additional 66,852 trees had been planted out of an original ten-year target of 180,000 new trees. The target has subsequently been increased to 192,000 to reflect anticipated population growth by 2030.

Having put in place a number of building blocks and policy changes to support the Council's environmental agenda, the focus of the Action Plan is now to put in place measures to decarbonise the Council's direct operations and activities so that the target for a net-zero carbon position by 2030 can be achieved. The report to Overview and Scrutiny Committee on 26 September 2022 broadly set out the proposed approach together with the potential financial implications of implementing the next phase of the Plan. This approach will be formally ratified by the Council during 2023/24.

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## 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.**

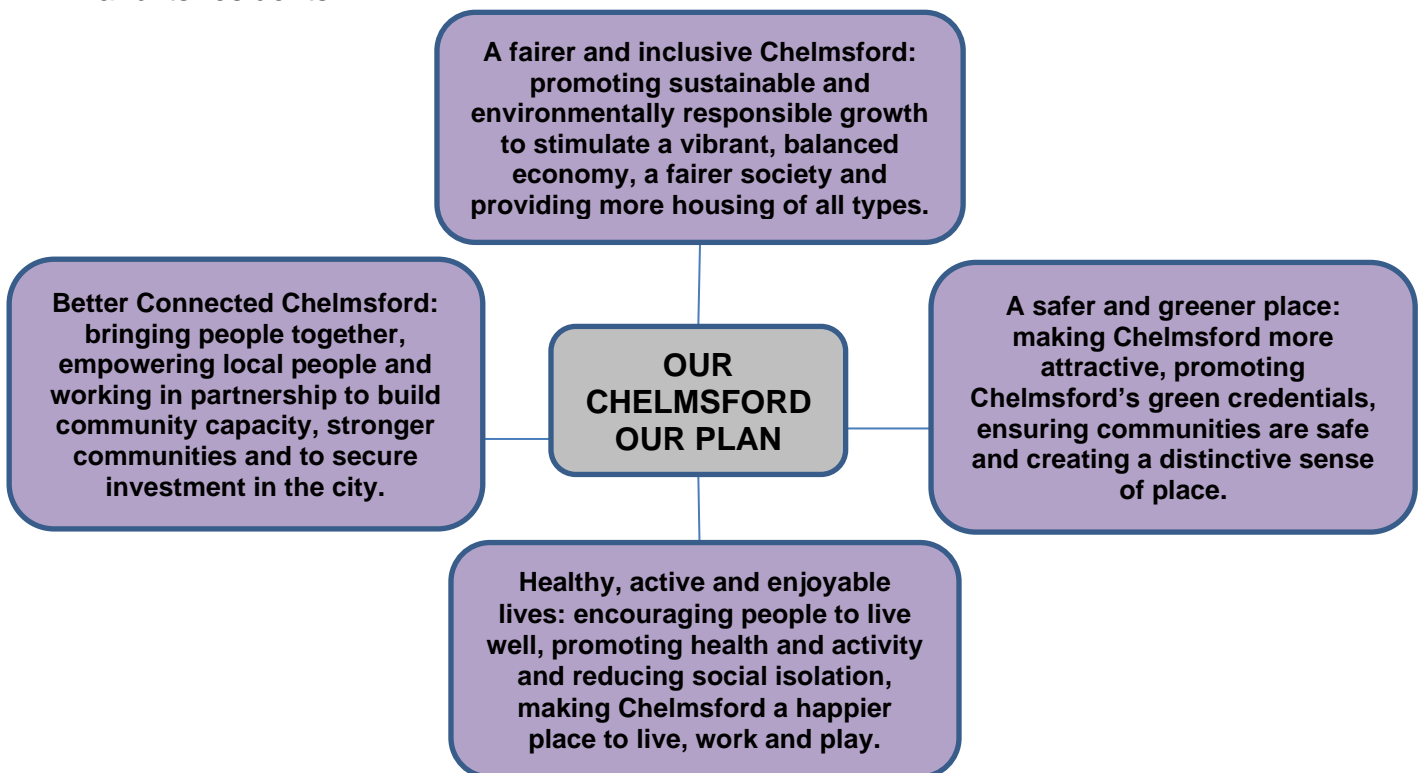
### Background

Chelmsford City Council is situated in the heart of Essex, covering an area of 342 square kilometres, and is one of the fastest-growing centres in the East of England. 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 181,800 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 under way within the City Centre as well as north of Chelmsford.

During 2022/23, the economy in Chelmsford remained strong with 89,000 jobs and 9,455 businesses in the heart of the City increase for both compared to 2021/22. There has been a reduction in the unemployment rate in Chelmsford of 1%. The current unemployment rate is 2.6%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing.

The Council's corporate plan sets out the following four key priorities for Chelmsford and its residents:





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

## Guide to the Statement of Accounts

Our annual statement of accounts summarises our financial affairs for 2022/23 and shows our financial position on 31 March 2023. It includes the following:

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



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

The notes include the '**Expenditure and funding analysis**' which demonstrates 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.

If we had to make any changes to previous year's figures due to change in accounting policy, an error or a post balance sheet event with material impact, we will either clearly indicate in the individual statements or notes if they are restated and reason for the restatement or show the main impact of the changes in the 'restatements' note 39.

- **Restatements for post balance sheet events** - During the preparation of the 2022/23 accounts, the 2021/22 audit was yet to commence due to national delays in audits mainly caused by resourcing issues within the audit firms. Consequently, two post balance sheet events occurred that had material impact on previous year and would be an adjusting event:
  - The Council won a tribunal case to reclaim the VAT on leisure income and is due a refund, net of legal fees of £4.7m relating to income up to period ending March 2022.
  - The completion of the triennial 2022 pension valuations resulted in material changes to assumptions used for the 2021/22 accounts.

The restatement for the two post balance sheet events means that the opening balances in this statement differ to closing balances in the published 2021/22 statement of accounts. The published draft 2021/22 statement of accounts will also need to be amended prior to publication of the audited approved statement of accounts to reflect these material events.

- **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.

- **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**

<b>A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2022 to 31 March 2023</b>	<b>Gross Expenditure £ 000</b>	<b>Income £ 000</b>	<b>Net Expenditure £ 000</b>
Total Spending on Current services	124,474	(70,144)	54,330
Other Income and Expenditure	42,953	(83,681)	(40,728)
Total spending on services as presented in the Comprehensive Income and Expenditure account			13,602
add Adjustments between the Funding and Accounting bases			(10,541)
<b>Decrease/(Increase) in General fund (including Earmarked Reserves)</b>			<b>3,061</b>

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

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

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

Our Comprehensive income and expenditure statement recognises our share of Council Tax and Non Domestic Rates (NDR) transactions on the accrual basis, with the timing difference being adjusted through Council Tax and NDR adjustment account, reported on in the Movement in reserves statement.

During 2022/23, qualifying businesses were given £4m covid additional relief for the financial year 2021/22 bills, to help them alleviate the effects of the Covid 19 pandemic. We have received grant from the government to fund this relief given.

## Simplified Balance sheet statement

A simplified Balance Sheet	31 March 2023
	£ 000
<b>What we own</b>	
Assets	267,879
Stocks	303
Investments	21,394
	289,576
<b>What we are owed</b>	
Amounts due before 31 March 2024	37,676
Amounts due after 31 March 2024	1,617
	39,293
<b>What we owe</b>	
Amounts due before 31 March 2024	(29,875)
Amounts due after 31 March 2024	(9,252)
Provisions	(1,789)
	(40,916)
<b>Pension (deficit)/surplus</b>	31,428
<b>Cash and equivalents in hand or (overdrawn)</b>	20,694
<b>Net assets</b>	<b>340,075</b>
Our reserves	31 March 2023
	£ 000
Usable reserves	74,607
Unusable reserves	265,468
<b>Total reserves</b>	<b>340,075</b>

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 at the last triennial valuation, 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.

The value of our pension liabilities at the end of the accounting period is dependent on the financial assumption that the actuary makes. As one of the key assumptions to determine the value of our liabilities, the actuary determines a discount rate to be

applied for the future value of the liability cash flows. Under the pension standard the discount rate is to be determined by reference to market yields on high quality corporate bonds. There has been a significant movement on the yields between March 2022 and March 2023 and as a result the discount rate has increased from 2.6% at 31 March 2022 to 4.8% at 31<sup>st</sup> March 2023. This increase in discount rates, significantly reduces the value of future liabilities for the fund. Together with other assumptions changes, the decrease in liabilities resulted in the fund being in surplus at the end of the March 2023.

You can find out more about the pension scheme in note 33 to the main financial statements.

### **Changes in accounting policies**

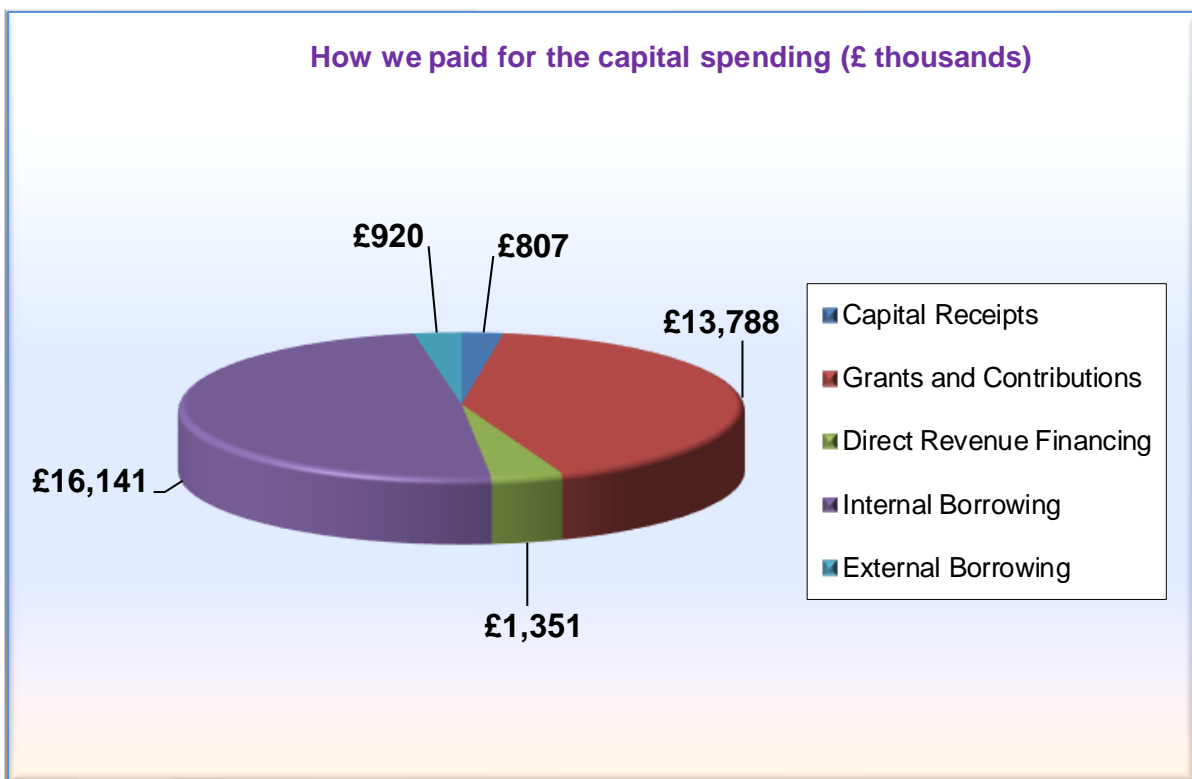
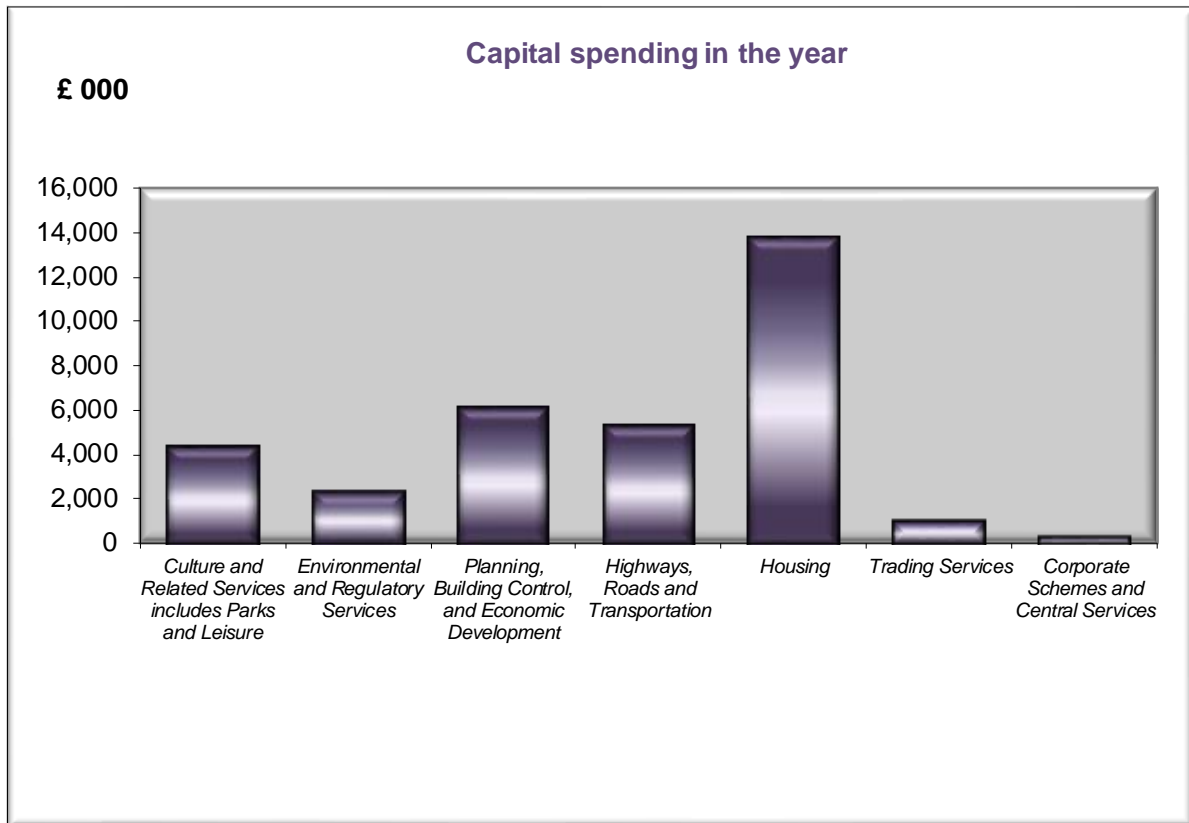
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any material change in accounting practice, we restate last year's figures.

### **Borrowing**

We have a total outstanding balance on borrowing of £35.4m at the end of the year. This includes finance leases with outstanding balances of £1.14m. We do not have any external loans. The Council has undertaken additional internal borrowing of £16.1m during the year; this is the practice of using cash that would be invested in lieu of undertaking external borrowing. The outstanding balance on internal borrowing is £34.23m at the end of the year.

### **Capital spending**

During the year we spent £33.01m 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).



## Significant provisions or contingencies or material write-offs

The Council has a provision of £1.8m, for our share of the cost repayable for any successful appeals made by businesses against their business rates valuations.

## Auditors

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

## Monitoring our performance during 2022/23

During 2022/23 the Overview and Scrutiny Committee has continued to monitor the Council's performance, in line with the new processes put in place during 2019/20. The approach has continued to be focused on having a wider insight into specific areas, whilst key performance indicators have continued to be monitored internally within each service.

As part of the Committee's performance monitoring role, they received updates from each of the Cabinet members, who outlined the work taking place in their directorate in addition to answering questions from the Committee. These updates are set to continue on an annual basis, with one Cabinet member at each meeting.

In June 2022, the Committee considered an extensive report on the Council's response to Rough Sleeping from the Council's Strategic Housing Team. This was well received by the Committee and had allowed them to ask questions of the team and consider their recent performance. A similar update on temporary accommodation was also received later in the year.

In September 2022, the Committee received an update from the South Essex Parking Partnership, which allowed them to monitor the work of the Partnership.

The Committee also reviewed the Council's financial performance against the agreed budget. Mid-year revenue and capital monitoring identifying the main under/over spends in the revenue budgets and capital schemes were presented at the November 2022 meeting, explaining the reasons for the variations and setting out the planned actions to remedy them. The Committee also received an update reviewing 'Our Chelmsford, Our Plan' at the November 2022 meeting. This proved to be a very useful report which allowed the Committee to analyse in detail the progress being made against specific elements of the plan. At the February 2023 meeting, the Committee received an update on Housing Delivery in Chelmsford with detailed statistics provided on the subject.

The Committee will continue to monitor performance and receive updates from specific services, during 2023/24, along with receiving updates from each Cabinet member on their directorate.

## Financial Monitoring and Reporting

As part of the management of our finances, we reported to the Cabinet and the Audit and Risk 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.
- Revenue and capital monitoring.
- The outturn and the accounts.
- Treasury management activity.
- Various auditors' reports on the accounts and other matters.

The Council has a revenue and capital monitoring process. During 2022/23 senior managers were given a detailed monthly report, Management Team and Cabinet Members received an informal quarterly report and in November a report was presented for Cabinet, identifying actions to address any overspends where possible.

Audit and Risk Committee will receive the provisional Revenue Outturn report in June 2023 to review the key variances and actions identified.

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

## Revenue Outturn position

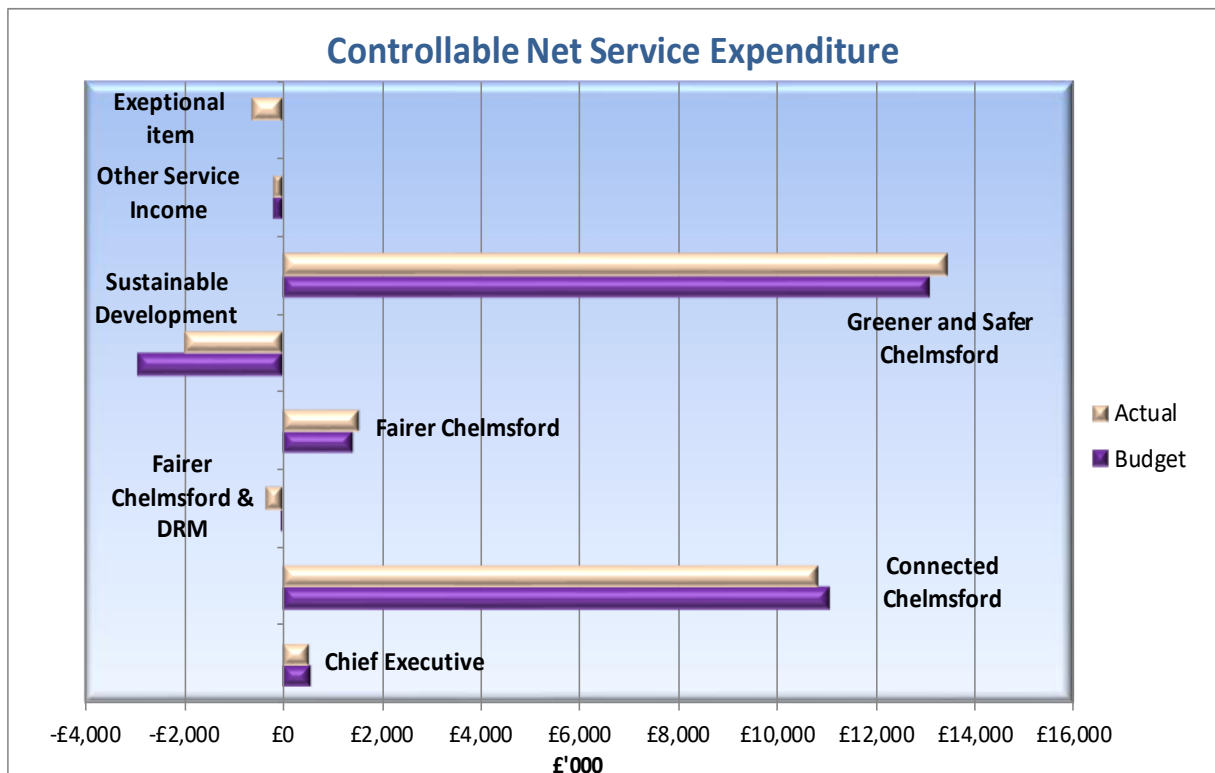
The analysis of the provisional outturn of the net service revenue expenditure for 2022/23 identified £0.9m overspend compared to the latest budget as amended by approvals made under delegation. This was offset by additional net income of £0.6m from VAT leisure refund, reported as an exceptional item in these accounts, due to council being successful in a tribunal case appeal.



The table below shows key service variations:

Reason for variation	Outturn +over/-under £m
Loss of Car Parking Income	1.1
Temporary Accommodation Subsidy Loss and Repairs costs for Temporary Accommodation	0.4
Inflationary pressures on areas of spend such as fuel, vehicle maintenance, insurance etc	0.3
Electricity and Gas	-0.3
Various Staffing Vacancies	-0.4
Leisure Centre Net Income	-0.2
<b>Total service Variations</b>	<b>£0.9m</b>

The following graph shows the service revenue outturn against our latest budget, original budget amended by approved additional funding added during the year under delegations.



During 2022/23, the Government provided grants to local authorities in order for them to assist residents and businesses during the cost-of-living crisis, as well as some service specific grants for the Council to mitigate the effects of post pandemic financial pressures.

The following table shows grants recognised in the Income and Expenditure statement that we received towards unexpected cost. The conditions attached to the grant dictate whether we can recognise the whole grant or only the grant amount that was used by 31 March 2023. General un-ringfenced grants that cannot be allocated to specific services are shown through the Income and Taxation line in the Comprehensive Income and Expenditure statement, all other services specific grants are shown in the service lines of the statement.

Grant	Service Specific £'000	Un-ringfenced £'000
Various New Burdens grants	246	-
Various other service specific grants to fund Covid19 expenditure or loss of income	133	-
<b>Total</b>	<b>379</b>	<b>0</b>

The Government also provided funding for businesses and most vulnerable residents and the Council was asked to redistribute this funding. For each grant received to distribute to businesses or individuals, the Council needs to determine if it is acting as a principal or an agent. Where an authority has a control over the distribution or amounts of grant it is deemed to be acting as a principal and needs to recognise the grant and expenditure within their Comprehensive Income and Expenditure statement. Where an authority is purely intermediary in distributing the grants it is deemed to be acting as an agent and the transactions are not recognised in the Comprehensive Income and Expenditure statement and we only recognise a debtor or a creditor position for any under funding of the grant or un-allocated grant. The following table shows grants that the authority has received from the Government and whether we are deemed to be an agent or a principal.

Grant	Grant Received (for reconciled closed schemes grant utilised)		Outstanding grant to be returned/ redistributed or underfunded grant amounts to be topped up by the Government
	Principal £'000	Agent £'000	£'000
Energy Rebate Main Scheme	-	8,315	169
Energy Rebate Discretionary Scheme	264	-	-
Energy Bills Support Scheme	-	966	834
Household support fund	-	248	248
Track and Trace / Self-isolation support grant	2	-	-
<b>Total</b>	<b>266</b>	<b>9,529</b>	<b>1,251</b>

All above grants, where the Council is deemed to be principal were ringfenced for a specific purpose of providing support to businesses and council tax payers and are therefore reflected in the Financial services line of the Comprehensive Income and Expenditure statement. If conditions of the grant required us to return any unused grant, we created a creditor on our balance sheet to the Government for the money outstanding. Where the conditions of the grant allowed us to over-spend the grant and the funding will be provided for the overspend, we have created a debtor on our balance sheet (showing as a negative amount in the above table).

The Council is a member of the Essex Business Rates pool which enables us to retain some of the levy that we would otherwise pay over to the Government. During 22/23 the Council applied £4m of covid additional relief to qualifying businesses 2021/22 bills as part of the measures introduced by the Government to aid businesses during the pandemic. This relief is fully compensated by the Government. As reported in the outturn report 2022/23 retained business rates income is £2.5m. bringing the retained income for 2022/23 including S31 grants to £3m above the Government baseline. This was £2m above the budgeted income. The business rates income retained is volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The Council remains a member of the Essex Pool in 2023/24.

Due to higher interest rates, the Council has earned £1.2m of additional interest earnings.

## Medium Term Financial Strategy (MTFS) for 2023/24 to 2027/28

Council's Medium-Term Financial Strategy approved in July each year is the framework the Council uses to put in place the financial resources to deliver its strategic objectives.

The strategy also manages the risks to the Council's financial position mostly by focusing on maintaining robust reserves. The other key actions identified and undertaken on an ongoing basis:

- The Accountancy Services Manager (Section 151 Officer) identified that a target level of unearmarked reserves (to meet general contingencies) should remain at minimum of £9m for 2022/23.
- Council assets and capital spend are managed in the most cost-effective manner
- Savings and Efficiencies would be identified as part of the budget process
- Fees and Charges should be reviewed annually
- The Council VAT should be optimised to provide best position for residents.

## Economy and High Inflation

Changing residents' behaviours post covid lockdowns, such as increased working from home have continued to make managing the Council's finances challenging as income remains below pre-covid levels.

High inflation, the cost-of-living crisis, is causing the Council's costs to rise at rate not seen since the 1970s. The Council's income cannot increase at the same rate, so financially the Council faces large financial shortfalls.

During 2022/23 the Council produced financial forecasts for years 2023/24 - 2027/28, the last forecast reported to Cabinet in January 2023 showed £8.3m cumulative shortfall. By the end of 2027-28, this would mean the Council, unless it takes actions, would be spending £8.3m a year more than its income. This represents more than 50% of annual Council tax income. The Council will avoid this fate by undertaking its financial strategy and will seek to avoid reducing services to public, whenever it can.

The main area affected by inflation has been staff pay which makes up around 50% of Council costs. A large part (circa 30%) of the Council's workforce is paid near the national living wage. The recent increases in the statutory national living wage have been near 10% a year. These increases are essential for staff due to the cost-of-living crisis but have led to significant increases in the Council's wage bill. The increase for 2022/23 was budgeted at 2.5% but ended up at 6%, an extra £1.5m a year, which had to be met initially from reserves.

Similarly, energy costs have risen significantly. Over the period of 2021/22 to 2023/24 the budget has been increased from just over a £1m a year to £3.9m. It now appears

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that energy costs have started to fall but they seem unlikely to return to the lower levels budgeted for in 2021/22. The increased budgets for energy have been partially funded from reserves on the assumption prices would fall or savings would need to be found in later budgets when there will be more certainty.

There are other ongoing pressures arising from the Cost-of-living crisis, an area of concern being Homelessness. The additional demand and costs are still being assessed.

The Council's approach to managing these financial challenges is to use reserves to initially fund the increase in cost, thereby avoiding making service changes. Decisions to fund the increased costs from ongoing sources such as additional income or service reductions will only be made when the long-term implications of the cost pressures are understood. The Council reserves will be managed to provide adequate levels to cover all risks. Should reserve levels fall below targeted levels then the approach to managing costs pressures would have to change.

During the cost-of-living crisis the Council recognised the needs of residents has changed, and demand for some services has also increased. Many of the Council's services are there to aid the less affluent. So, a key objective of the management of the Council's finances will be to protect services for residents which in turn will assist residents with the cost-of-living crisis. Additionally, the Council has prioritised its use of resources to ensure support payments funded by the Government have been paid quickly and as accessibly as possible.

## **Council's principal risks and opportunities**

It is the Council's policy to proactively identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to:

- encourage responsible, informed risk taking
- reduce exposure to a tolerable level using a justifiable level of resources

The Principal Risk Register is central to the Council's risk management framework. Principal Risks (which may include strategic, operational, project or compliance risks) are those risks which require regular oversight at senior level.

Please find below the Council's Top 5 Principal Risks, along with an assessment of their likelihood of occurrence and measures in place to mitigate them (as required by the Code):

<b>Risk event</b>	<b>Likelihood</b>	<b>Mitigation</b>
<b>Homelessness</b> Inability to meet our statutory obligations to the homeless (and/or use our statutory powers to assist the homeless) promptly, effectively and efficiently	Very Likely (>70%)	The housing service is under significant pressure and new Housing Officer Working Group has been established in May 2023 to address affordable housing supply issues. This will aim to address workloads, while dealing with unprecedented demand (with post-Covid evictions and sharp rent increases). The risk is increased due to asylum seekers and ongoing Ukrainian situation.
<b>Cyber Security</b> Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations	Possible (30-50%)	The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer. The work is progressing as scheduled.
<b>Health and Safety</b> A serious health and safety incident occurs	Possible (30-50%)	The Council annual Health and Safety (H&S) audit programme continues using H&S specialists, Peninsula, with outstanding actions monitored on new compliance Lighthouse system. This compliance system also manages fire risk assessments.
<b>Chelmer Waterside Development</b> The housing and other development potential of Chelmer Waterside is not realised in accordance with the new Local Plan	Possible (30-50%)	While short-term financial exposure is increasing as the programme progresses, in line with expectations and inflationary pressures, good progress on the infrastructure delivery continues to be made. Works to relocate the gas infrastructure is underway and first phase of land contamination has been completed. Marketing of the CCC owned sites to identify a joint venture partner to deliver the new housing has also begun. Project risk and performance is monitored monthly.

<b>Risk event</b>	<b>Likelihood</b>	<b>Mitigation</b>
<b>Financial Position weakened by increased demand for services and historically high inflation.</b> As the Council has to under statute produce a balanced budget. The Council could have to make significant cuts to services to make good any large financial shortfalls.	Likely (50-70%)	The use of reserves in short term can prevent significant cuts. In the medium and longer term the Council can prioritise service investments and outcomes that produce financial benefits.

## **Workforce**

The Council's employees play an important role in delivering our objectives. We have an Organisational Development Strategy which aims to ensure that we support their development. We continued to invest in our workforce by employing several apprentices within various departments of the Council.

Our workforce consists of 52% females and 48% males.

## **Other significant items**

We did not have any material or unusual charges to the accounts or any major changes in statutory functions during 2022/23.

We continued to record a refund due to us following a successful legal challenge on the VAT treatment of leisure income as an exceptional item, due to its material value in 2021/22.

We are still awaiting completion of the 2021/22 audit by our external auditors as a consequence of delays in audits nationally, caused mainly by a shortage of audit staff.



## **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 Accountancy services manager.
- Manage our affairs to use our resources economically, efficiently and effectively, and to protect our assets.
- Approve the Statement of accounts.

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

.....  
**Cllr Nora Walsh**  
**Chair of the Audit and Risk Committee**

.....  
**Date**

### **The Accountancy Services Manager's responsibilities**

The Accountancy Services Manager, Section 151 officer, 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 Accountancy Services Manager has:

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

The Accountancy Services Manager 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 2023 and the income and spending for the year ended 31 March 2023.

.....  
**Phil Reeves**  
**Accountancy Services Manager, Section 151 officer**

.....  
**Date**

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*Chelmsford City Council – Draft Statement of Accounts 2022/23*



## 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.**

The 2021/22 figures in the main financial statements were restated, where required, to include amendments for the two post balance sheet events as detailed in the narrative report.

2021/22 Restated Gross spending £ 000	2021/22 Restated Income £ 000	2021/22 Restated Net spending £ 000	Money spent on services direct to the public	Notes	2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
800	(105)	695	Chief Executive		659	(2)	657
50,002	(39,057)	10,945	Connected Chelmsford		47,762	(34,275)	13,487
152	(251)	(99)	Fairer Chelmsford & DRM		162	(485)	(323)
13,934	(5,465)	8,469	Fairer Chelmsford		16,619	(6,255)	10,364
11,198	(9,557)	1,641	Sustainable Development		15,577	(9,143)	6,434
38,265	(21,294)	16,971	Greener and Safer Chelmsford		43,641	(19,118)	24,523
-	(185)	(185)	Other Service Income		-	(190)	(190)
410	(5,126)	(4,716)	Exceptional Item - VAT claim		54	(676)	(622)
<b>114,761</b>	<b>(81,040)</b>	<b>33,721</b>	<b>Spending on current services</b>		<b>124,474</b>	<b>(70,144)</b>	<b>54,330</b>
2,739	(1,391)	1,348	Other operating expenditure	11	3,261	(1,307)	1,954
20,674	(9,124)	11,550	Financing and investment	12	11,103	(9,783)	1,320
28,721	(65,278)	(36,557)	Taxation and general grants	13	28,589	(72,591)	(44,002)
<b>166,895</b>	<b>(156,833)</b>	<b>10,062</b>	<b>(Surplus) or deficit on Provision of Services</b>		<b>167,427</b>	<b>(153,825)</b>	<b>13,602</b>
			<b>Items that will not be reclassified to the Total spending on services</b>				
		1,777	(Surplus) or loss from our assets being revalued				(1,075)
		(51,227)	Remeasurement of the assets of the pension fund	33			(105,618)
			<b>Items that may be reclassified to the Total spending on services</b>				
		-	(Surplus) or loss from financial assets				-
		<b>(39,388)</b>	<b>Total income and expenditure</b>	<b>24</b>			<b>(93,091)</b>

### Movement in reserves statement

Movement in Reserves	General fund Restated	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 22) Restated	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Balance at 1 April 2021</b>	38,681	-	37,271	75,952	131,644	207,596
Total comprehensive income and expenditure	(10,062)	-	-	(10,062)	49,450	39,388
Adjustments from council tax levied and accounting regulations (note 9)	4,160	26	4,157	8,343	(8,343)	-
Net increase or (decrease)	(5,902)	26	4,157	(1,719)	41,107	39,388
<b>Balance at 31 March 2022 Restated</b>	<b>32,779</b>	<b>26</b>	<b>41,428</b>	<b>74,233</b>	<b>172,751</b>	<b>246,984</b>

Movement in Reserves	General fund	Capital receipts reserve	Capital grants unapplied (note 36)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Balance at 1 April 2022 Restated</b>	<b>32,779</b>	<b>26</b>	<b>41,428</b>	<b>74,233</b>	<b>172,751</b>	<b>246,984</b>
Total comprehensive income and expenditure	(13,602)	-	-	(13,602)	106,693	93,091
Adjustments from council tax levied and accounting regulations (note 9)	10,541	554	2,881	13,976	(13,976)	-
Net increase or (decrease)	(3,061)	554	2,881	374	92,717	93,091
<b>Balance at 31 March 2023</b>	<b>29,718</b>	<b>580</b>	<b>44,309</b>	<b>74,607</b>	<b>265,468</b>	<b>340,075</b>

## Balance sheet

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

31 March 2022 Restated £ 000	Balance Sheet	Notes	31 March 2023 £ 000
	Long-term assets		
196,075	Property, plant and equipment	14	204,244
58,011	Investment property	14	58,908
336	Intangible assets		347
4,376	Heritage assets	15	4,380
17,391	Long-term investments	16	15,265
7,264	Long-term debtors		1,617
	Assets relating to our pensions	33	31,428
<b>283,453</b>			<b>316,189</b>
	Current assets		
254	Stocks		303
22,996	Short-term investments	16	6,129
24,232	Short-term debtors	18	37,676
35,673	Cash in hand and cash equivalents	19	20,694
<b>83,155</b>			<b>64,802</b>
	Current liabilities		
(40,970)	Short-term creditors	20	(29,875)
(831)	Provisions	21	(1,789)
(599)	Cash overdrawn	19	-
<b>(42,400)</b>			<b>(31,664)</b>
	Long-term liabilities		
(2,865)	Long-term creditors	38	(2,568)
(2,376)	Long-term Provisions	21	-
(5,473)	Capital grants received in advance	30	(6,684)
(66,510)	Liability relating to our pensions	33	-
<b>(77,224)</b>			<b>(9,252)</b>
<b>246,984</b>	<b>Net assets</b>		<b>340,075</b>

31 March 2022 £ 000	Reserves	Notes	31 March 2023 £ 000
	Reserves		
74,233	Usable reserves (see Movement in Reserves Statement)		74,607
172,751	Unusable reserves	22	265,468
<b>246,984</b>	<b>Total reserves</b>		<b>340,075</b>

## Cashflow statement

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

2021/22 £ 000	Cash Flow	Notes	2022/23 £ 000
	<b>Operating activities</b>		
	Spending		
(27,893)	Cash paid to and for employees		(30,086)
(33,526)	Housing benefit paid out		(32,191)
(221)	NDR cost of collection		(219)
(2,739)	Precepts		(2,940)
(28,721)	Tariff & Levy/ Safety Net		(28,589)
(20)	Interest paid		(69)
(32,322)	Other costs		(62,008)
	Income		
8,017	Rents (after rebates)		9,316
16,770	Council tax		17,476
25,900	NDR we received		29,028
31,860	Grants towards Housing Benefit costs		30,049
20,831	Other government grants		10,914
20,942	Cash we received for goods and services		25,243
616	Interest we received		1,801
6,840	Other revenue cash payments or income		6,503
6,334	<b>Net cash inflow or (outflow) from operating activities</b>	23	(25,772)
	<b>Investing activities</b>		
	Spending		
(10,458)	Buying non-current assets		(28,284)
	Income		
1,079	Selling non-current assets		28
8,648	Capital grants and contributions we received		17,613
(153)	Other contributions		157
29,312	Investment Inflows		28,867
(54,275)	Investment Outflows		(12,000)
(25,847)	<b>Net cash inflow (outflow) from Investing activities</b>		6,381
(19,513)	<b>Net cash inflow or (outflow) before financing</b>		(19,391)
	<b>Management of liquid resources</b>		
	<b>Financing activities</b>		
22,075	Other liquid resources		5,011
22,075	<b>Cash flow from financing activities</b>		5,011
2,562	<b>Increase or (decrease) in cash</b>		(14,380)
32,512	<b>Cash balance at the beginning of the year</b>		35,074
35,074	<b>Cash balance at the end of the year</b>		20,694

## 7. Notes to the Main Financial Statement

### 1. 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.

The figures for 2021/22 financial year were restated, to reflect the two post balance sheet events as detailed in the narrative report.

2021/22 Restated	2021/22 Restated	2021/22 Restated	Expenditure and Funding Analysis	2022/23	2022/23	2022/23
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
602	93	695	Chief Executive	553	104	657
8,841	2,104	10,945	Connected Chelmsford	10,832	2,655	13,487
(99)	-	(99)	Fairer Chelmsford & DRM	(323)	-	(323)
1,033	7,436	8,469	Fairer Chelmsford	1,552	8,812	10,364
(1,657)	3,298	1,641	Sustainable Development	(1,981)	8,415	6,434
12,071	4,900	16,971	Greener and Safer Chelmsford	13,438	11,085	24,523
(185)	-	(185)	Other Service Income	(190)	-	(190)
(4,716)	-	(4,716)	Exceptional Item - VAT claim	(622)	-	(622)
<b>15,890</b>	<b>17,831</b>	<b>33,721</b>	<b>Spending on current services</b>	<b>23,259</b>	<b>31,071</b>	<b>54,330</b>
2,739	(1,391)	1,348	Other operating expenditure	2,940	(986)	1,954
1,724	9,826	11,550	Financing and investment	147	1,173	1,320
(14,451)	(22,106)	(36,557)	Taxation and general grants	(23,285)	(20,717)	(44,002)
<b>5,902</b>	<b>4,160</b>	<b>10,062</b>	<b>Total spending on services</b>	<b>3,061</b>	<b>10,541</b>	<b>13,602</b>

2021/22 Restated	Movement on General fund Balance (including Earmarked reserves)	2022/23
£ 000		£ 000
38,681	Opening Balance	32,779
(5,902)	Surplus/(Deficit)	(3,061)
<b>32,779</b>	<b>Closing Balance at 31 March</b>	<b>29,718</b>

## **2. General Accounting policies**

The Statement of accounts is a summary of our transactions for the financial year 2022/23 and our position at the year-end, 31 March 2023. 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 2022/23 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

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

### **Fair value**

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

### **Going concern**

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

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

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.

### **Overheads**

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

## **Revenue and capital transactions**

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

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

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

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

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

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

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

## **Value added tax**

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

### **3. Accounting standards issued but not yet adopted**

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

The following new standards require additional disclosures:

- FRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Due to delays to accounts completions and as a consequence, additional resource needed to complete the audit and the preparation of the statements of accounts, the Council has opted to delay implementation of the IFRS 16 Leases standard until 2024/25. We do not expect that any of the other 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.

During 2022/23 we received several grants from the Government to redistribute to individuals within the Council's area.

For each grant we considered the grant conditions to decide if we acted as an agent or principal for the grant, using following judgments:

- Where the Council had a control over the distribution or amounts of grant it is deemed to be acting as a principal and we recognised the grant and expenditure within the Comprehensive Income and Expenditure statement.



- Where the Council was purely intermediary in distributing the grants we acted as an agent and the transactions were not recognised in the Comprehensive Income and Expenditure statement. If we have been awarded more grant than we need or less than we recognise a creditor or a debtor.

## 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 and future conditions. 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 and Investment Properties	<p>Valuations require significant judgements to be made. The Council employs relevant experts to identify the most appropriate valuation techniques.</p> <p>The valuations provided reflect the best information available at the time of the production of the accounts. Assets are valued at either Market Value, Existing use value or Depreciated Replacement Cost (DRC) for specialised assets.</p> <p>Existing use asset valuations use inputs which can be corroborated as there is reliance on comparable market data.</p> <p>Significant judgement is required in the valuation of specialised assets due to the subjective nature of the valuation process. Valuations are based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. It uses factors such as area, location, age and the condition of the asset.</p>	<p>The impact of changes in valuation are on the Council's Balance sheet and do not have a financial impact on service delivery. All Investment, Surplus, Other Land and Building assets includes assets with a value over £2m, all car parks, owned temporary accommodation properties and specialised operational assets (DRC) over £2m were valued as at the 31st March 2023.</p> <p>An indexation advised by our valuers was applied to the remaining DRC buildings assets below £2m.</p> <p>The carrying value of these assets is as follows: - Other Land and Buildings £90m Other Land and Buildings DRC £82m Surplus £9m Investment £59m</p> <p>A 1% change in the valuation of these categories would be £2.4m.</p> <p>Note 14 provides further details on the value of our assets and valuation methodologies.</p>

<p>Pensions liability</p>	<p>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.</p>	<p>See note 33 for the effects of variations in these items.</p>
<p>NDR appeals</p>	<p>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%.</p>	<p>We have created a provision for our estimate of the amount that might be repayable to 31 March 2023 following successful appeals. Our share of this provision is £1.8m (see Note 21). In 2017 Valuation Office Agency (VOA) completed a revaluation exercise for Business Rates and a new check, challenge system for appeals 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. We calculated our provision based on checks and challenges lodged to date information. It is possible that appeals will be settled at amounts which differ from the estimate made.</p>

<p><b>Fair Value Measurement</b></p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (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 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). The Council uses level 2 inputs (inputs that can be corroborated by observable market data) for valuing its investment properties. The investment property valuations have utilised either the site area of the property based on newly agreed lease rents, or through utilising data on new rents of comparable buildings in the local market. Where this is not possible judgement is required in establishing fair values (level 3). These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions made could affect the value of the Council's assets and liabilities. 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.</p>	<p>Investment property 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. Professional valuers have applied their opinion where observable market data is applied to each individual property. Level 3 inputs are unobservable inputs that are used to measure fair value in circumstances where market data is not available as there is little, if any, market activity at the measurement date. Significant changes in any of the inputs could result in significantly lower or higher fair values. The value of investment properties measured at Fair Value is £59m</p>
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<p>Bad Debt</p>	<p>The provision for bad debts is uncertain due to the unknown future impact of the current economic situation with rising costs and high inflation. Provision provided is based on the best information available at the time of the production of the accounts.</p>	<p>We have created a provision for our estimate of the amount of debt that we might not be able to collect to the 31 March 2023 for general, housing tenants, HB, NDR and Council Tax debtors. Our share of this provision is £3.6m. This provision reflects assumptions on businesses and individuals and their future ability to repay the money owed to us. Changes to these assumptions will result in a change to the provision.</p>
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## 6. Note to the Expenditure and funding analysis

The following table further explains the funding adjustments made in the Comprehensive income and expenditure statement under generally accepted accounting practices as shown in the Expenditure and funding Analysis in Note 1. The figures for 2021/22 financial year were restated, to reflect the two post balance sheet events as detailed in the narrative report.

2021/22 Restated	Adjustments for Capital Charges	Net change for the Pensions Adjustment Restated	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non- statutory) Adjustments Restated	Adjustments between the Funding and Accounting bases
Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	(Note 1)	(Note 2)	(Note 3)		(Note 4)	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Chief Executive</b>		93		93		93
<b>Connected Chelmsford</b>	378	1,726		2,104		2,104
<b>Fairer Chelmsford &amp; DRM</b>				-		-
<b>Fairer Chelmsford</b>	3,476	364	(17)	3,823	3,613	7,436
<b>Sustainable Development</b>	2,163	1,124		3,287	11	3,298
<b>Greener and Safer Chelmsford</b>	1,849	3,380		5,229	(329)	4,900
<b>Other Service Income</b>				-		-
<b>Exeptional Item - VAT claim</b>				-		-
<b>Spending on current services</b>	7,866	6,687	(17)	14,536	3,295	17,831
Other operating expenditure	(1,391)			(1,391)		(1,391)
Financing and investment	11,942	2,134	(955)	13,121	(3,295)	9,826
Taxation and general grants	(7,672)		(14,434)	(22,106)		(22,106)
<b>Total spending on services</b>	<b>10,745</b>	<b>8,821</b>	<b>(15,406)</b>	<b>4,160</b>	<b>-</b>	<b>4,160</b>

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2022/23						
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)	
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Chief Executive</b>		79		79	25	104
<b>Connected Chelmsford</b>	1,144	1,511		2,655		2,655
<b>Fairer Chelmsford &amp; DRM</b>				-		-
<b>Fairer Chelmsford</b>	6,057	289	(190)	6,156	2,656	8,812
<b>Sustainable Development</b>	7,434	1,018		8,452	(37)	8,415
<b>Greener and Safer Chelmsford</b>	8,438	3,122		11,560	(475)	11,085
<b>Other Service Income</b>				-		-
<b>Exeptional Item - VAT claim</b>				-		-
<b>Spending on current services</b>	23,073	6,019	(190)	28,902	2,169	31,071
Other operating expenditure	(986)			(986)		(986)
Financing and investment	(444)	1,661	2,125	3,342	(2,169)	1,173
Taxation and general grants	(16,670)		(4,047)	(20,717)		(20,717)
<b>Total spending on services</b>	4,973	7,680	(2,112)	10,541	-	10,541

### 1. Adjustments for Capital Purposes

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

- Other operating expenditure – Capital disposals transferring income on the disposal of the assets and the amounts written off for the assets.
- Financing and investment income and expenditure – The statutory charges for capital financing including minimum revenue provision.
- Taxation and Non-specific grant income and expenditure – Capital grants received during the financial year without any conditions or where conditions were met during the financial year.

### 2. Net Change for the Pension Adjustments

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

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

### 3. Other Statutory Adjustments

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

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

### 4. Other Non-Statutory Adjustments

This represents:

- a removal of transactions between segments of the income and expenditure account,
- removal of Trading accounts income and expenditure and Investment properties income so that they are shown in the 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 £32.1m
- Government grant received in respect of housing benefit paid to the Council £30.0m
- Income from sales, fees and charges and rents £34.6m
- Employee costs excluding statutory payments on behalf of employees for tax and pensions £30.1m

## **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.

## **9. Adjustments to expenditure to arrive at the final charge to council tax**

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### **Accounting Policy**

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

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

Capital adjustment account	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.
Capital receipts reserve	Represents the money we have received, but not yet spent, from selling assets. This is a usable reserve.



Earmarked reserves	These are usable reserves set aside for a specific purpose.
Pension reserve	Represents the shortfall or surplus on assets needed to cover our future pension costs. This is an unusable reserve.
Revaluation reserve	Shows changes in the value of our fixed assets caused by revaluing them. It only has revaluation gains recognised after 1 April 2007. Any gains before that date are shown in the Capital adjustment account. This is an unusable reserve.

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The General fund balance movements include movements in Earmarked reserves, which are set aside for specific purposes. The detail of these can be found in note 10.

Movements in 2021/22	General fund Restated	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves Restated	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Reversal of items included in the Comprehensive income and expenditure statement (CI&amp;ES)</b>						
Depreciation and impairment of non-current assets	(6,813)			(6,813)	6,813	-
Revaluation losses on property, plant and equipment	581			581	(581)	-
Change in the market value of investment properties (+gain/-loss)	(14,262)			(14,262)	14,262	-
Amortisation of intangible assets	(88)			(88)	88	-
Capital grants and contributions applied to capital financing	397			397	(397)	-
Revenue expenditure funded from capital under statute	(1,546)			(1,546)	1,546	-
Gain or loss on the disposal of non-current assets	754	(1,079)		(325)	325	-
Unrealised gain or loss on Investments	955			955	(955)	-
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	333			333	(333)	-
Capital expenditure charged to the General Fund	1,987			1,987	(1,987)	-
<b>Adjustments involving the capital receipts reserve</b>						
Asset sale proceeds credited to the CI&ES	637	(695)		(58)	58	-
Use of capital receipts to fund new capital spending		1,748		1,748	(1,748)	-
<b>Adjustments involving the capital grants unapplied account</b>						
Reversal of unapplied capital grants and contributions credited to the CI&ES	5,280		(5,280)	-	-	-
CIL grant	1,995		(1,995)	-	-	-
Grants applied to capital financing			3,118	3,118	(3,118)	-
<b>Adjustments involving the pension reserve</b>						
Reversal of post-employment benefits charged to the CI&ES	(14,068)			(14,068)	14,068	-
Employer's pension contributions paid in the year	5,247			5,247	(5,247)	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	57			57	(57)	-
Adjustment for Non-domestic rates collection fund income	14,377			14,377	(14,377)	-
<b>Adjustments involving the accumulating compensated absences adjustment account</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	17			17	(17)	-
<b>Total adjustments</b>	(4,160)	(26)	(4,157)	(8,343)	8,343	-

**Chelmsford City Council – Draft Statement of Accounts 2022/23**

Movements in 2022/23	General fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Reversal of items included in the Comprehensive income and expenditure account (CI&amp;ES)</b>						
Depreciation and impairment of non-current assets	(7,333)			(7,333)	7,333	-
Revaluation losses on property, plant and equipment	(10,997)			(10,997)	10,997	-
Change in the market value of investment properties (+gain/-loss)	(1,501)			(1,501)	1,501	-
Amortisation of intangible assets	(97)			(97)	97	-
Capital grants and contributions applied to capital financing	995			995	(995)	-
Revenue expenditure funded from capital under statute	(4,645)			(4,645)	4,645	-
Gain or loss on the disposal of non-current assets	(321)	(29)		(350)	350	-
Unrealised gain or loss on Investments	(2,125)			(2,125)	2,125	-
<b>Inclusion of items not included in the CI&amp;ES</b>						
Statutory provision for the financing of capital investment	594			594	(594)	-
Capital expenditure charged to the General Fund	1,351			1,351	(1,351)	-
<b>Adjustments involving the capital receipts reserve</b>						
Asset sale proceeds credited to the CI&ES	1,306	(1,332)		(26)	26	-
Use of capital receipts to fund new capital spending		807		807	(807)	-
<b>Adjustments involving the capital grants unapplied account</b>						
Reversal of unapplied capital grants and contributions credited to the CI&ES	13,366		(13,366)			-
CIL grant	2,308		(2,308)			-
Grants applied to capital financing			12,793	12,793	(12,793)	-
<b>Adjustments involving the pension reserve</b>						
Reversal of post-employment benefits charged to the CI&ES	(13,297)			(13,297)	13,297	-
Employer's pension contributions paid in the year	5,617			5,617	(5,617)	-
<b>Adjustments involving the collection fund adjustment account</b>						
Adjustment for Council Tax collection fund income	(228)			(228)	228	-
Adjustment for Non-domestic rates collection fund income	4,278			4,278	(4,278)	-
<b>Adjustments involving the accumulating compensated absences adjustment</b>						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	188			188	(188)	-
<b>Total adjustments</b>	<b>(10,541)</b>	<b>(554)</b>	<b>(2,881)</b>	<b>(13,976)</b>	<b>13,976</b>	<b>-</b>

**Chelmsford City Council – Draft Statement of Accounts 2022/23**

## 10. An assessment of our earmarked reserves

The following table shows details of movements in these reserves.

<b>Earmarked Reserves</b>	<b>Pensions</b>	<b>Contingency</b>	<b>Business Rates Reserve</b>	<b>Future replacement of assets</b>	<b>Other reserves</b>
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2021	1,116	3,042	17,857	-	2,891
Transfers in	717		3,639	2,156	2,507
Transfers out			(16,861)	-	(1,382)
Balance at 31 March 2022	1,833	3,042	4,635	2,156	4,016
Transfers in	867	-	-	2,186	961
Transfers out	(454)	(3,042)	(3,829)	(1,383)	(698)
Balance at 31 March 2023	2,246	-	806	2,959	4,279

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 **Contingency reserve**

Was set up to meet any unexpected costs, but has now been transferred to form part of the General fund.

c **Business Rates Reserve**

To manage timing differences from payments and income from Business Rates Retention scheme as well as smooth any unexpected impact of fluctuations in business rates appeal on income collected.

## 11. Other operating expenditure

2021/22 Gross spending £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			<b>Other operating expenditure</b>			
2,739	-	2,739	Parish council precepts	2,940	-	2,940
-	(754)	(754)	(Gain) or losses on disposal of non-current assets	321	-	321
-	(637)	(637)	(Gain) or losses on disposal of unattached assets	-	(1,307)	(1,307)
<b>2,739</b>	<b>(1,391)</b>	<b>1,348</b>		<b>3,261</b>	<b>(1,307)</b>	<b>1,954</b>

## 12. Financing and investments

2021/22 Gross spending Restated £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			<b>Financing and investments</b>			
-	(616)	(616)	Interest and investment income	-	(1,867)	(1,867)
20	-	20	Interest we have to pay	69	-	69
-	(955)	(955)	Other unrealised investment income or loss	2,125	-	2,125
2,134	-	2,134	Pensions interest (note 33)	1,661	-	1,661
3,919	(3,531)	388	(Gains) or losses on trading operations (note 25)	4,272	(3,688)	584
14,262	-	14,262	Revaluation of investment properties	1,501	-	1,501
339	(4,022)	(3,683)	Investment properties (note 25)	1,475	(4,228)	(2,753)
<b>20,674</b>	<b>(9,124)</b>	<b>11,550</b>		<b>11,103</b>	<b>(9,783)</b>	<b>1,320</b>

## 13. Taxation and non-specific grants

2021/22 Gross spending £ 000	2021/22 Income £ 000	2021/22 Net spending £ 000		2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			<b>Taxation &amp; general grants</b>			
-	(27,448)	(27,448)	National non-domestic rates	-	(30,074)	(30,074)
27,509	(8,646)	18,863	Government tariff and s31 grants	27,509	(5,328)	22,181
-	(16,729)	(16,729)	Demand on the collection fund	-	(17,415)	(17,415)
1,212	(12,455)	(11,243)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	1,080	(19,774)	(18,694)
<b>28,721</b>	<b>(65,278)</b>	<b>(36,557)</b>		<b>28,589</b>	<b>(72,591)</b>	<b>(44,002)</b>

## 14. Movements on our assets

Independent external valuers are used to revalue our properties. The valuations were undertaken by Montagu Evans on the 31st March 2023. The following assets were valued in 2022/23:-

- All Investment Properties
- All Surplus Assets
- Other Land and Buildings – Car Parks, Temporary Accommodation Properties, Specialised Operational Assets over £2m and those assets with a value in excess of £2m

For the specialised assets not valued by Montagu Evans an indexation of 8.6% was applied to reflect the increased replacement cost of the assets. This indexation rate was provided by Montagu Evans.

The assets the Council holds have not materially altered but there are changes to value and/or economic lives of assets. The impact of these changes does not result in any real change in the financial health of the authority or its ability to provide its services.

The new valuation of Council's car parks reflects a continuing trend of falling income since Covid 19 with a further £6.2m fall in values compared to last year from £46.2m in 2021/22 to £40m this year. The valuations are based on an average of the previous 3 year's income.

The Council has been acquiring property for use as temporary accommodation and has invested £12.7m in 2022/23 to purchase and refurbish properties for this purpose. The Council previously held assets to the value of £9.1m in this category. The assets are valued at existing use rather than held at their market value and following valuation the value of this category of asset is £16.1m a reduction of £5.7m or 26%

High Chelmer Shopping Centre has made a slight recovery in value after a significant fall of 37% in value in 2021/22 to £23.5m. The value is now £26m a 10.6% increase from 2021/22 and is due to an increase in the variable ground rent.

The value of commercial office accommodation has fallen due to market sentiment and the valuations have fallen by 14% from £18.4m to £15.8m.

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.

## **Accounting policies**

### Charges to Revenue for Assets

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

### 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 (PPE)

PPE are physical assets 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 assets are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- Community assets such as parks are valued at historic cost unless the external valuers identify a more appropriate value.
- Infrastructure such as bridges are valued at depreciated historical cost
- Other assets such as land and buildings are valued at a price that would be paid for the asset in its existing use. Where there is no market-based evidence

because the asset is so specialised they are valued at depreciated replacement cost.

- Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell.
- Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All Investment, Surplus and large assets with a value in excess of £2m are revalued every year. All other assets will be revalued at least once every three years. 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). Land is not depreciated.



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

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

- Buildings 5-50 years
- Vehicles and equipment 2-25 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. Proceeds from the disposal of capital assets are categorised as capital receipts.

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<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	<b>Other land and buildings</b>	<b>Vehicles and equipment</b>	<b>Infra-structure</b>	<b>Community assets</b>	<b>Assets being built</b>	<b>Surplus assets</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Net book value on 1 April 2021 (after depreciation)	172,401	8,500	188	4,737	1,196	7,135	194,157
<b>Total book value on 1 April 2021</b>	<b>172,750</b>	<b>19,905</b>	<b>199</b>	<b>4,737</b>	<b>1,196</b>	<b>7,135</b>	<b>205,922</b>
Assets we have transferred	920	7	-	30	(957)	-	-
Assets we have bought, improved or were donated	4,928	2,635	28	56	2,547	23	10,217
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(132)	(652)				-	(784)
Assets no longer required		(883)					(883)
Assets we have impaired							-
Assets revalued	(6,403)					120	(6,283)
<b>Total book value on 31 March 2022</b>	<b>172,063</b>	<b>21,012</b>	<b>227</b>	<b>4,823</b>	<b>2,786</b>	<b>7,278</b>	<b>208,189</b>
<b>Depreciation on 1 April 2021</b>	<b>349</b>	<b>11,405</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,765</b>
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(4)	(1,521)				-	(1,525)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(4,910)					(29)	(4,939)
Depreciation for the year	4,916	1,860	8			29	6,813
<b>Depreciation on 31 March 2022</b>	<b>351</b>	<b>11,744</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,114</b>
<b>Net book value on 31 March 2022 (after depreciation)</b>	<b>171,712</b>	<b>9,268</b>	<b>208</b>	<b>4,823</b>	<b>2,786</b>	<b>7,278</b>	<b>196,075</b>

<b>PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)</b>	<b>Other land and buildings</b>	<b>Vehicles and equipment</b>	<b>Infra-structure</b>	<b>Community assets</b>	<b>Assets being built</b>	<b>Surplus assets</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Net book value on 1 April 2022 (after depreciation)	171,712	9,268	208	4,823	2,786	7,278	196,075
Total book value on 1 April 2022	172,063	21,012	227	4,823	2,786	7,278	208,189
Assets we have transferred	4,986	97	-	311	(5,394)	-	-
Assets we have bought, improved or were donated	11,375	2,624	-	83	11,175	521	25,778
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(352)	(1,224)				-	(1,576)
Assets no longer required							-
Assets we have impaired							-
Assets revalued	(16,122)					1,134	(14,988)
<b>Total book value on 31 March 2023</b>	<b>171,950</b>	<b>22,509</b>	<b>227</b>	<b>5,217</b>	<b>8,567</b>	<b>8,933</b>	<b>217,403</b>
<b>Depreciation on 1 April 2022</b>	<b>351</b>	<b>11,744</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,114</b>
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(16)	(1,210)				-	(1,226)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(4,881)					(181)	(5,062)
Depreciation for the year	5,062	2,082	8			181	7,333
<b>Depreciation on 31 March 2023</b>	<b>516</b>	<b>12,616</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,159</b>
<b>Net book value on 31 March 2023 (after depreciation)</b>	<b>171,434</b>	<b>9,893</b>	<b>200</b>	<b>5,217</b>	<b>8,567</b>	<b>8,933</b>	<b>204,244</b>

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	1,211	22,509	227	4,881	8,567	-	37,395
Carrying fair value at:							
31 March 2023 (valuation date 31/03/2023 )	164,747					8,933	
31 March 2022 (valuation date 31/03/2022 )	96						96
31 March 2021 (valuation date 31/03/2021 )	1,528			314		-	1,842
31 March 2020 (valuation date 31/03/2020 )	4,368			22			4,390
31 March 2019 (valuation date 30/11/2018 & 31/03/2019 )	-						-
<b>Total</b>	<b>171,950</b>	<b>22,509</b>	<b>227</b>	<b>5,217</b>	<b>8,567</b>	<b>8,933</b>	<b>217,403</b>

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	24	72,252	72,276	204	57,807	58,011
Additions						
Properties we bought			-			-
Properties we built			-			-
Properties we improved	180	-	180	805	1,593	2,398
Disposals		(183)	(183)		-	-
Net gain or (loss) from fair value adjustments		(14,262)	(14,262)		(1,501)	(1,501)
Transfers (to) or from						
Stocks			-			-
Property, plant and equipment		-	-		-	-
Other changes			-			-
<b>Balance on 31 March</b>	<b>204</b>	<b>57,807</b>	<b>58,011</b>	<b>1,009</b>	<b>57,899</b>	<b>58,908</b>

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

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
	£ 000	£ 000	£ 000
Commercial Site	21,394		21,394
Development site	4,372	658	5,030
Pending Sale			-
Residential (market rental) properties	252		252
Retail Sites	31,131		31,131
<b>Balance on 31 March 2022</b>	<b>57,149</b>	<b>658</b>	<b>57,807</b>

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2023
	£ 000	£ 000	£ 000
Commercial Site	19,545		19,545
Development site	4,166	363	4,529
Pending Sale			-
Residential (market rental) properties	250		250
Retail Sites	33,575		33,575
<b>Balance on 31 March 2023</b>	<b>57,536</b>	<b>363</b>	<b>57,899</b>

The categorisation of assets involves the valuers making a judgement based on the latest available information. Galleywood Hall has been re-categorised from Input Level 3 to Level 2 as the development has now been completed and is being used for light industrial.

## Funding our capital expenditure

We incurred the following amounts of capital expenditure in the year and these are shown together with a statement of the resources used to finance the expenditure below. The balance on the capital financing requirement is £35.4m. At the end of the year we have an external debt of £1.14m (finance lease) and £34.23m internal borrowing against reserves.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2021/22	2022/23
	£ 000	-
Opening capital finance requirement at 1 April	14,410	18,899
Expenditure on		
Property plant and equipment	10,217	25,778
Investment properties	180	2,398
Heritage assets		-
Intangible assets	61	109
Revenue expenditure funded from capital under statute and Renovation Loans	2,355	4,722
Less sources of finance		
Capital receipts	(1,748)	(807)
Government grants and other contributions	(4,256)	(13,788)
Revenue funding	(1,987)	(1,351)
Minimum revenue provision	(333)	(594)
<b>Capital financing requirement at 31 March</b>	<b>18,899</b>	<b>35,366</b>

## 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 and adjusts for valuations based on insurance premium changes resulting from the insurance valuation process. Details on the methods used are shown below.

The Council records its heritage assets under the following headings:

1. Archaeology and Numismatics

2. Pottery, drinking glasses and pewter
3. Works of art
4. Natural History taxidermy, botanica and geological specimens
5. Social, agricultural and industrial history, including costume
6. Statues
7. Mayor's office

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, and these will be recorded at valuation on their acceptance by the Council.

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

The collections of the Essex Regiment Museum are owned by separate Trustees, under a 25-year management agreement with the Council signed in March 1999. It stipulates that the Council will insure the regimental collections in the same way as it insures its own Chelmsford Museum collections.

However, we do not include regimental collections in our Balance sheet valuations.

#### Heritage Valuers

We have previously 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
- Sworders, Fine Art Auctioneers

### 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 2021	247	254	541	1,287	538	160	1,201	4,228
Additions								-
Revaluations	1	-	-	13	-	134	(1)	147
31 March 2022	247	254	541	1,301	538	294	1,200	4,376
Additions								-
Revaluations	4	-	-	-	-	-	-	4
31 March 2023	251	254	541	1,301	538	294	1,200	4,380

### Commentary on movements

There was no significant movement in heritage assets in 2022/23.

### Overview of our collection

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

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

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

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

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

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



## 16. Categories of financial assets and liabilities

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### Accounting policy

We record our investments and borrowings in the following ways:

- Most of our investments are deposits with banks, building societies, the Government or other UK local authorities. These assets generate payments solely of principal and interest. We must show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due at the balance sheet date is shown in the comprehensive income and expenditure statement. These types of investment are measured at amortised cost in accordance with IFRS9.
- We also invest some money in Pooled Investment Funds. Payments from these funds are not solely principal and interest as they are equity instruments with the Council earning dividends and redeeming shares at the prevailing market rate. The Council accounts for these as Fair Value through Profit and Loss (FVPL) in accordance with IFRS9.
- The income from the “FVPL” investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.
- If the value of an FVPL asset changes from the price that it was originally invested at then the balance sheet shows the investment at its valuation at the balance sheet date. The difference between these values, being an unrealised gain or loss is charged to revenue and reversed out to the Pooled Funds Adjustment Account before it has any impact on Council Tax. The cumulative gain or loss held in the Pooled Funds Adjustment Account is charged to Comprehensive Income and Expenditure Statement when the investment is sold.
- All our borrowing is shown on the balance sheet, including any interest owed by the Council. Interest payable for the accounting period is charged to the Comprehensive income and expenditure statement.

### Impairment provisions for financial assets

#### Investments

The Council also makes impairment provisions against non-trade receivable financial assets in line with IFRS9 (if material). 12 month expected credit losses are applied to all assets held at amortised cost, with reviews made for lifetime losses where credit risk has increased significantly.

On recognition the Council makes a provision (if material) for 12 month expected credit losses on all of its financial assets held at amortised cost, excluding investments in the UK Government and other local authorities. Should the risk of loss

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

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

In line with CIPFA guidance, investments with the UK Government and UK Local Authorities are exempted from loss provisions.

### Trade receivables, lease receivables and contract assets

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

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

2021/22 Investments £ 000	2021/22 Cash & cash equivalents £ 000	2021/22 Receivables & payables Restated £ 000	SHORT-TERM	2022/23 Investments £ 000	2022/23 Cash & cash equivalents £ 000	2022/23 Receivables & payables £ 000
			<b>Financial assets</b>			
	15,336		Fair value through profit or loss		11,955	
22,996	20,337	6,145	Amortised cost	6,129	8,358	6,603
22,996	35,673	6,145	<b>Total financial assets</b>	6,129	20,313	6,603
22,996	35,673	6,145	<b>Total assets</b>	6,129	20,313	6,603
			<b>Financial liabilities</b>			
	(599)	(4,059)	Amortised cost		381	(10,839)
-	(599)	(4,059)	<b>Total financial liabilities</b>	-	381	(10,839)
-	(599)	(4,059)	<b>Total liabilities</b>	-	381	(10,839)

The 2021/22 figures were restated to reflect changes identified during 2020/21 audit for categorisation of year end balances to comply with the IFRS9 requirements.

2021/22 Investments	2021/22 Receivables & payables	<b>LONG-TERM</b>	2022/23 Investments	2022/23 Receivables & payables
£ 000	£ 000		£ 000	£ 000
17,391		<b>Financial assets</b>		
		Fair value through profit or loss	15,265	
	2,138	Amortised cost		990
17,391	2,138	<b>Total financial assets</b>	15,265	990
17,391	2,138	<b>Total assets</b>	15,265	990
		<b>Financial liabilities</b>		
	(2,455)	Amortised cost		(1,121)
-	(2,455)	<b>Total financial liabilities</b>	-	(1,121)
-	(2,455)	<b>Total liabilities</b>	-	(1,121)

### Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2023 for new investments that would end at the same time. The difference in value is because of different market interest rates than would be available at the year-end date.

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

<b>Fair Value</b>	Reporting £ 000	Fair value £ 000
<b>Fair Value At 31 March 2022</b>		
<b>Financial assets</b>		
Investments and cash equivalents	76,031	76,053
Cash	29	29
Long-term receivables	2,138	2,138
<b>Financial liabilities</b>		
Cash	(599)	(599)
<b>Fair Value At 31 March 2023</b>		
<b>Financial assets</b>		
Investments and cash equivalents	41,679	41,680
Cash	28	28
Long-term receivables	990	990
<b>Financial liabilities</b>		
Cash	381	381

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

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

Financial Assets measured at fair value:

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique to measure fair value	31st March 2022 £ 000	31st March 2023 £ 000
Local Authority Property Fund	Level 1	Unit Prices	7,566	6,318
Aegon Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,584	3,147
Ninety One Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,152	2,985
CCLA Multi-Asset Diversified Income Fund	Level 1	Unit Prices	3,089	2,815
<b>Total</b>			<b>17,391</b>	<b>15,265</b>

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

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

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

#### **Credit risk: Treasury Investments**

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

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures

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

We present reports to Council meetings at the beginning of every year and half way through it to agree who we can lend money to. The type of investment we choose can help to reduce the risk of failure. The table below gives the types and the

maximum amounts that can be invested, as set out in the Council's Treasury Management Strategy (limits approved at February 2022 Full Council meeting).

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

Credit Rating	2021/22 Short term £ 000	2022/23 Short term £ 000	2021/22 Long term £ 000	2022/23 Long term £ 000
AAA				
AA+				
AA	6,006			
AA-	12,003	6,129		
A+	12,289	259		
A	3,000			
A-				
BBB+				
Unrated local authorities	10,005	3,003		
Unrated Building Societies				
Unrated Housing Associations				
AAA-mmf	15,336	17,023		
Credit Risk not applicable (pooled funds)			17,391	15,265
<b>Total</b>	<b>58,639</b>	<b>26,414</b>	<b>17,391</b>	<b>15,265</b>

The following table details the counterparties approved in the Council's Treasury Management Strategy for 2022/23:

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
Money Market Funds (per fund)	AAA	£6m each fund	Instant access
Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	5 years
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m for each authority	5 years
UK Banks	A-	£3m each group	365 days
Building Societies	A-	£3m each group	365 days
Non-UK Banks	AA-	£3m each group	365 days
Non-UK Banks	A-	£3m each group	100 days
Registered Social Landlord Loans (these deposits would be guaranteed on RSL assets or similar)	A-	£3m each	365 days
Covered Bonds (per bond)	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	365 days
Supranational Bonds (per institution)	AAA	£6m	3 years
Multi asset or bond funds	Unrated	£5m per fund	n/a
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m	

The Council calculates expected credit losses with reference to historic default data, credit ratings and any collateral protecting an investment. 12 month expected credit losses are not material for the Council's investment portfolio. Losses will be allowed for against an investment that suffers a significant increase in credit risk, but none have been experienced in the year ending 31/03/2023.

### **Credit risk: trade receivables**

Debtors are our customers for services which are not included in Council Tax and Non-domestic rates payments. In the past, some customers have failed to pay us money they owe us, so credit risk applies to them. The level of past default is based on our provision for bad debts from our customers reflecting 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).

2021/22 £ 000	Age of debt	2022/23 £ 000
9,068	Less than three months	5,203
133	Three to six months	348
498	Six months to a year	182
3,994	More than a year	870
<b>13,693</b>		<b>6,603</b>

We monitor repayment of all debts rigorously.

### Liquidity risk

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

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

2021/22 £ 000	Financial assets returned to the Council	2022/23 £ 000
35,644	Less than three months, including cash equivalents	20,285
14,991	Three to six months	-
8,005	Six months to a year	6,129
17,391	More than a year	15,265
<b>76,031</b>		<b>41,679</b>

### Market risk: interest rates

This is the possibility that the value and amount of income we receive from our investments will fall because of changes in interest rates or market prices. The

Council plans its investment to invest more at fixed rates when interest rates are falling and more at variable rates when interest rates are rising.

As a significant proportion of our investments are in money market fund 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 2022/23. The effect of a 1% increase in interest rates would have resulted in an extra income of £173K on variable rate investments for a full year. If interest rates had fallen by 1%, the loss of interest would have been the same amount.

### **Market risk: price risk**

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

However, the Council's CCLA property fund investment and investment in its 3 Multi-Asset Funds are all subject to price changes arising from changes in the economy, although any losses would be unrealised unless the Council elected to sell the asset.

The original CCLA Property Fund investment of £5m means that an unrealised gain of £1.32m is currently held, which helps protect capital values against future losses. An unrealised loss of £1.05m is held against the Council's 3 Multi-Asset funds, resulting in a net unrealised gain across all pooled funds of £0.27m. The unrealised gain or losses are charge to the Comprehensive income and expenditure statement, which would be reversed out unless the asset was sold.

## **17. Major commitments under capital contracts**

We were legally committed to the following material scheme on the 31st March 2023;  
Chelmer Waterside Infrastructure Scheme - GPRS Relocation £8.9m.



## 18. Debtors

2021/22	Debtors	2022/23
£ 000		£ 000
1,369	Government departments	2,515
1,338	Other local authorities	1,506
6,122	Sundry debts owed by other organisations and individuals	7,720
-	VAT refund on Leisure income (exceptional item)	5,802
3,578	Payments in advance for sundry debts	5,270
2,491	HB overpayments	2,333
12,584	Other debtors *	16,137
(3,250)	Debts we may not be able to collect	(3,607)
<b>24,232</b>		<b>37,676</b>

2021/22	*Other debtors	2022/23
£ 000		£ 000
7,825	CT Preceptors	10,841
2,279	NNDR ratepayers	2,420
2,476	Council Tax ratepayers	2,874
4	Money owed by Council's employees	2
<b>12,584</b>		<b>16,137</b>

## 19. Cash and cash equivalents

### Accounting Policy

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

2021/22	Cash & cash equivalents	2022/23
£ 000		£ 000
29	Cash held by officers	28
(599)	Bank current accounts	381
35,644	Cash equivalents (short-term deposits)	20,285
<b>35,074</b>		<b>20,694</b>

## 20. Creditors

2021/22	Creditors	2022/23
£ 000		£ 000
27,139	Government departments incl grants received in advance	7,707
5,860	Other local authorities	6,211
3,397	Sundry creditors with other organisations and individuals	7,375
2,480	Receipts in advance from sundry creditors	2,914
2,094	Other creditors *	5,668
<b>40,970</b>		<b>29,875</b>

\* Other creditors include money owed to the Council tax and NNDR ratepayers including prepayments, money owed to the Collection Fund Preceptors and our employees for their untaken leave.

To help billing authorities with their cash position, the Government paid on account S31 grants to the billing authorities for the whole collection fund, not just the billing authority's share during 2021/22. We therefore had a large creditor, £13.4m, we owed to the Government. The Government's creditors also included £4.4m non-distributed grant funding for Covid19 support to qualifying businesses and £8.6m Council tax rebate grant to be paid out to households during 2022/23 to help with some of the impact of rising energy costs.

## 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 31 March 2021	5,280	5,280
Transfers in	-	-
Transfers out	(2,073)	(2,073)
Balance at 31 March 2022	3,207	3,207
Transfers in	-	-
Transfers out	(1,418)	(1,418)
<b>Balance at 31 March 2023</b>	<b>1,789</b>	<b>1,789</b>
Explanation	The amount that may be repayable if appeals against NDR valuations are successful	

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## 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	Pension reserve (note 33) Restated	Collection fund adjustment account	Other unusable reserves	Total unusable reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2021	81,926	175,666	(108,916)	(17,942)	910	131,644
Change on the reserve during the year	(4,110)	(12,595)	42,406	14,434	972	41,107
Balance at 31 March 2022	77,816	163,071	(66,510)	(3,508)	1,882	172,751
Change on the reserve during the year	(1,504)	(5,830)	97,938	4,050	(1,937)	92,717
<b>Balance at 31 March 2022</b>	<b>76,312</b>	<b>157,241</b>	<b>31,428</b>	<b>542</b>	<b>(55)</b>	<b>265,468</b>
Explanation	The gains on revaluing our assets since 1 April 2007. See table below for details of movements	Capital spending to be financed from future resources. See table below for details of movements	Our liability to pay future pensions	Adjusting for paid and accrued council tax and NDR		

Pension reserve was restated to reflect post balance sheet changes as detailed in narrative report.

**Revaluation reserve**

2021/22	Revaluation Reserve	2022/23
£ 000		£ 000
81,926	Opening balance	77,816
(1,777)	Revaluation of assets	1,075
	Impairment losses	
(70)	Write-out of revaluations of assets we have sold	(274)
(2,263)	Difference between fair value and historic cost depreciation	(2,305)
<b>77,816</b>	<b>Closing Balance</b>	<b>76,312</b>

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

**Capital adjustment account**

2021/22	Capital Adjustment Account	2022/23
£ 000		£ 000
175,666	Opening balance	163,071
(6,901)	Allowance for depreciation and amortisation	(7,430)
	Less depreciation and amortisation charged to the revaluation reserve	
2,263		2,305
(1,546)	Revenue expenditure funded from capital under statute	(4,645)
70	Transfer from revaluation reserve on disposals	274
581	Impairments and amortisation charged to revenue	(10,997)
333	Minimum Revenue Provision	594
(58)	Repaid Capital loan receipts	(26)
7,250	Application of receipts and contributions	15,946
(325)	Assets disposed of	(350)
(14,262)	Movements in the value of investment properties in the CI&ES	(1,501)
<b>163,071</b>	<b>Closing balance</b>	<b>157,241</b>

**23. Cashflow**

2021/22	I&E to cash flow	2022/23
£ 000		£ 000
	<b>Revenue shortfall or (surplus)</b>	
1,394	Movement on the General fund	(2,331)
(14)	Provision for bad debts	(357)
1,546	Revenue funded by capital under statute	4,645
(333)	Minimum revenue provision	(594)
(1,987)	Other costs	(1,349)
(638)	Proceeds from asset disposals	(1,308)
9,224	GF - contribution (to)/from reserves	5,392
9,192		4,098
(14,434)	Our part of the collection fund	(4,050)
(5,242)		48
	<b>Non-cash transactions</b>	
2,056	Transfers to reserves	1,230
22,075	Net throughput on the collection fund	5,011
24,131		6,241
	<b>Change in</b>	
(35)	Stock	49
(23,531)	Debtors	8,153
(1,657)	Creditors	11,281
(25,223)		19,483
(6,334)	<b>Net cash inflow or (outflow) from revenue activities</b>	<b>25,772</b>

## 24. Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income. The 2021/22 figures were restated to reflect the post balance sheet events as detailed in the narrative report.

2021/22 Restated £ 000	Expenditure and Income Analysed by Nature	2022/23 £ 000
	<b>Expenditure</b>	
41,619	Employee benefits expenses	43,810
63,807	Other services expenses	62,231
410	Exceptional item - fees for VAT refund	54
7,866	Depreciation, amortisation, impairment	23,073
20	Interest payments	69
2,739	Precepts and levies	2,940
2,134	Pension interest and return on investment	1,661
(51,227)	Remeasurement of the assets of the pension fund	(105,618)
13,693	Gain or loss on the disposal and revaluation of Assets	1,565
81,061	<b>Total Expenditure</b>	<b>29,785</b>
	<b>Income</b>	
(33,892)	Fees, charges and other services income	(43,680)
(5,126)	Exceptional item - VAT on fees and charges	(676)
(616)	Interest and investment income	(1,867)
(16,729)	Income from Council Tax	(17,415)
(56,413)	Government grants and other contributions incl Business Rate income, Housing Benefits grants and Covid19 grants	(42,569)
(7,673)	Capital Grants and contributions	(16,669)
(120,449)	<b>Total Income</b>	<b>(122,876)</b>
(39,388)	<b>Total expenditure and income</b>	<b>(93,091)</b>

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

2021/22 Restated £ 000	Revenues from contracts with service recipients	2021/22 £ 000
(33,674)	Revenues from contracts with service recipients	(34,202)
11	Impairments of receivable or contract assets	678
(33,663)	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(33,524)</b>

## 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. The 2021/22 figures were restated to reflect the post balance sheet events as detailed in the narrative report.

2021/22 Gross spending Restated £ 000	2021/22 Income £ 000	2021/22 Net spending Restated £ 000	Trading accounts not shown in Spending on current services	2022/23 Gross spending £ 000	2022/23 Income £ 000	2022/23 Net spending £ 000
			<b>Other operating expenditure</b>			
3,345	(2,954)	391	Grounds maintenance	3,652	(3,098)	554
574	(577)	(3)	Vehicle maintenance	620	(590)	30
3,919	(3,531)	388		4,272	(3,688)	584
			<b>Financing and investment</b>			
339	(4,022)	(3,683)	Investment properties	1,475	(4,228)	(2,753)
339	(4,022)	(3,683)		1,475	(4,228)	(2,753)
4,258	(7,553)	(3,295)	<b>Total trading activity</b>	5,747	(7,916)	(2,169)

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 investment 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.

Revenue expenditure	2021/22 SEPP £ 000	2022/23 SEPP £ 000	2021/22 Chelmsford £ 000	2022/23 Chelmsford £ 000
Expenditure	2,586	2,455	566	601
Income	(2,331)	(2,376)	(863)	(901)
<b>Net position</b>	<b>255</b>	<b>79</b>	<b>(297)</b>	<b>(300)</b>

## 27. Councillors' allowances

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

2021/22 £ 000	Councillors allowances	2022/23 £ 000
349	Basic allowance	360
155	Special responsibility allowance	161
13	Mayor and Deputy Mayor allowance	16
<b>517</b>	<b>Total we paid in the year</b>	<b>537</b>

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

## 28. Employees 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 following table does not include chief officers' details, which are shown in the next table.



Employee pay band	Number of employees	Number of employees	Number who left in the year	Number who left in the year
£	2021/22	2022/23	2021/22	2022/23
50,000–54,999	15	25	2	-
55,000–59,999	11	16	-	-
60,000–64,999	5	7	1	1
65,000–69,999	3	3	1	1
70,000–74,999	5	3	1	-
75,000–79,999	3	2	-	-
80,000–84,999	5	8	-	-
85,000–89,999	5	3	-	-
90,000–94,999	1	3	-	-
95,000 – 99,999	-	1	-	-
100,000 - 104,999	-	-	-	-
105,000 – 109,999	-	-	-	-
110,000 - 114,999	-	-	-	-
115,000 – 119,999	-	-	-	-
120,000 - 124,999	-	-	-	-

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

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

Chief officers	Salary, fees and allowances	Benefits in kind ***	Compensation for loss of employment	Employer pension contributions ****	TOTAL
2021/22	£	£	£	£	£
Chief Executive (N Eveleigh)	193,802	1,853		35,674	231,329
Directors of:					
Connected Chelmsford (L Goodwin)	131,997	1,853		24,192	158,042
Financial Services (A Fahey) left 11/06/2021	24,769	146	211,960	4,528	241,403
Public Places (K Nicholson)	132,310	1,482		24,192	157,984
Sustainable Communities (D Green)	100,498	3,557		18,143	122,198

Chief officers	Salary, fees and allowances	Benefits in kind ***	Employer pension contributions ****	TOTAL
2022/23	£	£	£	£
Chief Executive (N Eveleigh)	198,590	1,743	36,566	236,899
Directors of:				
Connected Chelmsford (L Goodwin)	135,147	1,394	24,796	161,337
Public Places (K Nicholson)	135,456	1,394	24,796	161,646
Sustainable Communities (D Green)	102,860	3,347	18,597	124,804

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £165,290.

\*\*\* 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.

2021/22 £ 000	Termination benefits	2022/23 £ 000
556	Termination benefits	
97	Redundancy costs	174
	Additional pension costs	140
<b>653</b>	<b>Total spending</b>	<b>314</b>
20	No of employees whose employment was terminated	8

Exit packages	2021/22	2022/23	2021/22	2022/23
	Leavers Number	Leavers Number	Cost £ 000	Cost £ 000
£0 - £20,000	11	4	124	45
£20,001 - £50,000	7	1	249	20
£50,001 - £250,000	2	3	280	249
<b>Total</b>	<b>20</b>	<b>8</b>	<b>653</b>	<b>314</b>

We made five employees compulsorily redundant in 2022/23, and nine 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. The table below shows that no expenditure was incurred during 2022/23 for external audit, this is due to the 2022/23 audit not having begun, and so no accrual of expenditure could take place. The expected costs from the 22/23 audit are in the region of £74k but will now fall in later years.

In 2022/23 we received £20,595 grant from the Department for Levelling Up Housing and Communities towards audit costs.

2021/22	External audit costs	2022/23
£ 000		£ 000
86	Fees we paid to the auditor	-
(24)	Basic audit	(21)
	Government grant for 21/22 audit fees	
6	Costs/Income relating to previous year's audit fees	(0)
<b>68</b>	<b>Total we paid in the year</b>	<b>(21)</b>

## 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.

2021/22	<b>Grants and contributions</b>	2022/23
£ 000		£ 000
31,860	Housing benefits grants	30,049
1,843	Sales, Fees & Charges grant	-
105	Furlough / Job retention scheme grant	-
2,920	COVID 19 grants and contributions for redistribution to support business and individuals	59
7,530	Other grants and contributions	7,174
<b>44,258</b>		<b>37,282</b>

We also received a number of grants and contributions that have conditions attached to them that may force us to have to return them. Once we have met these conditions, we will recognise them as income. The amounts involved are shown in the tables below. £1.9m of the in-year movement relates to new capital grants received in advance, £1m relates to the spend and the remainder of the movement relates to reclassification.

2021/22	<b>Capital grants received in advance</b>	2022/23
£ 000		£ 000
2,909	Opening balance	5,473
2,564	In-year movements	1,211
<b>5,473</b>		<b>6,684</b>

### **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 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 36 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.

During 2022/23 we paid Event Sound and Light Limited £11,651, a Member's son is a partner in this company.

Some of our Members are also Parish Councillors and Councillors for Essex County Council. We receive S106 grants and income through the Community Infrastructure Levy (CIL) from Developers. Parishes receive a proportion of CIL income that is determined by the Government Community Infrastructure Levy Regulations 2010 (as amended by the Community Infrastructure Levy (Amendment) Regulations 2011, 2012 and 2013). The following Parish Council's received CIL funding in 2022/23.

Broomfield Parish Council £31,358  
Galleywood Parish Council £7,995  
Great Baddow Parish Council £15,480  
Great and Little Leighs Parish Council £4,596  
Great Waltham Parish Council £3,212  
Rettendon Parish Council £11,419  
South Woodham Ferrers Town Council £2,630  
Springfield Parish Council £2,837

Additional amounts can be paid over to Parishes when Parish spending has been agreed to be funded from CIL receipts and S106 grants. There were no payments made in 2022/23.

We made the following grants and payments during 2022/23 to the following organisations and some of our members sit on their boards or are trustees, but do not have a controlling interest.

Backhouse solicitors £600  
Broomfield Parish Council £70  
Chelmsford Age Concern £5,000  
Chelmsford Citizens Advice Bureau (CAB) £113,000  
Chelmsford Community Radio £550  
Chelmsford Council for Voluntary Services (CVS) £57,678  
Chelmsford Cultural Development Trust £16,000  
East of England Local Government Association £32,452  
Essex Society for Archaeology and History £106  
Essex County Council £2,131,692  
Helping Hands Essex £6,000  
South Woodham Ferrers Town Council £5,700  
Springfield Parish Council £117  
Westlands Primary School £688  
YMCA £25,000

In addition, the following organisations made payments to us.

Chelmsford CAB £40,663

Chelmsford CVS £16,082

## 32. Leases

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### 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 lessor (legal owner). We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, that is the cost of interest and a minimum revenue provision (repayment of principal).

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

#### Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments is 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.

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### Leases we Give to Other Organisations.

The Council's other rental agreements are operational leases. Information about them is shown in the table below. Majority of the income shown comes from

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Commercial Properties. The figures are based on the minimum future lease payments.

2021/22	<b>Operational Leases Minimum Income Due</b>	2022/23
£ 000		£ 000
1,973	Lease payments due in less than a year	2,086
4,551	Lease payments due from 1 to 5 years	3,839
20,934	Lease payments due in more than 5 years	20,175
<b>27,458</b>		<b>26,100</b>

### **33. Pensions**

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#### **Accounting Policy**

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

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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.

2021/22 Restated £ 000	<b>Charges to the Comprehensive income and expenditure account</b>	2022/23 £ 000
	Spending on services	
	Service cost	
11,327	Current service cost	11,066
491	Previous service cost	419
116	Administration expenses	151
	Other spending	
2,134	Net interest on the defined liability	1,661
14,068	Charge to the spending on current services in the comprehensive income and expenditure statement	13,297
	Other charges	
(33,498)	Remeasurement of the pension liability	(111,495)
(17,729)	Return on scheme assets (excluding interest)	5,877
(51,227)	Other charges to the comprehensive income and expenditure statement	(105,618)
(37,159)	<b>Total charges to the comprehensive income and expenditure statement</b>	<b>(92,321)</b>
5,247	Employer's contributions charged to the General fund	5,617

The actuary have included an allowance in our liabilities for the estimated impact of the remedy action needed following a tribunal judgment on McCloud and Sargeant cases that ruled against the Government. The cases relate to discrimination against the aged based transitional provision put into place when new pension arrangements were introduced in 2015. As a result, the remedy will compensate members directly



affected by the change to the career average benefits from 1 April 2014 as the tribunal found them discriminatory on grounds of age. Draft regulations are expected to come into force during 2023.

In addition to the gains and losses included in the Comprehensive income and expenditure statement, we have included a remeasurement surplus identified by the actuaries of £92.3m in 22/23 (a surplus of £37.2m in 2021/22).

31 March 2022 Restated £ 000	<b>Movements on pension fund assets and liabilities</b>	31 March 2023 £ 000
	<b>Scheme liabilities</b>	
(346,614)	Value at 1 April	(329,172)
(11,327)	Current service cost	(11,066)
(1,566)	Member contributions	(1,690)
(6,876)	Interest costs	(8,463)
	Remeasurement	
29,638	Financial returns	111,495
(491)	Past service (gains) or costs	(419)
8,064	Benefits paid	9,447
(329,172)	Value at 31 March	(229,868)
	<b>Scheme assets</b>	
237,698	Value at 1 April	262,662
4,742	Interest	6,802
	Remeasurement	
17,729	Return on assets (excluding interest)	(5,877)
3,860	Other actuarial gains/(losses)	-
(116)	Administration expenses	(151)
5,247	Employer contributions	5,617
1,566	Employee contributions	1,690
(8,064)	Benefits paid	(9,447)
262,662	Value at 31 March	261,296
(66,510)	<b>Net pension (liability)/surplus</b>	<b>31,428</b>

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

The Pensions reserve absorbs the timing differences in the funding of pensions in accordance with accounting conventions and the statutory provisions. We account for the cost of pensions in the Comprehensive income and expenditure statement as the benefits are earned by the employees. However, the statutory provisions require us to charge amounts to council tax as they are actually paid to the pension fund. The

balance on the pension reserve shows a large shortfall between the benefits accrued by the employees and the resource set aside to meet these liabilities. The statutory provisions will ensure that funding will have been set aside by the time benefits are paid.

<b>Pension fund balances</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	£ 000	£ 000	£ 000	£ 000	Restated £ 000	£ 000
Present value of scheme liabilities	(288,871)	(292,570)	(275,255)	(346,614)	(329,172)	(229,868)
Fair value of assets	183,693	195,277	183,458	237,698	262,662	261,296
<b>(Deficit)/Surplus on the pension fund</b>	<b>(105,178)</b>	<b>(97,293)</b>	<b>(91,797)</b>	<b>(108,916)</b>	<b>(66,510)</b>	<b>31,428</b>

The liabilities show our underlying long-term commitments to pay pensions. Due to changes in assumption driven by current economic climate, mainly increase in inflation and interest rates, the Council has in 2022/23, calculated on the IAS19 basis, net surplus of £31.4 m within overall balance of £340m. The assumptions can vary significantly each year. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit as identified in the triennial valuation will be met by contributions over 16 years. We expect to pay £6.2m 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 2022.

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

<b>2021/22</b>	<b>Assumptions used in the valuations of the fund</b>	<b>2022/23</b>
Restated %		%
	<u>Years we expect to pay current pensioners</u>	
<b>21.0</b>	Men	<b>21.1</b>
<b>23.5</b>	Women	<b>23.5</b>
	<u>Years we expect to pay pensioners retiring in 20 years</u>	
<b>22.3</b>	Men	<b>22.3</b>
<b>24.9</b>	Women	<b>25.0</b>
<b>3.2</b>	Rate of inflation – CPI	<b>2.9</b>
<b>4.2</b>	Rate of increase in salaries	<b>3.9</b>
<b>3.2</b>	Rate of increase in pensions	<b>2.9</b>
<b>2.6</b>	Discount rate	<b>4.8</b>

In valuing the pension liability, 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.

Sensitivity analysis of adjustment to life expectancy assumptions	Increase in assumption + 1 Year	Decrease in assumption - 1 Year
	£'000	£'000
Present value of total obligation	9,292	(8,884)

Sensitivity analysis of adjustment to:	Increase in assumption +0.5%	Increase in assumption +0.1%	Decrease in assumption -0.1%	Decrease in assumption -0.5%
	£'000	£'000	£'000	£'000
Rate of increase in salaries	1,448	285	(284)	(1,397)
Rate of increase in pensions, or inflation	17,828	3,381	(3,295)	(15,663)
Rate for discounting scheme liabilities	(16,694)	(3,511)	3,603	19,001

The weighted average duration of the pension obligation for scheme members is 16 years in 2022/23 (20 years 2021/22).

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

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

31 March 2022 Restated £ 000	Scheme assets	31 March 2023 £ 000
7,435	<b>Cash and cash equivalents</b>	8,425
	<b>Stocks and shares (by type)</b>	
13,669	UK investments	-
129,064	Overseas investments	137,447
142,733		137,447
	<b>Bonds (by sector)</b>	
11,406	UK Corporate	-
6,356	UK Government	3,821
17,762		3,821
	<b>Property (by type)</b>	
6,261	Listed	4,959
16,174	Unlisted	16,441
22,435		21,400
13,143	<b>Private equity</b>	13,065
	<b>Other investment funds</b>	
22,679	Infrastructure	26,959
7,560	Timber	9,161
2,867	Illiquid and Private Debt	5,235
26,048	Other Managed Funds	35,783
59,154		77,138
262,662	Total	261,296
31 March 2022 Restated £ 000	Stocks and Shares	31 March 2023 £ 000
	<b>Stocks and shares (by company size)</b>	
142,733	Listed	137,447
-	Unlisted	-
142,733		137,447

## 34. Contingent liabilities

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### 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.

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The Council entered into an agreement to indemnify Essex County Council up to a sum of £5m should the City Council fail to make all reasonable endeavours to enable the delivery of key housing sites and affordable housing provision in a number of sites located in Chelmsford. We think it is very unlikely that this payment will need to be made in the future.

## 35. Contingent assets

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### 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.

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We have an appeal outstanding with HMRC over payments of VAT on our theatre's income.

## 36. Government and non-government grants

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

We record capital 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.

2021/22	Grants and contributions	2022/23
£ 000		£ 000
	<b>Grant received in advance</b>	
5,473	Money received as part of planning agreements	6,684
	<b>Capital grants unapplied</b>	
7,615	Money received as part of planning agreements	7,737
741	Growth Fund	-
4,695	Government grants	9,436
2,599	Empty Homes grant	2,705
25,405	Community Infrastructure Levy	24,318
373	Other	113
41,428		44,309
46,901	<b>Total</b>	<b>50,993</b>

### 37. Long term Debtors

The 2021/22 figures were restated to reflect the post balance sheet event as detailed in the narrative report.

2021/22 Restated	Long-term Debtors	2022/23
£ 000		£ 000
1,199	Community Infrastructure Levy	627
879	Housing Standards Loans	931
5,126	Exceptional item - VAT refund	-
60	Other	59
7,264		1,617

### 38. Long term Creditors

The 2021/22 figures were restated to reflect the post balance sheet event as detailed in the narrative report.

2021/22 Restated	Long-term Creditors	2022/23
£ 000		£ 000
1,408	Section 106 contributions	877
343	Leases	765
371	Property transaction creditor	356
333	Recreational Avoidance Mitigation Strategy	570
410	Exceptional item - VAT legal fees	-
2,865		2,568

### 39. Post Balance sheet events - restatements

As stated in the narrative report, due to delays in completing the 2021/22 audit, two post balance sheet events gave rise to material adjustments to the draft 2021/22 statement of accounts that was still subject to audit at the time of publishing this draft statement of accounts.

The Council won a tribunal case against HMRC and is expected to receive £4.6m net refund for VAT for the leisure fees and charges that are no longer treated as business transactions so no longer subject to VAT. Therefore, the Council is able to retain all of the income from this charge. The income and expenditure as well as debtors and creditors for these transactions have been amended in the main statements and the notes in the 2021/22 balances. They are shown separately as an exceptional item due to their material value.

The Council's actuary completed a triennial valuation during 2022 and the findings materially impacted on the assumptions used in their year-end assessment used for the 2021/22 statement of accounts valuation. The changes for this adjustment have been reflected throughout the accounts in the main statements and the notes. Below tables show how this impacted the pension figures in note 33 that provides the detail for the pension figures used in the main statements and other notes.

These changes will be made to the 2021/22 draft statement of accounts before the audited statement is approved.

<b>Pension fund balances</b>	<b>2021/22 Draft accounts £ 000</b>	<b>2021/22 Restated amount £ 000</b>
Present value of scheme liabilities	(344,840)	(329,172)
Fair value of assets	260,349	262,662
<b>(Deficit)/Surplus on the pension fund</b>	<b>(84,491)</b>	<b>(66,510)</b>

Charges to the Comprehensive income and expenditure account	2021/22	2021/22
	Draft accounts	Restated amount
	£ 000	£ 000
Spending on services		
Service cost		
Current service cost	12,144	11,327
Previous service cost	491	491
Administration expenses	116	116
Other spending		
Net interest on the defined liability	2,135	2,134
Charge to the spending on current services in the comprehensive income and expenditure statement	14,886	14,068
Other charges		
Remeasurement of the pension liability	(14,787)	(33,498)
Return on scheme assets (excluding interest)	(19,312)	(17,729)
Other charges to the comprehensive income and expenditure statement	(34,099)	(51,227)
<b>Total charges to the comprehensive income and expenditure</b>	<b>(19,213)</b>	<b>(37,159)</b>
Employer's contributions charged to the General fund	5,212	5,247

Movements on pension fund assets and liabilities	2021/22	2021/22
	Draft accounts	Restated amount
	£ 000	£ 000
<b>Scheme liabilities</b>		
Value at 1 April	(346,614)	(346,614)
Current service cost	(12,144)	(11,327)
Member contributions	(1,566)	(1,566)
Interest costs	(6,876)	(6,876)
Remeasurement		
Financial returns	14,787	29,638
Past service (gains) or costs	(491)	(491)
Benefits paid	8,064	8,064
Value at 31 March	(344,840)	(329,172)
<b>Scheme assets</b>		
Value at 1 April	237,698	237,698
Interest	4,741	4,742
Remeasurement		
Return on assets (excluding interest)	19,312	17,729
Other actuarial gains/(losses)	-	3,860
Administration expenses	(116)	(116)
Employer contributions	5,212	5,247
Employee contributions	1,566	1,566
Benefits paid	(8,064)	(8,064)
Value at 31 March	260,349	262,662
<b>Net pension liability</b>	<b>(84,491)</b>	<b>(66,510)</b>



Scheme assets	2021/22 Draft accounts £ 000	2021/22 Restated amount £ 000
<b>Cash and cash equivalents</b>	6,606	7,435
<b>Stocks and shares (by type)</b>		
UK investments	12,245	13,669
Overseas investments	132,091	129,064
	<b>144,336</b>	<b>142,733</b>
<b>Bonds (by sector)</b>		
UK Corporate	11,401	11,406
UK Government	6,215	6,356
	<b>17,616</b>	<b>17,762</b>
<b>Property (by type)</b>		
Listed	5,989	6,261
Unlisted	15,364	16,174
	<b>21,353</b>	<b>22,435</b>
<b>Private equity</b>	<b>11,985</b>	<b>13,143</b>
<b>Other investment funds</b>		
Infrastructure	22,233	22,679
Timber	7,324	7,560
Illiquid and Private Debt	2,616	2,867
Other Managed Funds	26,280	26,048
	<b>58,453</b>	<b>59,154</b>
<b>Total</b>	<b>260,349</b>	<b>262,662</b>

Stocks and Shares	2021/22 Draft accounts £ 000	2021/22 Restated amount £ 000
<b>Stocks and shares (by company size)</b>		
Listed	144,336	142,733
Unlisted	-	-
	<b>144,336</b>	<b>142,733</b>

## 8. Collection fund

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

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### **Accounting Policy**

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

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

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2021/22 Council Tax £ 000	2021/22 Non-Domestic Rates £ 000	2021/22 Total £ 000	Collection Fund	2022/23 Council Tax £ 000	2022/23 Non-Domestic Rates £ 000	2022/23 Total £ 000
(128,396)		(128,396)	<b>Income</b>			
			Council tax (Note 1)	(135,589)		(135,589)
	(65,167)	(65,167)	Transfers from the General fund			
	418	418	Non-domestic rates (Note 2)		(73,615)	(73,615)
			Transitional protection		1,044	1,044
(128,396)	(64,749)	(193,145)		(135,589)	(72,571)	(208,160)
			<b>Spending</b>			
			Precepts and demands			
	38,858	38,858	Central Government		36,076	36,076
91,959	6,995	98,954	Essex County Council	98,277	6,494	104,771
16,725	31,087	47,812	Chelmsford City Council	17,591	28,861	46,452
14,301		14,301	Essex Police Authority	15,327		15,327
5,067	777	5,844	Essex Fire Authority	5,284	721	6,005
	221	221	Subsidy paid towards the costs of collecting Non-domestic rates		219	219
204	233	437	Increase or (decrease) in our provision for amounts that we may not be able to collect	328	114	442
114	858	972	Amounts written off	144	599	743
	(5,182)	(5,182)	Provision for appeals		(3,546)	(3,546)
			Distribution of previous year's surplus or (shortfall)			
	(22,521)	(22,521)	Central Government		(3,827)	(3,827)
(294)	(4,054)	(4,348)	Essex County Council	286	(688)	(402)
(53)	(18,016)	(18,069)	Chelmsford City Council	52	(3,062)	(3,010)
(44)		(44)	Essex Police Authority	46		46
(16)	(450)	(466)	Essex Fire Authority	16	(78)	(62)
127,963	28,806	156,769		137,351	61,883	199,234
			<b>Movements on the Collection Fund</b>			
(433)	(35,943)	(36,376)	(Surplus) or shortfall for the year	1,762	(10,688)	(8,926)
656	44,641	45,297	(Surplus) or shortfall at start of the year (Note 3)	223	8,698	8,921
223	8,698	8,921	(Surplus) or shortfall at end of the year (Note 3)	1,985	(1,990)	(5)

## Notes to the collection fund

### 1. 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 2022/23, the council tax base was 70,142 (in 2021/22 it was 68,580). The basic amount of council tax for a property in band D was £1,946 (£1,867 in 2021/22). 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	4,624	3,626	6 / 9	2,417
B	10,676	8,944	7 / 9	6,956
C	23,532	21,268	8 / 9	18,905
D	17,818	12,825	9 / 9	12,825
E	10,974	10,398	11 / 9	12,709
F	6,256	6,043	13 / 9	8,729
G	4,280	4,115	15 / 9	6,858
H	400	371	18 / 9	743
<b>Total</b>	<b>78,560</b>	<b>67,590</b>		<b>70,142</b>

## 2. Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – Small Business Rate Multiplier 49.9p in 2022/23 (49.9p in 2021/22) and the Standard Business Rate Multiplier 51.2p in 2022/23 (51.2p in 2021/22). Depending on the effects of any changes, local businesses pay rates that are worked out by multiplying their rateable value by the relevant Business Rate Multiplier. 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 2023, our NDR income after relief totalled £73,615,296 based on the total non-domestic rateable value for our area of £192,386,482.

## 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.

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Council Tax	Non-Domestic Rates	Total	Contributions to the collection fund - surpluses and shortfalls	Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
	4,349	4,349	Central Government		(995)	(995)
28	3,479	3,507	Chelmsford City Council	256	(796)	(540)
163	783	946	Essex County Council	1,428	(179)	1,249
23		23	Essex Police Authority	223		223
9	87	96	Essex Fire Authority	78	(20)	58
<b>223</b>	<b>8,698</b>	<b>8,921</b>		<b>1,985</b>	<b>(1,990)</b>	<b>(5)</b>

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	(1,773)
Chelmsford City Council	40	(1,418)
Essex County Council	9	(319)
Essex Fire Authority	1	(36)
	<b>100</b>	<b>(3,546)</b>

#### 5. Non-domestic rate pooling

On 1 April 2022, Chelmsford continued in a Non-domestic rating pool with 14 other authorities for the 2022/23 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. We benefited by reducing the levy that we need to pay to the Government on our business income, for 2022/23 the reduction was £0.9m.

## 6. Business Improvement District

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

## **9. Independent auditors' report**

We will insert here the Independent auditor's report following the conclusion of the independent audit.

## 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 and Risk 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 five members of the Council (including the Leader) and five deputies that are not members of the Cabinet but support Cabinet members with specific areas of responsibility. The five members of the Cabinet 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 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.

**Debtors**

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

**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.

**Gross spending**

The total cost of providing a service.

**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 and do not have an alternative use. Valued at historical depreciated cost.

**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.

**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.

**MRP (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.

**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.

**Registered social landlord**

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

**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.

**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'.

**Tax base**

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

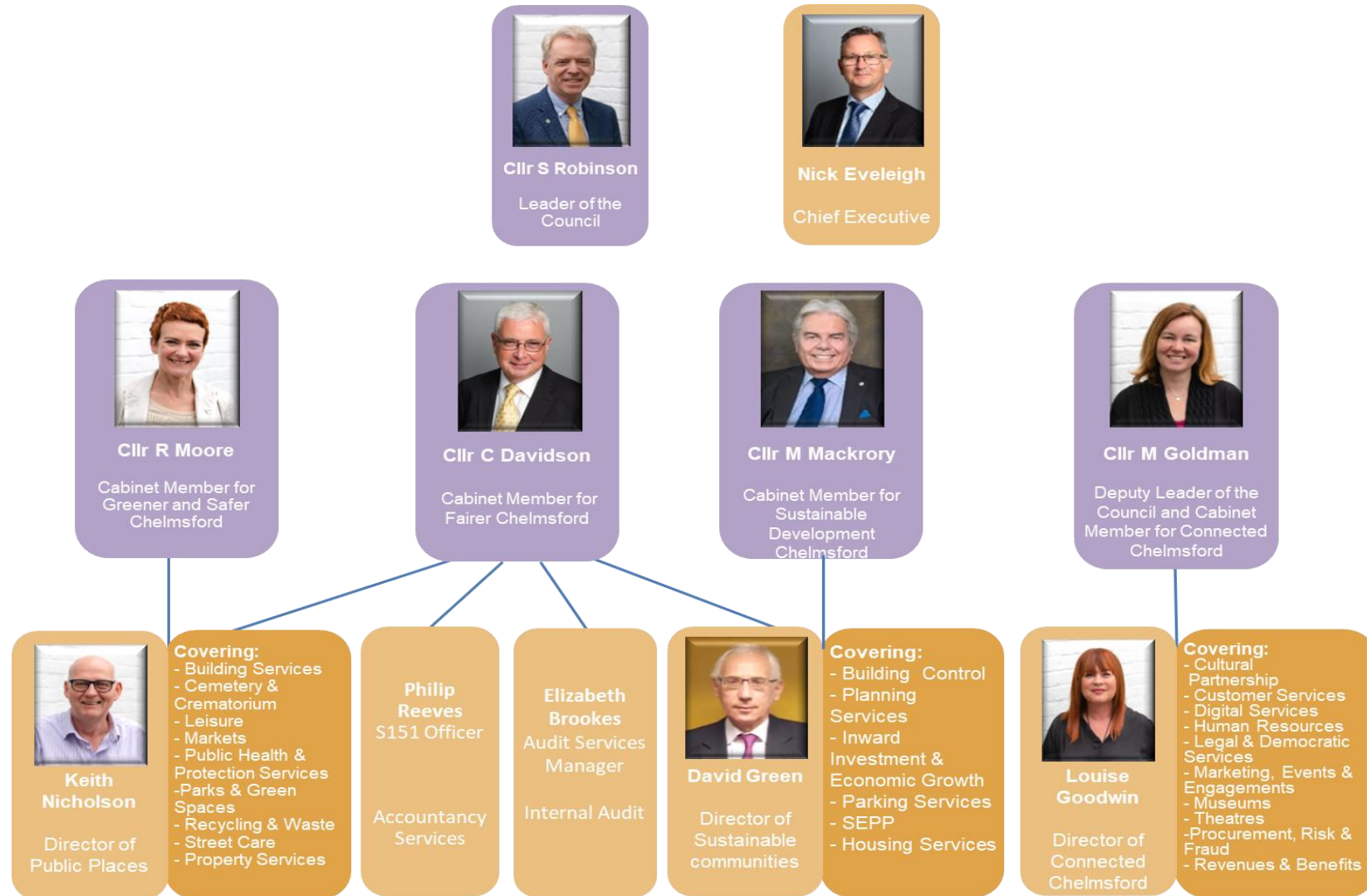
**Trading undertakings**

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

**Unrealised Gain**

The amount an asset or investment has increased in value since we purchased it. However, the gain is only realised when we sell the asset or investment.

**11. Our Structure chart as at 31 March 2023**



**Chelmsford City Council – Draft Statement of Accounts 2022/23**



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# Chelmsford City Council Audit and Risk Committee

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

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## **Annual Health & Safety Report 2022/23**

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Report by: Director of Public Places

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### Officer Contact:

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[paul.brookes@chelmsford.gov.uk](mailto:paul.brookes@chelmsford.gov.uk)

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### Purpose

To Provide members with the 2022/23 annual health & safety update.

### Recommendations

That Members note the report.

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## 1. Introduction

- 1.1. Chelmsford City Council is committed to high standards of health and safety management within a sensible risk management framework. This means having in place effective management arrangements within directorates to ensure the wellbeing of our staff, service users, members of the public and others affected by our organisation and services.
- 1.2. This report summarises the activity undertaken within corporate health and safety in the last 12 months, an analysis of accidents that have occurred, and a summary of audit activity undertaken.

- 1.3. The Council uses external health and safety advisors to assist in managing the Council's high-risk services. Peninsula have been in place since 2020, providing advice and carrying out audits across the higher-risk services such as Leisure, Waste Collection/Street Care and Parks, thereby providing an external check on the Council's approach to and implementation of its health and safety systems.
- 1.4. The Council has a Health, Safety & Welfare Forum that has senior level representation from across the organisation. The aim of the Health, Safety and Welfare Forum is to promote co-operation in instigating, developing and carrying out measures to ensure and improve the health, safety and welfare at work of all employees. The Forum have been consulted on this report.

## 2. Training

- 2.1. The core training courses of Managing Safely, Working Safely and Peninsula's Health & Safety Awareness continue to underpin the health and safety training provided by the Council, with additional specific training provided depending on the job role. The majority of roles within the Council are required to undertake one of these three training courses; Managing Safety for managers and supervisors, Working Safely for frontline operatives and Health & Safety Awareness for low-risk operatives. The Managing and Working Safely courses are accredited by the Institute of Occupational Health & Safety (IOSH).
- 2.2. Service areas are being encouraged to coordinate corporate wide training through HR to help ensure a central record is maintained and refresher training can be carried out in an effective and efficient manner.
- 2.3. The Council will continue to fund the necessary health & safety training to ensure employees comply with the relevant health & safety legislation.
- 2.4. Table 1 shows the training undertaken during 2022/23. Employees whose training is overdue is as follows:
  - IOSH Managing Safely – 14 (of which 7 have completed and submissions are awaiting marking)
  - IOSH Managing Safely Refresher – 0
  - IOSH Working Safely – 1\*
  - Manual Handling (exc. Casuals) – 10\*\*
  - Fire Warden Refresher Training – 3

Some of these outstanding are new requirements due to new posts or the rolling program for IOSH. A very small proportion will have required this training in 2022/23 and failed to attend, there is an incremental approach taken with staff to ensure these courses are undertaken, repeated non-attendance will result in disciplinary action.

\* This figure does not include those on casual contracts as prior to training being undertaken a review is being undertaken to ascertain whether the employee is still undertaking shifts.

\*\* This figure does not include Leisure Services employees as level of training and method of delivery is being reviewed.

Table 1 – Employee Training Carried Out

Course	No. of Employees Trained				
	2018/19	2019/20	2020/21	2021/22	2022/23
IOSH Managing Safety	17	16	13	66	30
IOSH Managing Safety Refresher	12	7	20	36	10
IOSH Working Safely	15	29	40	149	172
IOSH Working Safely Refresher	16				
IOSH Executive Directors & Chief Executive					6
H&S Awareness e-Learning					83
Manual Handling Train the Trainer	12	16	7	1	13
Manual Handling	212	142	122	211	239
Emergency First Aid	24	18	0	22	37
First Aid at Work	23	0	0	27	30
First Aid at Work Re-Qualification	19	14	26	13	21
Fire Marshall/ Fire Warden	62	20	37	59	79
Paediatric First Aid	0	0	2	7	1
Risk Assessment Refresher	44	6	35	1	7
Stress Management	26	15	0	0	0
Legionella Training for Operatives	12	12	10	7	25
Legionella Training for Supervisors	16	4	4	3	25
Legionella Awareness – eLearning					6
VDU Assessor Training	13	0	0	0	0
Display Screen Equipment e-Learning					339
Conflict Resolution & Lone Working	57	25	19	23	19
Management of Contractors	0	0	50	40	26
Evac Chair	29	21	0	28	19
Evac Chair Refresher	7	3	0	0	0
Mental Health Awareness for Managers	24	32	0	0	0
<b>Total Trained</b>	<b>640</b>	<b>384</b>	<b>385</b>	<b>665</b>	

### 3. Accidents

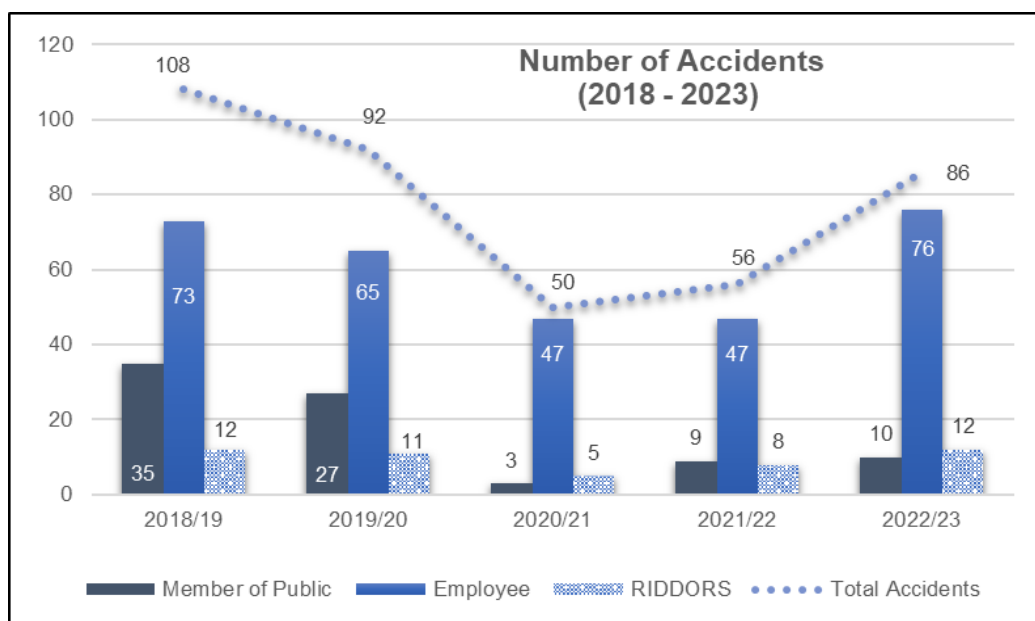
3.1. Accidents continue to be a key indicator of the effectiveness of the Council's health and safety management system. The pandemic will not have had a direct effect on the accident trend in comparison to previous years as the

higher accident rate areas of waste collection and parks continued to work throughout the pandemic. However, there may be an unidentified indirect effect that has contributed to a reduced number of accidents in these areas and therefore the overall accident rate, the increase in accidents in 2022/23 would support this theory. The accident rate remains low particular in comparison to the accident rate pre-pandemic.

3.2. Figure 1 shows the total number of accidents over the last 5 years involving employees and members of the public, and the number of those accidents that were RIDDOR reportable. RIDDOR reportable accidents are the more serious accidents or those resulting in more than 7 days off work.

3.3. When compared to the previous year, there has been an increase in the number of accidents to employees in 2022/23 and RIDDOR reportable accidents have increased by four, bring the accident rate back in line with pre-pandemic levels. The accident trends are discussed in more detail below.

Figure 1 – Total Number of Accidents



3.4. There were twelve RIDDOR reportable accidents in 2022/23 which is four more than the previous year. The number of RIDDOR accidents within waste collection services has reduced from seven in 2021/22 to five in 2022/23.

3.5. Out of the twelve RIDDORS, eight were reportable due to the accident resulting in 7+ days off work, two were reportable injuries (tenosynovitis and amputation of top of finger) and 2 were members of the public requiring hospital admission.

3.6. Figure 2 shows the incidence of employee accidents over the last 5 years. The majority of accidents occur in the Public Places Directorate which is expected due to the number of employees within the Directorate and the high-risk operational services provided.



Figure 2 – Employee Accidents

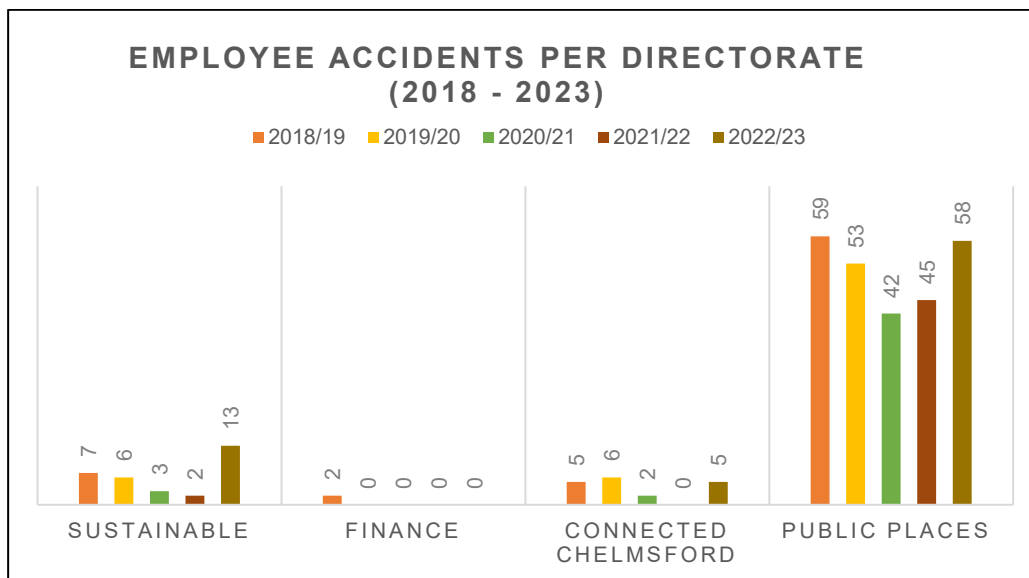


Table 2 - Employee Accident Categories for 2022/23.

Category	% of Accidents			2022/23	
	2019/20	2020/21	2021/22	% Of Overall Accidents	Number of Accidents
Slips/Trips	28	32	23	29	22
Impact	26	23	51	40	30
Manual Handling	18	21	13	8	6
Sharp Objects	8	11	6	4	3
Falls from Height	3	0	0	3	2
Needle Stick			2	0	0
Acts of Violence	3	6	4	7	5
Road Traffic Accident (Employee Injured)	3	0	0	5	4
Other	9	4	0	5	7

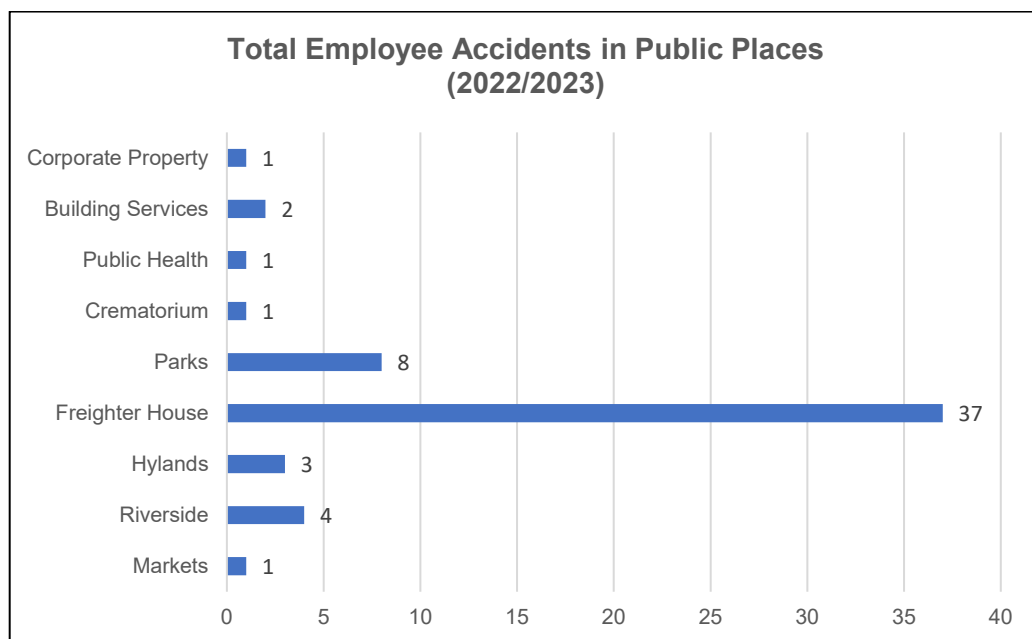
3.7. Due to the relatively small number of accidents, it is difficult to determine any specific trends with regards to accident causation. Slips/Trips and Impact continue to be the major causes of injury although actual numbers are relatively low compared to the scale of the waste collection operation where most of these injuries occur. The reduction in manual handling injuries is welcomed and again the number of injuries is very low given the high-risk manual handling activities that occur across the Council. The number and severity of acts of violence have increased in 2022/23 and this will be closely monitored to see additional training or safeguards need to be put in place. All other areas have remained at similar levels, when compared to last year’s figures.

3.8 Of the 10 Employee RIDDORS:

- 1 was a slip/trip injury.
- 2 were impact injuries.
- 1 was a manual handling injury.
- 2 were fall from height injuries.
- 2 were from an act of violence.
- 1 was a road traffic accident injury.
- 1 other reportable injury (tenosynovitis).

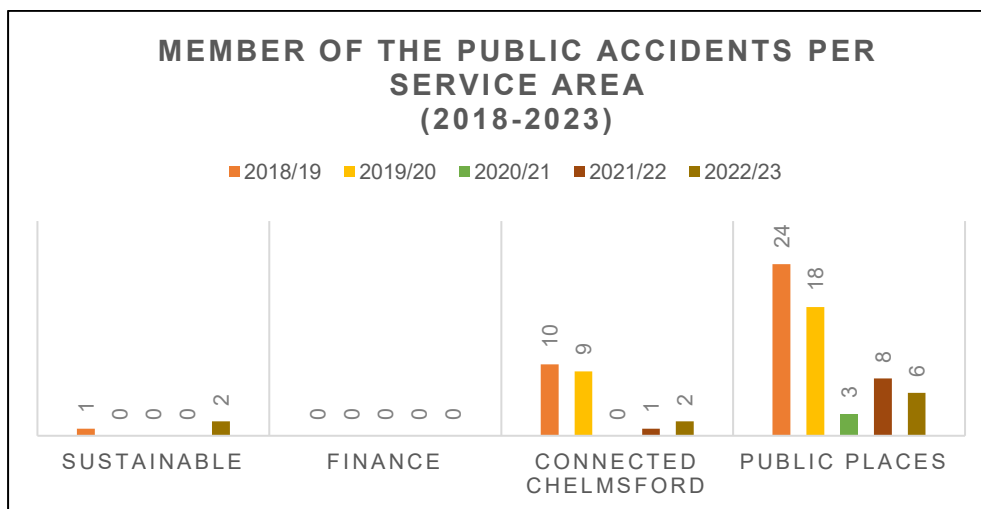
3.9 Figure 3 breaks down the accidents in Public Places to the respective service areas. As expected, the highest number of accidents occurred in services based at Freighter House, although the number of accidents is low considering the size and frequency of waste collection and street cleansing activities that take place. In 2022/23 there was an increase in the number of accidents for employees based at Freighter House from 31 in 2021/22 to 37 in 2022/23. Accident rates for other services within Public Places remain low.

Figure 3 – Breakdown of Accidents in Public Places Directorate



3.10 Accidents to members of the public are shown in Figure 4 below. There has been a slight increase in accidents, however this is still significantly lower than pre pandemic levels.

**Figure 4 – Accidents to Members of the Public**



#### 4. Performance Indicators

4.1 Table 3 gives details regarding the performance indicators. As discussed above the number of accidents to employees and members of the public remains low, with a slight increase when compared to last year’s figures, however, this is still significantly lower than pre-pandemic levels. The number of accidents still remains at a very low level for the number of employees and scope of work activities carried out by the Council. The number of RIDDOR reportable accidents remains similar to previous years.

**Table 3 – Performance Indicators**

Performance Indicator	2018/19	2019/20	2020/21	2021/22	2022/23
Total Number of Accidents (Employees)	73	65	47	47	76
Total Number of Actual Accidents (Public)	35	27	3	9	10
Notifiable Employee Accidents (RIDDOR)	12	11	5	8	12
Number of lost time accidents	20	21	6	20	19
Fatal Accidents	0	0	0	0	0
Number of investigations carried out*	1	3	1	0	0
Audit investigations as per audit schedule	50%	46%	55%	70%	50%
H&S Policies Reviewed	100%	100%	100%	100%	100%
Dangerous occurrences	0	0	0	0	0

## 5. Audits

- 5.1 The following audits were undertaken by Peninsula (external auditors) during 2022/23:

Service	Date of Audit
Freighter House (Waste collections)	12/05/22
Parks (Waterhouse Lane)	26/09/22
Riverside	30/11/22
Freighter House Depot	19/12/22
South Essex Parking Partnership	07/02/23

- 5.2 The following shows the number of actions arising from the Peninsula audits, as of 31<sup>st</sup> March 2023 there are no outstanding high risk actions.

Service	Number of Actions			Number of Actions Completed	Number of Actions Outstanding	
	Total	Medium Risk	High Risk		Medium Risk	High Risk
Freighter House Waste Collection	7	-	-	Not put on T1 as general review of systems relating to reversing		
Parks	5	4	1	5	-	-
Riverside	4	4	0	3	1	-
Freighter House Depot	7	6	1	0	6	-
South Essex Parking Partnership	6	6	0	Not able to put on T1		
<b>Total</b>	<b>29</b>	<b>20</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>-</b>

- 5.3 Currently the following Peninsula Audits have been undertaken or are proposed:

Service	Date of Audit
Theatres	03/05/23
Freighter House (Waste Collection)	01/08/23
CSAC	September 23
Hylands House	June 23
Parks	September 23
Oaklands Museum	October 23
Dovedales	October 23
Hylands House	November 23
Freighter House (Streets/MRF)	December 23

## 6. Conclusion

- 6.1 The safety management systems at Chelmsford City Council continue to be effective in ensuring the safety of employees and members of the public. Where weaknesses have been identified, remedial action has been taken to ensure more robust measures are implemented. Overall, the accident levels remain very low for an organisation delivering a wide range of services daily to 181,000+ residents and visitors to Chelmsford.

### List of appendices:

None

### Background papers:

None

### Corporate Implications

Legal/Constitutional: None

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: An effective health and safety management system has a positive impact on risk management

Equality and Diversity: None

Health and Safety: An annual report enables Management Team and Members to have oversight of the Council's health and safety responsibilities

Digital: None

Other: none

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**Consultees:**

Management Team

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**Relevant Policies and Strategies:**

None

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# Chelmsford City Council Audit and Risk Committee

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

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## **Updated Internal Audit Plan 2023**

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Report by:

Audit Services Manager

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Officer Contact:

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

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Purpose

This report presents the Updated Internal Audit Plan 2023 to Committee.

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Recommendations

Committee are requested to note the Updated Internal Audit Plan 2023.

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### 1. Introduction

- 1.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3. In order to achieve this, Internal Audit have developed the attached updated internal audit plan for 2023 which is based on a prioritisation of the audit

universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.

- 1.4. Following the change in our approach to previous years as presented at March Committee, where instead of a full twelve-month plan which created some limitations, we instead now produce a 6-month rolling plan to ensure we continue to be aligned to reviewing the highest risks in the Council, taking into account available resources. This report therefore outlines the suggested areas for review for October to March 2024.
- 1.5. Additional changes to the plan may be necessary to reflect changing priorities and risk environment and therefore as usual, a contingency has been set aside to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews which may arise). A budget for follow up reviews of previous audit work has also been accounted for in the plan.

## 2. Conclusion

- 2.1. The Updated Internal Audit Plan 2023 is attached for Audit & Risk Committee to note.

List of appendices: Updated Internal Audit Plan 2023

Background papers: None

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### Corporate Implications

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

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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



Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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**Consultees:** Noted by Service Managers and by Management Team during August 2023

**Relevant Policies and Strategies:** None

**Internal Audit Plan 2023 – Current Work in Progress**

<b>Audit Title</b>	<b>Status</b>
Theatres	Report due September
Parks and Open Spaces - Income/Hire including Allotments	Report due September
Safer Recruitment	Report due October
UK Shared Prosperity Fund (Economic Development)	Report due October
Use of Agency	Report due October
Housing Rents	Report due October
Council Surveillance	WIP

**Internal Audit Draft Plan 2023 (October 2023 to March 2024)**

<b>Audit Title</b>	<b>Link to Corporate Plan</b>	<b>Link to Principal Risk</b>	<b>Fraud Risk Assessment</b>	<b>Indicative Scope</b> <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
<b>Temporary Accommodation</b>	Fairer and Inclusive Chelmsford	PRR 006 - Homelessness	FRC002 – Social housing and tenancy	<i>Review of the Council’s arrangements for Temporary Accommodation, including procurement and monitoring of providers.</i>
<b>Cyber and Information Security</b>		PRR001 Cyber Security/016 Info Gov	FRC23_01 Data theft /other cyber crime	<i>Review of 3<sup>rd</sup> Party Supplier terms and conditions and areas highlighted by the Cyber Essentials self-assessment.</i>
<b>Volunteers</b>	Connected Chelmsford	PRR015 Safeguarding		<i>Review of the Council’s arrangements for managing volunteers; to consider safeguarding risks and health and safety implications.</i>
<b>Financial Resilience</b>		PRR019 Income & Financial Position		<i>Review of governance arrangements for budgetary control and monitoring of savings.</i>
<b>Corporate Health and Safety Governance</b>		PRR014 Health and Safety		<i>Deep dive into area of specific Health and Safety risk e.g. fire risk, driving policy to review governance arrangements for oversight of compliance.</i>
<b>Events</b>	Healthy, Active & Enjoyable Lives	PRR015 Safeguarding	FRC23_010 Income Collection	<i>Review of the processes in place for the delivery of corporate events to ensure that these mitigate risks which may impact on the event’s success.</i>

Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment	Indicative Scope <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
<b>Member and Officer Conflicts of Interest</b>		PRR005 Fraud	FRC23_05 Decision-making	<i>Review of the recording, administering and monitoring of staff/Members declarations of interest and of gifts and hospitality and to examine how the Council monitors compliance with and reports against the Council's Codes of Conduct.</i>
<b>Members Allowances and Expenses</b>		PRR005 Fraud	FRC23_07 Payroll and expenses	<i>Review of recording, administering and monitoring Members Allowances and Expenses to ensure they comply with Council Policy and Codes of Conduct.</i>
<b>Chelmsford City Culture</b>	Healthy, Active & Enjoyable Lives			<i>Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress.</i>
<b>Licensing &amp; Compliance</b>		PRR019 Income & Financial Position	FRC23_05 Decision-making	<i>Extended Follow Up of previous audit review, to include implementation of Dynamics and income management.</i>
<b>Corporate Property &amp; Asset Management</b>	Fairer and Inclusive Chelmsford	PRR019 Income & Financial Position	FRC23_02 Corporate property	<i>Review of governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records.</i>
<b>Community Sports &amp; Wellbeing (incl Playschemes)</b>	Healthy, Active & Enjoyable Lives	PRR015 Safeguarding	FRC23_010 Income Collection	<i>Review of operational and financial arrangements</i>
<b>Emergency Planning &amp; Business Continuity</b>		PRR004 Emergency Planning Response		<i>Review of the Council's Business Continuity and Emergency Planning arrangements.</i>
<b>Key Financial Systems 2023/24</b>		PRR019 Income & Financial Position	FRC23_06 Mandate Fraud; FRC23_09 Manipulation of data/false accounting; FRC23_010 Income Collection; FRC23_011 Theft; FRC23_015 – 017 Revs & Bens	<i>Risk-based key control review to focus on those systems which are the most important financially and carry the highest inherent risk of error</i>



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## Chelmsford City Council Audit and Risk Committee

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

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### **Counter Fraud Strategy Action Plan Update**

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Report by:

Audit Services Manager

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Officer Contact:

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

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#### Purpose

This report provides an update on the work undertaken in relation to the Counter Fraud Strategy Action Plan to September 2023.

#### Recommendations

Committee are requested to note the content of this report.

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#### 1. Introduction

- 1.1. The 2022-24 Counter Fraud Strategy was approved by Committee in December 2022 with a corresponding action plan outlining how the strategy will be delivered. This report provides an update on the work undertaken since the last update to Committee in March 2023.

#### 2. Update on Actions

##### **2.1. Undertaking a role-based Bribery and Corruption risk assessment.**

- 2.1.1. In addition to the Council's Fraud Risk Register as reported to Committee in March 2023, a separate Anti-Bribery and Corruption role-based risk assessment has been developed to identify the roles in the Council most at risk of bribery and corruption by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and

the general nature of their duties (e.g., access to information and data, influence over policy decisions etc.). Once identified, these roles can then be monitored to ensure transparency over decisions, and any conflicts or failures to disclose are managed appropriately (which will be independently assessed by an Internal Audit review of Conflict of Interests in 2023/24) and also appropriate training can be directed/targeted according to the level of risk (see 2.2 - Training below).

- 2.1.2. Both the Anti-Bribery and Corruption Risk Assessment and Fraud Risk Assessment will be uploaded to the Council's new Lighthouse module to monitor the risks going forward, with formal review cycles suggested for February and August.

## **2.2. Develop training and awareness activities for new and existing staff and Members to underpin understanding of anti-fraud and corruption responsibilities.**

- 2.2.1. The Council has recently obtained access to a new Learning Suite, which includes a training programme covering both Bribery and Corruption and Whistleblowing. These training modules will provide a good basis of understanding and act as an introduction to the Council's revised suite of Counter Fraud documents. It is intended that the modules will be rolled out initially to all officers who have access to a computer. Going forward it is intended that both modules will become mandatory for new starters.
- 2.2.2. Separate training and awareness will be provided to non-office based staff (e.g., Freighter House, Leisure Services) in due course in liaison with HR. Member-specific training is also being researched.
- 2.2.3. More specific training for those in roles with perceived higher risk of bribery and corruption (per the Anti-Bribery and Corruption Risk Assessment) will be investigated.

## **2.3. Roles and Responsibilities**

- 2.3.1. The roll out of the new training modules will provide a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents and remind all Members and Officers of their role and responsibility in preventing, detecting and reporting any suspected theft, fraud, bribery or corruption, which forms a key part of the Council's Counter Fraud and Corruption Strategy.

## **2.4. Fraud Response Plan/Whistleblowing**

- 2.4.1. Further to the initial work undertaken on the refreshed Fraud Response Plan earlier in the year, this has now been finalised and aligned to the Council's Whistleblowing Policy, which in turn will be updated to reflect the Fraud Response Plan. In due course, references to Fraud in the Council's Constitution, Financial Rules, Practice Notes and HR Documents will also be updated to ensure they accurately reflect the Council's response to Fraud.
- 2.4.2. In addition, a "Reporting Fraud" Form will be added to the Council's Whistleblowing page.

## **2.5. NFI/Transparency Code**

- 2.5.1. An NFI operations protocol outlining the roles and responsibilities across services for partaking in NFI exercises and investigating matches has been produced.
- 2.5.2. Work continues to be undertaken by services on the 2022/23 NFI matches to determine if the data highlights any fraud or error. In addition, fraud data which is required to be published annually in line with the Transparency Code has been updated and will be published on the Council's website. Going forward, this will be done every January.

## **2.6. Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks**

- 2.6.1. Internal Audit are currently carrying out a review of Safer Recruitment to ensure that the Council's policy and pre-employment vetting procedures sufficiently mitigate associated fraud and corruption risks. Committee will be updated on the outcome of the review in the Internal Audit Interim Report due in December 2023.

## **3. Next Steps**

- Roll out training and awareness activities for staff and Members to underpin understanding of anti-fraud and corruption responsibilities.
- Upload of Fraud Risk Register and Anti-Bribery and Corruption to Lighthouse to monitor risks.
- Continue to monitor 2022/23 NFI matches to determine any trends/root causes and update Counter Fraud Risk Register accordingly.

- Produce Counter Fraud Annual Report for March Committee, covering the previous calendar year to demonstrate how the Council is meeting Fighting Fraud and Corruption Locally best practice.

#### 4. Conclusion

4.1. A more detailed update on Counter Fraud Strategy Action Plan is provided below.

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#### List of appendices:

Appendix 1 – Counter Fraud Strategy Action Plan Update

Background papers: None

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#### Corporate Implications

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

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: Corporate Governance Group and Management Team August 2023

Relevant Policies and Strategies: None



## Counter Fraud (CF) and Corruption Strategy Action Plan – Update

Appendix 1

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
<b>GOVERN: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.</b>					
<b>G1</b>	<b>Develop a Counter Fraud and Corruption Strategy which will be communicated throughout the Council and acknowledged by those charged with governance.</b>				
<b>ABC Policy</b>	<b>Management Team and Audit &amp; Risk Committee are committed to preventing bribery by persons associated with the Council and to fostering a culture in which bribery is never acceptable.</b>				
G1.1–1.4	<i>Produce Counter Fraud and Corruption Strategy</i>	E Brooks	Dec 22	Complete	<i>Roll out of CF Suite – Autumn 23</i>
<b>G2</b>	<b>Assess the Council’s fraud and corruption risks, have an action plan to deal with them and regularly report to Management Team and Members.</b>				
<b>ABC Policy</b>	<b>The nature and extent of the Council’s exposure to external and internal risks of bribery will be assessed as part of the Council’s risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review.</b>				
G2.1	<i>Undertake a detailed risk assessment of the Council’s activities susceptible to fraud and/or corruption</i>	CGG	Complete	Complete	<i>Upload to Lighthouse to monitor going forward</i>
G2.2	<i>Review and monitor including any additional actions required.</i>	CGG	Ongoing	Ongoing	<i>Formal Review Cycle Feb/August ahead of March/Sep ARC.</i>
G2.3	<i>Brief Management Team and Audit &amp; Risk Committee on fraud risks and mitigation through Counter Fraud Reports and Principal Risk Register reviews.</i>	E Brooks/A Chessell	Sep/Mar	Ongoing	<i>Formal Review Cycle Feb/August ahead of March/Sep ARC.</i>
<b>G3</b>	<b>Present a regular report to Management Team and Audit &amp; Risk Committee to compare the Council’s progress against FFCL and Counter Fraud and Corruption Strategy</b>	E Brooks	March thereafter	Mar-24	<i>CF Annual Report – each March, covering prev calendar year</i>
<b>G4</b>	<b>Management Team and Audit &amp; Risk Committee review regular reports to ensure that the Counter Fraud and Corruption Strategy is appropriate in terms of its fraud risk and resources</b>	E Brooks	March thereafter	Mar-24	<i>CF Annual Report – each March, covering prev calendar year</i>
<b>G5</b>	<b>Scrutinise weaknesses revealed by instances of proven fraud and corruption and feed back to departments to fraud proof systems.</b>				
G5.1	<i>Where fraud is identified, a report will be written outlining weaknesses identified and recommendations made to improve the control framework.</i>	E Brooks	Ad hoc	Ad hoc	

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
G5.2	<i>Follow up to be undertaken to assess the progress of implementation of recommendations to assess improvement of the control framework.</i>	E Brooks	Ad hoc	Ad hoc	
<b>ACKNOWLEDGE: Accessing and understanding fraud risks; Committing the right support and tackling fraud and corruption; Demonstrating that it has a robust anti-fraud response; Communicating the risks to those charged with governance.</b>					
A1	<b>Undertake an assessment against the internal and external risks and horizon scan future potential fraud and corruption risks. Specifically consider the risks of fraud and corruption in the Council's overall risk management process.</b>				
A1.1	<i>Undertake a detailed risk assessment of the Council's activities susceptible to fraud and/or corruption.</i>	CGG	Complete	Complete	<i>Upload to Lighthouse to monitor going forward</i>
A1.2	<i>Review and monitor including any additional actions required.</i>	CGG	Ongoing	Ongoing	<i>Formal Review Cycle Feb/August ahead of March/Sep ARC.</i>
A1.3	<i>Brief Management Team and Audit &amp; Risk Committee on fraud risks and mitigation through Counter Fraud Reports and Principal Risk Register reviews.</i>	E Brooks/A Chessell	Sep/Mar	Ongoing	<i>Formal Review Cycle Feb/August ahead of March/Sep ARC.</i>
<b>PREVENT: Making the best use of information and technology; Enhancing fraud controls and processes; Developing a more effective anti-fraud culture; Communicating its activity and successes.</b>					
PRE1	<b>Put in place arrangements to promote and ensure probity and propriety in the conduct of activities and prevent and detect fraud and corruption and for monitoring compliance with standards of conduct across the Council covering: Codes of conduct including behaviour for counter fraud, anti-bribery and corruption, Register of Interests, register of gifts and hospitality, as well as a mechanism for ensuring that this is effective and reported to Management Team and Audit &amp; Risk Committee.</b>				
ABC Policy	<b>The procedures to prevent bribery by persons will be proportionate to the bribery risks faced and to the nature, scale and complexity of the Council's activities. They will be clear, practical, accessible, effectively implemented and enforced, and embedded in the Council's working arrangements through appropriate communication, including training. The policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis.</b>				
PRE1.1	<i>Remind all staff and Members of their role and responsibility in preventing and detecting fraud through promotion of the Counter Fraud and Corruption Strategy.</i>	Management Team (MT)	Ongoing	In Progress Target: Oct-23	<i>Comms alongside roll out of CF suite and training – Autumn 23</i>
PRE1.2	<i>The roles within the Council most at risk of bribery and corruption will be identified and risk assessed by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties.</i>	E Brooks	Mar-23	Complete	<i>Assessment completed, upload to Lighthouse to monitor going forward</i>

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRE1.3	<i>Remind service managers of their responsibility in monitoring these roles to ensure transparency over decisions and manage any conflicts or failures to disclose appropriately.</i>	MT	Ongoing	In Progress Target: Oct-23	<i>Comms alongside roll out of CF suite and training – Autumn 23</i>
PRE1.4	<i>Develop training and awareness activities for new and existing staff and Members to underpin understanding of anti-fraud and corruption responsibilities.</i>	E Brooks/ K Knowles	Jun-23	In Progress Target: Oct-23	<i>Training Suite Rollout – Autumn 23</i>
PRE1.5	<i>Remind service managers of their responsibility for establishing and supporting an anti-fraud culture in their services, ensuring all their team members are aware of relevant policies and procedures relating to anti-fraud and bribery, code of conduct etc and adopting a robust control environment, including ensuring any internal audit recommendations are implemented promptly through inclusion in service plans to be monitored and actions reported locally.</i>	MT	Ongoing	In Progress Target: Oct-23	<i>Comms alongside roll out of CF suite and training – Autumn 23</i>
PRE1.6	<i>Independent assurance on the effectiveness of the governance, risk management and control environment relating to fraud and corruption to be provided by Internal Audit.</i>	E Brooks	Ongoing	Ongoing	
<b>PRE2</b>	<b>Undertake recruitment vetting of staff prior to appointment by risk assessing posts and undertaking the checks recommended.</b>				
<b>ABC</b>	<b>A proportionate and risk-based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council.</b>				
PRE2.1	<i>Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks.</i>	D Wootton/E Brooks	TBC	In Progress Target: Oct-23	<i>Report due October 2023</i>
PRE2.2	<i>Remind service managers of their responsibility for undertaking due diligence to evaluate the background, experience and reputation of business partners.</i>	MT	Ongoing	In Progress Target: Oct-23	<i>Comms alongside roll out of CF suite and training – Autumn 23</i>
PRE2.3	<i>Written agreements and contracts will provide references to the Bribery Act 2010 and the Council's Counter Fraud and Corruption Strategy and the expectation that they will operate at all times in accordance with such policy.</i>	A Chessell	Complete	Complete	
<b>PRE3</b>	<b>Ensure that there is a zero-tolerance approach to fraud and corruption and independent whistle-blowing policy.</b>				

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
<b>ABC</b>	<b>All incidents of bribery or suspected bribery will be reported to Audit &amp; Risk Committee</b>				
PRE3.1–3.3	Review Council's Whistleblowing Policy	E Brooks	Jan-23	Complete	References to Fraud in the other Council docs will be checked to ensure they accurately reflect the Council's response to Fraud.
PRE3.4	Promote awareness of new Policy internally and externally	MT	Ongoing	In Progress Target: Oct-23	Comms alongside roll out of CF suite and training – Autumn 23
PRE3.5	Align training to new Policy and promote refresher training	E Brooks/ K Knowles	Jun-23	In Progress Target: Oct-23	Training Suite Rollout – Autumn 23
PRE3.6	Whistleblowing Team respond in line with Policy and record concerns and outcomes.	TBC	Ongoing	Ongoing	
PRE3.7	Monitoring Officer will provide regular anonymised report to Governance Committee	L Browne	Ongoing	Ongoing	
<b>PRE4</b>	<b>Consult counter fraud staff to review new policies, strategies and initiatives across departments and this activity will be reported to Management Team and Audit &amp; Risk Committee</b>				
PRE4.1	Remind service managers that new policies, procedures, strategies etc that may be connected to a fraud and/or corruption risk should be reviewed by the CGG for comments/amendments and to inform the Counter Fraud Risk Register.	MT	Ongoing	In Progress Target: Oct-23	Comms alongside roll out of CF suite and training – Autumn 23
PRE4.2	CGG Counter Fraud activity will be included in the Counter Fraud Report to Management Team and Audit & Risk Committee.	E Brooks	Sep/Mar	Mar-24	CF Annual Report – each March, covering prev calendar year
<b>PRE5</b>	<b>Ensure the fraud response plan covers all areas of counter fraud work and is linked to the audit plan and communicated to Management Team and Audit &amp; Risk Committee</b>				
PRE5.1–5.3	Produce Fraud Response Plan aligned to new Counter Fraud and Corruption Strategy and including specialist fraud areas i.e Prevention of Money Laundering.	E Brooks	Mar-23	Complete	Reporting Fraud Form to be added to Council's Whistleblowing Page. References to Fraud in the other Council docs will be checked to ensure they accurately reflect the Council's response to Fraud.

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRE5.4	Promote awareness of new Fraud Response Plan internally and externally	MT	Ongoing	In Progress Target: Oct-23	Comms alongside roll out of CF suite and training – Autumn 23
<b>PRE6</b>	<b>Ensure that the Council actively takes part in mandatory NFI exercises and promptly takes action arising from it.</b>				
PRE6.1	Produce an NFI operations protocol outlining roles and responsibilities for partaking in exercises, including prompt review of matches.	E Brooks	Mar-23	Complete	
PRE6.2	CGG will consider if the data highlights any weakness/root causes and update Counter Fraud Risk Register accordingly.	CGG	Ongoing	Ongoing	
<b>PRE7</b>	<b>Publicise successful cases of proven fraud/corruption to raise awareness</b>	CGG	Ad hoc	Ad hoc	
<b>PURSUE: Prioritise fraud recovery and use of civil sanctions; Developing capability and capacity to punish offenders; Collaborating across geographical and sectoral boundaries; Learning lessons and closing the gaps.</b>					
<b>PU1</b>	<b>Reporting statistics maintained by the Counter Fraud team which cover all areas of activity and outcomes.</b>				
PU1.1	Transparency Code and NFI statistics will be collated annually and reported to Management Team and Audit & Risk Committee	E Brooks	Mar Annually	Mar-24	CF Annual Report – each March, covering prev calendar year. Transparency will be updated January
PU1.2	Statistics will be reviewed by CGG to determine any trends/root causes and update Counter Fraud Risk Register accordingly.	CGG	Ongoing	Ongoing	
<b>PU2</b>	<b>Developing a programme of proactive counter fraud work which covers risks identified in the fraud risk assessment.</b>				
PU2.1	Internal Audit will align their Internal Audit Plan with Fraud Risk Assessment	E Brooks	Ongoing	Ongoing	
PU2.2	Individual audit scopes will consider the Fraud Risk assessment and consider the prevention and detection of fraud.	E Brooks	Ongoing	Ongoing	
<b>PU3</b>	<b>Collaborating with other Council services and external enforcement agencies, encouraging a corporate approach and co-location of enforcement activity</b>				

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PU3.1	CGG will continue meet quarterly in line with its terms of reference and programme of work.	E Brooks	Ongoing	Ongoing	
PU3.2	CGG Counter Fraud activity will be included in the Counter Fraud Report to Management Team and ARC	E Brooks	Sep/Mar	Mar-24	CF Annual Report – each March, covering prev calendar year
PU3.3	CGG to consider engagement plan with external agencies.	CGG	Mar 23	Complete	As part of Fraud Response Plan
<b>PU4</b>	<b>Undertake prevention measures and projects using data analytics where possible.</b>				
PU4.1	Internal Audit to consider use of data analytics in its key financial systems review and other counter fraud work where applicable.	E Brooks	Ongoing	Ongoing	
<b>PU5</b>	<b>Ensure that there are professionally trained and accredited staff for counter fraud work, with adequate knowledge in all areas of the Council and the counter fraud team has access to specialist staff for surveillance, computer forensics, asset recovery and financial investigations where required.</b>				
PU5.1	Skills analysis to be undertaken by the CGG with training needs identified.	CGG	Mar-23	Complete	Training Suite Rollout – Autumn 23
PU5.2	Training undertaken as required or identified skills gap to be considered for inclusion in the fraud risk assessment.	CGG	Ongoing	Ongoing	Training Suite Rollout – Autumn 23
PU5.3	CGG to consider engagement plan with external specialist support where required.	CGG	Mar 23	Complete	As part of Fraud Response Plan
<b>PROTECTING ITSELF AND ITS RESIDENTS: Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.</b>					
<b>PRO1</b>	<b>Assess fraud resources proportionately to the risk the Council faces and are adequately resourced.</b>				
PRO1.1	Resource analysis undertaken to be undertaken by CGG with any gaps identified.	CGG	Mar-23	Mar-24	To be produced alongside Audit Plan process.
PRO1.2	Capacity gaps to be considered for inclusion in the fraud risk assessment.	CGG	Mar-23	Mar-24	To be produced alongside Audit Plan process.

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRO1.3	<i>CGG to consider engagement plan with external support where required.</i>	CGG	Mar-23	Complete	<i>As part of Fraud Response Plan</i>
<b>PRO2</b>	<b>Develop a fraud plan which is agreed by Management Team and Audit &amp; Risk Committee, reflecting resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the Council's activities including those undertaken by contractors and third parties</b>				
PRO2.1	<i>Fraud plan to be reviewed by CGG</i>	E Brooks	Sep/Mar	Mar-24	<i>To be produced alongside Audit Plan process.</i>
PRO2.2	<i>Fraud plan will be included in the Counter Fraud Report to Management Team and Audit &amp; Risk Committee</i>	E Brooks	Sep/Mar	Mar-24	<i>To be produced alongside Audit Plan process.</i>



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# Chelmsford City Council Audit & Risk Committee

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

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

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### Report by:

Audit Services Manager

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### Officer Contact:

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

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### Purpose

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

### Recommendations

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

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## 1. Introduction

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

## 2. Compliance with CIPFA Position Statement on Audit Committees

- 2.1. In June 2023, Committee agreed several actions to ensure the Committee meets the recommendations made in the CIPFA's Position Statement on Audit Committees. The update on actions taken since June 2023 are as follows:
- 2.2. **Recruitment of Co-opted Independent Member(s)** – following the successful recruitment of Chris Groves to the Committee as an Independent



Person, interviews are due to be held for a second IP in September 2023 to meet CIPFA's recommendation for Audit Committees to have two IP's.

- 2.3. **Committee Training** – a training needs assessment will be circulated to Committee Members to identify any training requirements, after which options for training opportunities will be shared.
- 2.4. **Undertake a self-assessment** – once training has taken place and both Independent Persons are recruited, a self-assessment will be circulated by the Audit Services Manager to Committee Members for Committee to evaluate its impact and identify any further areas of improvement, ideally in Q4 2023/24.

### 3. Rolling Programme of Work

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

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

Agenda Item	Report Owner
External Audit Update	BDO
CIPFA Financial Management Code Assessment	Accountancy Services Manager (s151)
Internal Audit Interim Report 2023/24	Audit Services Manager
Risk Management Report	Procurement and Risk Services Manager
Procurement Update	Procurement and Risk Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

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

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

**June 2024****(Joint meeting with Governance Committee)**

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

**(Audit & Risk Committee)**

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

**September 2024**

<b>Agenda Item</b>	<b>Report Owner</b>
External Audit Update	BDO
CIPFA Financial Management Code Assessment	Accountancy Services Manager (s151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan September 2024 to March 2025	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

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### Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and

governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Numerous legislation also emphasises the importance of the audit committee, including:

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

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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Consultees: None

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Relevant Policies and Strategies: None

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