

Audit and Risk Committee Agenda



24 June 2026 at 7.15pm

Marconi Room, Civic Centre, Chelmsford

Membership

Councillor N. Walsh (Chair)

and Councillors

C. Adutwim, G. Bonnett, D. Clark, H. Clark, N. Dudley, J. Raven, M. Sismey and A. Sosin

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. To find out more about attending please email committees@chelmsford.gov.uk or telephone on Chelmsford (01245) 606480

Audit and Risk Committee

24 June 2026

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 18 March 2026.

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 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. Revenue Outturn Report
8. Capital Monitoring Outturn Report
9. Internal Audit Annual Report
10. Counter Fraud Annual Report
11. Audit & Risk Committee Annual Report & Review of Terms of Reference
12. Work Programme
13. 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 18 March 2026 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, G. Bonnett, H. Clark, N. Dudley and A. Sosin

Independent Person –
Mr C Groves

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Bugbee, Rajesh, Raven and Independent Person Ms Hoeckx.

2. Minutes

The minutes of the meeting on 28 January 2026 were confirmed as a correct record.

3. Declarations of Interests

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

4. Public Questions

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

5. Announcements

No announcements were made.

6. Internal Audit Plan 2026 and Internal Audit Charter

The Committee received the Internal Audit Plan 2026 and Internal Audit Charter Report. Members were advised that the Internal Audit Plan had been developed using a risk based methodology which drew on the Council's corporate plan, risk registers and discussions with senior managers.

It was explained that the plan included a six month programme from April to September with indicative areas for the remainder of the year, allowing flexibility to

respond to emerging risks. Members noted that there were fewer planned audits than in previous years to provide additional contingency for any resource required in connection with Local Government Reorganisation.

The Committee was informed that the plan had been prepared with the available audit resources in mind and that external specialist support would be sought where needed. It was also reported that follow up work would continue to ensure that agreed actions from previous audits had been implemented, and that assurance levels and significant issues identified during the year would be reported to the Committee.

Members were advised that the Internal Audit Charter set out the purpose, authority and responsibilities of the Council's internal audit function, in line with the Global Internal Audit Standards and there were no material changes from the previous year.

RESOLVED that the Committee approved the Internal Audit Plan for 2026 and Internal Audit Charter.

(7.04pm to 7.06pm)

7. Risk Management Report

The Committee received the Risk Management Report for March 2026. Members were advised that the report provided an overview of the Council's Principal Risks and reflected the latest update carried out in January 2026 to ensure the register remained aligned with the current risk profile. It was explained that the Council's risk management framework sought to proactively identify, understand and manage risks in order to support informed decision making, ensure compliance with policies and legislation, and provide assurance to stakeholders that the Council was well managed.

Members noted that the Principal Risk Register was presented to Management Team and included the Council's strategic risks which required regular oversight. Officers reported that work has been undertaken to liaise with risk owners to update each risk and that the Committee received the register biannually to support its monitoring role. It was highlighted that some risks were influenced by external factors beyond the Council's control and that in some areas additional work had been undertaken to maintain current risk levels even where inherent risk had increased.

Members noted that there were no new risks added to the Principal Risk Register and that overall risk scores had remained consistent with previous reporting. It was reported that four risks had decreased in score, and while a number of risks continued to be assessed as high, officers explained that this reflected strong governance and effective oversight rather than unmanaged exposure.

In response to questions raised, Members were advised that:

- In relation to the increased score for the loss or damage to the crematorium, this reflected concerns about capacity and the risk of mechanical failure, and the change had been made at the discretion of the risk owner.

- In relation to risks currently allocated to the Director of Public Places who was due to retire members were informed that the responsibility would change over to the new Assistant Director once established in the position.
- In relation to whether the homelessness risk score should be increasing, officers explained that although the inherent risk was very high, the mitigations in place continued to reduce the impact, resulting in the current score remaining very high but unchanged.
- In relation to the Local Government Reorganisation direction of travel arrow appearing flat, officers confirmed that while the inherent risk remained significant, the expectation was that mitigation would limit the impact as the event approached.
- In relation to the frequency of reviewing mitigations, Members were advised that although the formal review occurred every six months, risk owners monitored their risks continually and directors reported new or emerging risks as they arose.

RESOLVED that the report be noted.

(7.06pm to 7.14pm)

8. Accounting Policies

The Committee received the report on the Accounting Policies for the preparation of the 2025/26 Statement of Accounts. Members were advised that the Council was required to align its accounting policies with the CIPFA Code of Practice on Local Authority Accounting and that it was considered best practice for the Committee to review these policies ahead of approving the final Statement of Accounts. It was reported that the accounting policies had been reviewed to ensure compliance with the 2025/26 Code.

The Committee was informed that one key change had been introduced relating to the valuation of property, plant and equipment. The new Code now permitted less frequent five yearly valuations supported by indexation in intervening years and required desktop valuations in year three where no suitable index was available. Members noted that the Council had already begun to use indexation for some assets in 2024/25 and that this approach would now be expanded where permitted.

It was also confirmed that investment properties would continue to be valued annually as required by accounting standards. Officers explained that the reduction in the number of full valuations was expected to ease workloads for both the Council and external auditors and that the national change had been introduced to help address the wider audit backlog.

RESOLVED that:

1. the Audit & Risk Committee approved the accounting policies to be used in the preparation of the accounts.
2. Authority be delegated to the Financial Services Manger to make amendments.

(7.14pm to 7.18pm)

9. Work Programme

The Committee received an update on the work programme for 2025-26.

RESOLVED that the work programme of the Committee be noted.

(7.19pm to 7.20pm)

10. Urgent Business

The Head of Finance provided an update on the external audit position. Members were advised that council had no choice but to agree with the disclaimed opinion to avoid missing the national backstop deadline.

Officers confirmed that a further meeting with the auditors would take place the following week to review outstanding issues and to establish whether any audit areas could be cleared.

An update would be brought back to this Committee.

The meeting closed at 7.31pm.

Chair

Chelmsford City Council

Audit Planning Report

Year ended 31 March 2026

28 April 2026



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Private and Confidential

28 April 2026

Audit and Risk Committee
Chelmsford City Council
Civic Centre, Duke Street,
Chelmsford, CM1 1JE

Dear Audit and Risk Committee Members

Audit Planning Report 2025/26

We are pleased to attach our Audit Planning Report for the forthcoming meeting of the Audit and Risk Committee. The purpose of this report is to provide the Committee with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

This report is intended solely for the information and use of the Audit and Risk Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 10 June 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

For and on behalf of Ernst & Young LLP

Enc

Contents

- 1 Overview of our 2025/26 audit strategy
- 2 Audit risks
- 3 Value for money
- 4 Audit materiality
- 5 Scope of the audit
- 6 Audit team
- 7 Audit timeline
- 8 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated October 2025)' issued by the PSAA ([Terms of appointment and further guidance from 1 October 2025 - PSAA](#)) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Chelmsford City Council. Our work has been undertaken so that we might state to the Audit Committee and management of Chelmsford City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Chelmsford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As the Council's body charged with governance, the Audit and Risk Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit and Risk Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct Audit and Risk Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the Council's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the Council's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that management:

- Strengthen the underlying control environment, particularly in areas linked to prior year disclaimers.
- Provide high quality working papers and ensure that all audit evidence is complete, consistent and readily accessible.
- Allocate sufficient, knowledgeable resources throughout the audit cycle.
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements.
- Communicate transparently with the Audit and Risk Committee, as Those Charged with Governance, ensuring that Committee members have clear visibility of risks, progress and emerging issues.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the Council's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year. As we set out in Appendix A, and in our Audit Results Reports dated 2 March 2026 and 3 February 2025, we were not able to complete all planned audit procedures due to delays in receiving associated audit evidence in advance of the backstop date.

As part of our interim audit procedures for 2025/26, we will undertake a detailed risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2022/23 and 2021/22 that were not subject to audit. This work is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2023/24 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards qualified or unmodified audit opinions.

We will discuss the outcome of our risk assessment over the opening reserves balances with management to confirm our planned approach for 2025/26. Before we commence any audit procedures relating to the historic rebuild of assurance, it will be essential for management to have completed the necessary review and reconciliation of both usable and unusable reserves and to be able to provide assurance to Those Charged with Governance that these balances are accurate, supportable and properly documented.

It is likely that we will need to audit certain transactions and movements for 2021/22 and 2022/23 (on which disclaimed opinions were issued) as well as transactions and movements we were not able to fully audit in 2023/24 and 2024/25 to rebuild assurance over the historic position. Should we proceed with this phase of work, we will require assurances from management that high quality working papers and supporting evidence can be provided for transactions from 2021/22 and 2022/23, together with sufficient management capacity to support this historic rebuild without compromising the delivery of all planned procedures in 2025/26 over the closing balances and in year movements.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. There is one significant change to the scoping for the audit of the 2025/26 financial statements, relating to the implementation of new requirements in the CIPFA Code of Practice on Local Authority Accounting (the Code) and related guidance in Bulletin 22 in relation to the valuation of Property, Plant and Equipment.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (including REFCUS)	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure and revenue expenditure financed as capital under statute (REFCUS).
Risk of error in valuation of property, plant and equipment, specifically other land & buildings valued at existing use value (EUV) and surplus assets	Significant risk	Change in risk or focus	Property, plant and equipment represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgmental inputs and estimation techniques are required to calculate the year-end land & buildings and surplus assets valuations held in the balance sheet. We have separated the risk for properties valued at EUV and DRC this year. The focus of this risk is on other land and building valued at EUV and surplus assets as these are subject to a greater level of judgmental inputs and estimation techniques. For 2024/25, the Council plans to used indices to determine valuations for a number of these assets in line with CIPFA Bulletin 22, whilst also undertaking formal valuations for of these assets.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus continued

Risk/area of focus	Risk identified	Change from PY	Details
Risk of error in valuation of property, plant and equipment, specifically other land & buildings valued at depreciated replacement cost (DRC)	Inherent risk	Change in risk or focus	<p>The Council has other land and buildings valued using the DRC approach, primarily comprising specialised assets such as leisure centres, which represent a significant balance on the Council's balance sheet. The valuation of these assets is also subject to estimation and involves judgement, particularly in determining appropriate build costs and asset assumptions. Given the use of the DRC valuation methodology and the presence of estimation uncertainty, we consider this area to represent an inherent risk. However, our risk assessment reflects that key valuation inputs are supported by verifiable information, including site and floor plans and build cost data, with land values supported by comparable market evidence.</p> <p>For 2024/25, the Council plans to use indices to determine valuations for a number of these assets in line with CIPFA Bulletin 22, whilst also undertaking formal valuations for these assets.</p>
Risk of error in valuation of investment property	Inherent risk	No change in risk or focus	<p>The Council's investment property represent a significant balance in the Council's financial statements and is subject to valuation.</p> <p>Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Valuation of pension liabilities	Inherent risk	No change in risk or focus	<p>Accounting for the Council's participation in the Essex Pension Fund involves significant estimation and judgement, including financial and demographic assumptions. There is a risk that the net pension asset/liability recognised is materially misstated, as its recognition and measurement is subject to significant management judgement, including the application of the IAS 19 asset ceiling and the assessment of the Council's ability to realise future economic benefits.</p> <p>The Council engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

2025/26 audit strategy overview: Audit risks and materiality

Materiality



Materiality has been set at £2.8 million, which represents 2% of total gross expenditure on provision of services for 2024/25.



Performance materiality has been set at £2.1 million, which represents 75% of materiality.



We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and, collection fund) over £0.1 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Risk Committee.

2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to [NAO AGN 03](#).
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.



Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking our risk assessment, we will obtain an understanding of the key processes the Council has in place, including financial management, risk management and partnership working arrangements. In conducting this work, we will draw on knowledge from previous audits and discussions with senior management. Our work in this area is underway, but where any significant weaknesses are identified, we are required to report these to the Council and Committee at the earliest opportunity in the audit cycle.

Our Auditor's Annual Report, which will be issued before 30 November 2026, will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified.



02 Audit risks

Our response to significant risks

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (including REFCUS)*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger. Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so. Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) and Investment Property (IP) additions and REFCUS in the financial statements.</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.</p>	<p>In order to address the risks outlined we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> Testing Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. Assessing whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred. Considering whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use. Testing REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks (cont'd)

Risk of error in valuation of Property, Plant and Equipment, specifically other land and buildings valued at EUV and surplus assets*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>Misstatements that occur in relation to Valuation of Property, Plant and Equipment – other land and buildings (measured at EUV) and surplus assets would affect the balance sheet account accounts.</p> <p>These accounts had the following balances in the 2024/25 financial statements:</p> <p>Balance sheet accounts:</p> <ul style="list-style-type: none"> ▪ Other land and building (EUV): £83 million ▪ Surplus assets: £11 million 	<p>In the 2025/26 financial statements the Council will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years.</p> <p>Property, plant and equipment represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgmental inputs and estimation techniques are required to calculate the year-end other land & buildings valued using existing use value (EUV) and surplus assets held in the balance sheet.</p> <p>Considering that the level of estimation uncertainty and complexity is higher for assets valued using market information, we focused our risk on property assets that uses the existing use value and surplus assets valuation.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>For 2024/25, the Council plans to used indices to determine valuations for a number of these assets in line with CIPFA Bulletin 22, whilst also undertaking formal valuations for of these assets.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application. In particular considering the appropriateness of indices applied to assets not revalued during intervening years and triggers for revaluation; ▪ Review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▪ Sample test key asset information and assumptions used by the valuers in performing their valuation across EUV valuations (e.g. floor plans to support price per square metre, yields and future rental income); ▪ Where required, involve EY internal specialists to challenge the work performed by the Council's valuers, focusing on more material assets involving complex assumptions, significant judgement or estimation uncertainty; ▪ Assess any changes to useful economic lives against the most recent valuer assessments; ▪ Test accounting entries have been correctly processed in the financial statements; ▪ Review and assess management's impairment assessment of ongoing and completed capital projects to ensure assets are held at an appropriate value.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Risk of error in valuation of property, plant and equipment, specifically other land & buildings valued at depreciated replacement cost (DRC)		
<p>Misstatements that occur in relation to valuation of Property, Plant and Equipment – other land & buildings valued using depreciated replacement cost (DRC) would affect the balance sheet account accounts.</p> <p>These accounts had the following balances in the 2024/25 financial statements:</p> <ul style="list-style-type: none"> Other land and buildings (DRC) : £87 million 	<p>In the 2025/26 financial statements the Council will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. These changes do not impact investment property which is still required to be revalued in full each year.</p> <p>Property, plant and equipment represent significant balances in the Council's accounts and relies on management estimates and valuer judgement, and inputs are not directly observable from the markets. Material judgmental inputs and estimation techniques are required to calculate the year-end land & buildings and surplus assets valuations held in the balance sheet</p> <p>As the Council's DRC asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk these assets may be incorrectly valued.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>For 2024/25, the Council plans to used indices to determine valuations for a number of these assets in line with CIPFA Bulletin 22, whilst also undertaking formal valuations for of these assets.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application. In particular considering the appropriateness of indices applied to assets not revalued during intervening years and triggers for revaluation; Review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; Sample test key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support price per square metre, land areas and land values); Where required, involve EY internal specialists to challenge the work performed by the Council's valuers, focusing on more material assets which have been subject to audit differences in the past; Assess any changes to useful economic lives against the most recent valuer assessments; Test accounting entries have been correctly processed in the financial statements; Sample test transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress; Review and assess management's impairment assessment of ongoing and completed capital projects to ensure assets are held at an appropriate value.

Other areas of audit focus (cont'd)

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Risk of error in valuation of Investment Property		
<p>The relevant 2024/25 account balances in the audited financial statements were:</p> <ul style="list-style-type: none"> ▪ Investment Property: £50 million 	<p>The Council's Investment Property represent a significant balance in the Council's financial statements, with the total balance at 31 March 2025 being £50 million.</p> <p>Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to this risk, we will:</p> <ul style="list-style-type: none"> • Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. • Sample test key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, yields and future rental income streams). • Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. • Review the Council's assessment of valuations carried out to assess the material accuracy of the values reported. • Test accounting entries have been correctly processed in the financial statements. • Consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area.

Other areas of audit focus (cont'd)

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of pension liabilities		
<p>The Council's net pension liability is measured as the sum of the long-term payments due to members as they retire against the Council's share of the Essex Pension Fund investments.</p> <p>At 31 March 2025 the Council's net liability totalled £4.66 million which was material.</p>	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council/Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Liaise with the auditor of Essex Pension Fund to obtain assurances over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions as well as membership data submitted for the 2025 triennial valuation. ▪ Engage our actuarial specialists to assess the work of the actuary. This will involve a consideration of the net asset/liability and any calculation of the asset ceiling in accordance with IFRIC 14 where relevant . ▪ Assessing the work of PwC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies. ▪ Review and test the accounting entries and disclosures made within the Group Council's financial statements in relation to IAS19. ▪ Assess whether there have been any material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements. <p>As part of our audit procedures, we will request that the Council obtain an asset ceiling report from its actuary. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct. Following review, we will also ensure that pension assets and liabilities are appropriately recorded within the financial statements.</p>



03 Value for money

Value for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:



Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The Annual Governance Statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit and Risk Committee.

Reporting on value for money arrangements

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Status of our 2025/26 value for money planning

We have yet to complete our detailed value for money planning. We have outlined our judgements on arrangements in 2024/25 below. We will update the next Audit and Risk Committee meeting on the outcome of our value for money planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

Criteria	2024/25 judgements on arrangements	2024/25 Recommendations
Financial sustainability	No significant weakness in arrangements identified in the prior year.	No recommendations identified.
Governance	No significant weakness in arrangements identified in the prior year.	No recommendations identified.
Improving economy, efficiency and effectiveness	No significant weakness in arrangements identified in the prior year.	No recommendations identified.

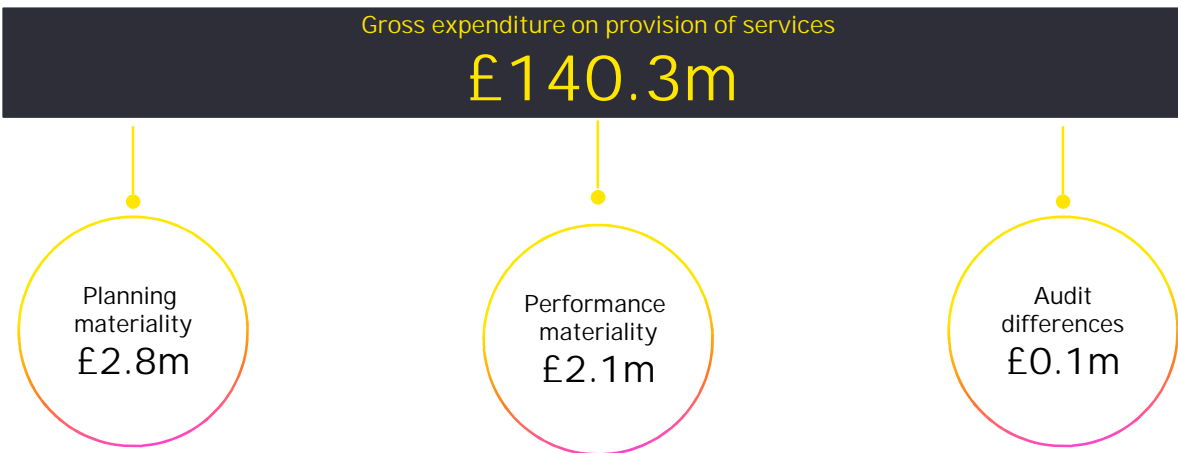


04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2025/26 has been set at £2.9 million. This represents 2% of the Council's 2024/25 gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that the focus from interested parties will be on how income is spent and therefore our judgement is that gross expenditure is the most appropriate measurement basis for materiality.



We request that the Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.1 million which represents 75% of materiality. In determining whether we could increase performance materiality from the level of 50% used in the prior year, we have taken into account the fact that we did not identify any material uncorrected misstatements in 2024/25 and did not identify any weaknesses in the Council's control environment.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.1 million, relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Risk Committee or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team

Audit team leadership

The engagement team is led by Debbie Hanson, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

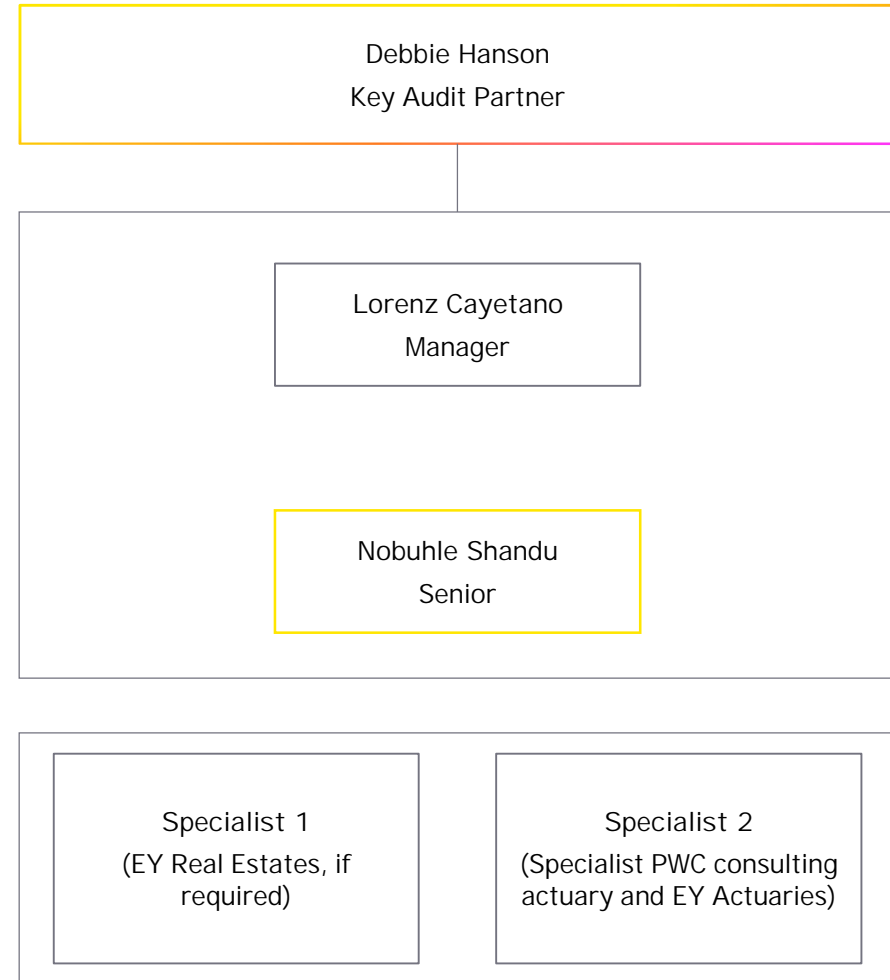
When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY valuations team, if required
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





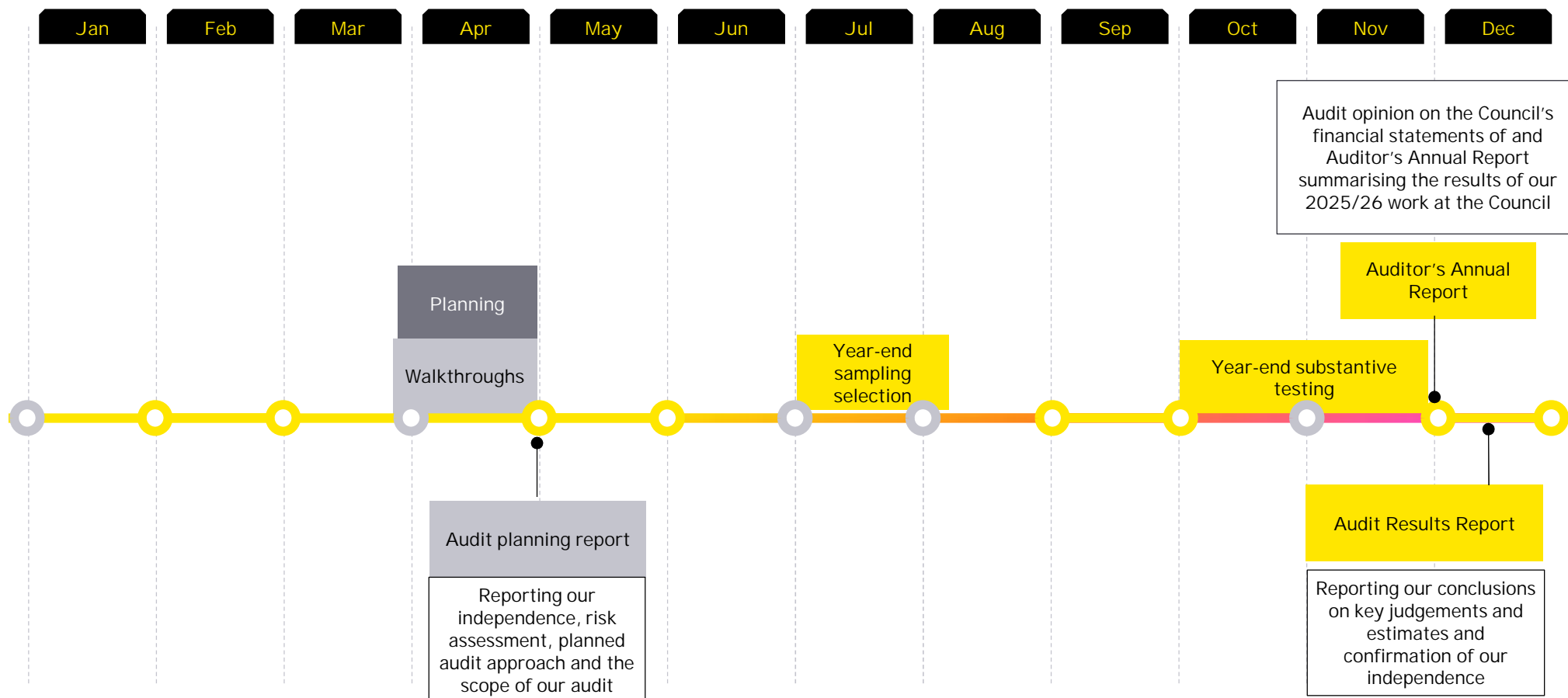
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 202x.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Appendices

Appendix A – Rebuilding assurance: responsibilities

The Council's responsibilities

As set out in Appendix B our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We presented our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures as part of our 2024/25 Audit Results Report.

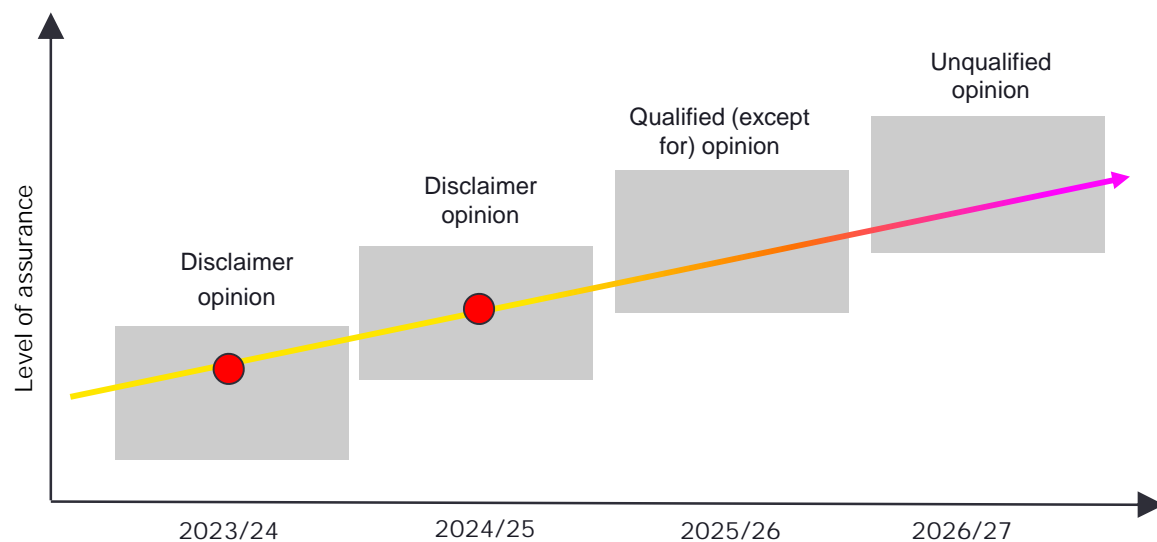
We have repeated this assessment on the following page. Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements, see page 31 for further details.

Appendix A – Rebuilding assurance continued

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the Council and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



Chelmsford City Council progress

● In the audit reports for the years ended 31 March 2024 and 31 March 2025, a disclaimer of opinion was issued due to the application of the backstop. This means the auditor has not been able to form an opinion on the financial statements.

In our view, the Council's progress is in accordance with the expected timescales set out in LARRIG 01.

In 2024/25, additional assurance was achieved in relation to short term debtors, creditors (short and long term) and the pension liability. However, there is a continuing lack of assurance over comparator income and expenditure balances, property plant and equipment balances and reserves. As a result, we anticipate that for 2025/26:

- We will have limited assurance over the opening balances for 2025/26; and
- Limited assurance over the closing reserves balance, due to uncertainty over the opening amount.

We will continue to work with the Council to rebuild assurance over time. Our objective is to continue to rebuild assurance, by providing assurance over the in year 2025/26 transactions and movements, where possible, and closing balances which can be materially determined without the opening balance, such as debtors and creditors.

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			There were a small number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that we would have expected to have been detected through internal quality review prior to publication. However, overall the draft financial statements were appropriately prepared.
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Key working papers were submitted in accordance with the agreed timetable. At the commencement of the year-end audit, only a limited number of working papers remained outstanding.
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence were generally of a good standard, However we have encountered challenges in certain areas, particularly with the debtors and creditors working papers. Selecting samples from the provided listings is not straightforward and often necessitates multiple iterations and several discussions with management.
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			There were delays in obtaining supporting evidence and information for property valuation due to the limited availability of the Council's valuer.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			The finance team was accessible, and their responses to audit queries were timely and effective.
Volume and value of identified misstatements	Effective			Small number of immaterial misstatements were detected as a result of our work.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.

Key:

■ Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

■ Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.

■ Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. No non-audit services are being provided and no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no other self interest threats at the date of this report.

Appendix B - Independence and Fees continued

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 Transparency Report](#).

Appendix B – Independence and Fees continued

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26–28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year	Prior Year
	£	£
Scale Fee – Code Work	186,947	181,856
Proposed scale fee variation	TBD Note 2	TBD Note 1
Total fees	0	0

All fees exclude VAT

1. We submitted scale fee variation to PSAA for additional 2024/25 work covering the following areas:
 - IFRS 16 leases - additional procedures following the introduction of the new accounting standard
 - Work of internal expert- use of internal specialists to provide assurance over PPE/IP/Pension valuations
 - VFM Commentary - Follow-up work on the Council's value for money arrangements for the Chelmer Waterside Development
 - Quality or preparation issues - relating to the debtors/creditors listing and revised versions of 2024 & 2025 IAS 19 reports
 - Disclaimer Planning and Reporting - required process for issuing of disclaimed opinion
 - Build back - costs in obtaining assurances over balances subject to backstop disclaimers

The fee variation is yet to be determined by PSAA.

2. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
 - Consideration of correspondence from the public and formal objections.
 - New and revised accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
 - Non-compliance with law and regulation with an impact on the financial statements.
 - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
 - The need to exercise auditor statutory powers.
 - Prior period adjustments.
 - Modified financial statement opinions

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report – April 2026
Significant findings from the audit	<ul style="list-style-type: none"> ▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – Expected December 2026

Appendix C – Required communications with the Audit Committee continued

Required communications	What is reported?	Our Reporting to you
		When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements 	Audit results report – Expected December 2026
Misstatements	<ul style="list-style-type: none"> ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods 	Audit results report – Expected December 2026
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, unless prohibited by law or regulation any identified or suspected fraud involving: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others, when the identified or suspected fraud is other than clearly inconsequential. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report – Expected December 2026

Appendix C – Required communications with the Audit Committee continued

Required communications	What is reported?	Our Reporting to you
		When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report – Expected December 2026
Independence	<p>Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity.</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <p>Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.</p>	<p>Audit planning report – April 2026</p> <p>Audit results report – Expected December 2026</p>

Appendix C – Required communications with the Audit Committee continued

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▪ Management’s refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – Expected December 2026
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report – Expected December 2026
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit 	Audit results report – Expected December 2026
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – Expected December 2026
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – Expected December 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – Expected December 2026
Auditors report	<ul style="list-style-type: none"> ▪ Key audit matters that we will include in our auditor’s report ▪ Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – Expected December 2026

Appendix D – Regulatory update

Key regulatory changes

There are a number of key regulatory developments underway relating to local authority governance and the audit of the Council's financial statements. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Chelmsford City Council
English Devolution and Community Empowerment Bill	<p>The Bill has completed all scrutiny stages in the House of Commons and is now at Committee stage (Grand Committee) in the House of Lords. The following measures therefore remain proposals until Royal Assent is granted:</p> <ul style="list-style-type: none"> ▪ Local audit system reforms: The Bill includes provisions to reform elements of the local audit framework in England alongside support measures intended to address the audit backlog. The Bill will also enable changes to the way audit oversight and local audit responsibilities operate. Section 61 of the Bill provides for the establishment of the Local Audit Office (LAO). Legislation will set out that the main objective of the LAO is to secure the effective operation of the system of audit, with a view to meeting the needs of users of audited accounts. The LAO will appoint auditors to non-NHS bodies, determine audit fees and prepare one or more Code of Audit Practice. ▪ Combined authorities and Combined County Authorities: The Bill expands powers and functions of combined authorities and places combined county authorities on a clearer statutory footing. This will allow further transfer of functions from constituent councils. ▪ Devolution of functions to "Strategic Authorities": The Bill expands the category of Strategic Authorities and allows transfer of responsibilities from central government and councils. ▪ Local Government Reorganisation: The Bill supports changes to council structures to support devolution. 	<ul style="list-style-type: none"> ▪ Local audit system reforms may result in changes to audit timescales or responsibilities and there may therefore be transition risks in future years. ▪ The Bill provides that the Council must have an audit committee, and that at least one member of the committee be an independent person.
Renters Right Act	<ul style="list-style-type: none"> ▪ The Renter's Rights Act became law on 27th October 2025. Under the Act, Councils are going to gain new powers to investigate landlords; act against rogue landlords; and ensure landlord compliance with new standards expected of them. ▪ Local housing authorities will receive £18.2 million in 2025/26 to support preparations for the implementation of the Renters' Rights Act 2025 and to build enforcement capacity. Funding will be allocated based on the number of private rented sector properties in each local area. 	<p>Enforcement guidance for local Councils has now been published. The guidance provides the critical information that enforcement officers will need to know to carry out their work in line with the new legislation. There will be a bespoke programme of training, webinars and resources through 'Operation Jigsaw', a cross-local Councils initiative; Changes will start coming into effect from 1st May 2026.</p>

Appendix D – Regulatory update continued

Key regulatory changes continued

Name	Summary of key measures	Impact on Chelmsford City Council
Public Office (Accountability) Bill	<p>The Public Office (Accountability) Bill aims to impose a duty on public authorities and public officials to “at all times act with candour, transparency and frankness in their dealings with inquiries and investigations.” Breach of the duty would be a criminal liability.</p> <p>The Bill is expected to apply not only to both core public bodies delivering public services but also private bodies delivering public functions such as those on a government contract.</p> <p>The Bill also proposes:</p> <ul style="list-style-type: none"> ▪ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or “Nolan Principles”; ▪ Reforms that will make it easier to prosecute misconduct in public office; and ▪ An offence of misleading the public. 	<ul style="list-style-type: none"> ▪ While the Bill continues to make its way through the House of Commons Committee processes, the Council should ensure that training and support for Councillors is enhanced to take account of greater expectations in relation to local government standards.
Fair Funding Review	<ul style="list-style-type: none"> ▪ On 20 November 2025, the government announced a multi-year Local Government Finance Settlement in a decade, together with the Fair Funding Review . Key measures include: ▪ There will be a single settlement for 2026/27 to 2028/29 ▪ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and ▪ The Children and Young People’s Services formula will use the latest index of deprivation affecting children. <p>The new indices are expected to lead to greater transparency and a reduced reliance on competitive bidding for funds. The Government also announced it will simplify 33 funding streams, worth almost £47 billion over three years.</p>	<p>Using new indices will result in some Councils seeing increases in their allocations, whilst others see decreases. The government has, however, set out transitional arrangements to help with managing change:</p> <ul style="list-style-type: none"> ▪ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant; ▪ Funding floors and phasing in of new allocations across the multi-year settlement; and ▪ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

Appendix D – Regulatory update continued

National Audit Office reporting

There are a number of key publications from the National Audit Office that have an impact on the Council. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key messages	Impact on Chelmsford City Council
Local government finance report 2026 to 2027	<p>The 2026–27 Local Government Finance Report introduces a multi-year settlement covering 2026/27 to 2028/29 and implements the Fair Funding Review 2.0. Updated distribution formulas will reallocate resources between councils, reflecting more recent demographic and deprivation data.</p> <p>The report confirms the continuation of council tax referendum principles and introduces significant changes to Special Educational Needs and Disabilities (SEND) funding, including the extension of the statutory override for DSG deficits to 2027/28 and a government-funded write-off of approximately 90% of historical DSG deficits. These policy changes represent one of the most substantial re-baselining exercises in recent years.</p>	<ul style="list-style-type: none"> ▪ Councils must re-model their Medium-Term Financial Plans (MTFPs) to account for formula redistribution effects and redesigned SEND funding arrangements. The ongoing restrictions on council tax increases will continue to limit local financial flexibility. For many authorities, particularly those with substantial DSG deficits, the reforms will have material implications for reserves management and financial stability.
Local audit reform: Government response to the consultation to overhaul local audit in England	<p>The government response sets out a comprehensive overhaul of the local audit system in England. Central to the reforms is the creation of the Local Audit Office (LAO), which will assume responsibility for appointing auditors, preparing Codes of Audit Practice, enforcing quality standards, and overseeing audit delivery.</p> <p>A phased transition plan will move existing responsibilities from Public Sector Audit Appointments (PSAA) and other bodies to the NAO between 2026 and 2027, with the aim of stabilising the system, addressing audit backlogs, and restoring confidence in the timeliness and quality of local audit.</p>	<ul style="list-style-type: none"> ▪ For councils, the reforms will lead to more prescriptive expectations around audit readiness, governance, documentation quality, and responsiveness. Authorities should anticipate tighter reporting deadlines and increased scrutiny of working papers, internal controls, and VFM arrangements.

Appendix D – Regulatory update continued

National Audit Office reporting continued

Name	Summary of key messages	Impact on Chelmsford City Council
Local Government Financial Sustainability	<p>The National Audit Office most recently reported on the context of local government finances in February 2024, which included their consideration of service and financial pressures. They concluded that although total local government funding has risen modestly in recent years, it has not kept pace with population growth, rising service demand, or the increasing complexity and cost of supporting people with high needs. Real-terms funding per person fell between 2015-16 and 2023-24, while demand for essential services such as adult social care, children’s social care, SEND provision and homelessness continued to escalate. The NAO highlights growing evidence of strain across services, including delays in Education, Health and Care Plans and a sharp rise in families housed in temporary accommodation for longer than legally permitted. Repeated delays to long-promised funding reforms mean councils continue to rely on short-term, stop-gap measures. Exceptional Financial Support has become increasingly common, but while it prevents immediate failure, it also shifts financial risk into future years, reflecting underlying structural weaknesses in the local government finance system</p>	<ul style="list-style-type: none"> ▪ The report signals deepening financial fragility across the sector, with many councils facing heightened risk of issuing Section 114 notices unless systemic pressures are addressed. Rising demand and cost escalation in statutory services are absorbing an ever-greater share of local authority budgets, reducing the capacity to invest in preventative activity and long-term service improvement. The NAO warns that widespread reliance on temporary fixes—including Exceptional Financial Support—creates additional future liabilities and limits councils’ ability to plan sustainably. Without coordinated, cross-government reform of funding, accountability and service oversight frameworks, councils will remain locked in reactive financial management, with growing consequences for service quality, citizen outcomes and long-term financial resilience.
Unlocking land for housing	<p>The National Audit Office reported in February 2026 that the government aims to deliver 1.5 million new homes by July 2029. To support this ambition, various land-unlocking programmes have been introduced to address constraints such as inadequate infrastructure, land assembly challenges, and site viability issues. Since 2016, £10.5 billion has been allocated across 768 projects, with £8.4 billion committed and £5.7 billion spent.</p> <p>Although these programmes collectively predict enabling around 713,000 homes, the NAO highlights that only a small proportion—around 33,300 homes—can currently be evidenced as completed, pointing to gaps in monitoring and programme assurance. Additionally, the creation of the National Housing Delivery Fund and a new National Housing Bank from April 2026 signals a shift toward a more consolidated and strategic funding model.</p>	<ul style="list-style-type: none"> ▪ The sector will experience increased expectations to produce detailed and evidence-based infrastructure planning to secure funding from the new mechanisms. Councils will be required to strengthen the robustness of business cases, improve monitoring of actual housing delivery, and anticipate tighter central-government scrutiny of riskier or larger projects. The shift to a single-gateway funding structure will also compel councils to maintain well-developed pipelines to access multi-year support.

Appendix D – Regulatory update continued

National Audit Office reporting continued

Name	Summary of key messages	Impact on Chelmsford City Council
<u>Improving local areas through developer funding</u>	<p>The NAO identifies developer contributions—primarily Section 106 agreements and the Community Infrastructure Levy (CIL)—as essential tools for funding local infrastructure and affordable housing. However, the report finds significant variation across councils in both the application and governance of these mechanisms. Negotiated viability assessments often reduce the contributions developers agree to provide, while only around half of planning authorities have formally adopted CIL.</p> <p>Developer contributions account for roughly 44% of affordable housing delivery nationally, yet over 17,000 S106-linked affordable homes with planning consent lacked a housing association buyer at the time of review, indicating a delivery bottleneck. The government is providing additional planning capacity funding and establishing a Section 106 Affordable Homes Clearing Service to support councils in unlocking stalled developments.</p>	<ul style="list-style-type: none">▪ For councils, strengthening internal governance and transparency around developer contributions will be increasingly important. Authorities will need improved planning capacity, including specialist viability expertise, to mitigate risks of reduced contributions and ensure developer obligations are properly monitored. With the proposed Infrastructure Levy no longer being taken forward, councils must optimise and professionalise the existing S106 and CIL frameworks.

Appendix E – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit and risk committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2025 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-038208 (UK) 03/25. Creative UK.
ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk



Chelmsford City Council Audit and Risk Committee

24th June 2026

Provisional Revenue Outturn Report 25/26

Report by:

Financial Services Manager (Section 151 Officer)

Officer Contact:

Phil Reeves, Financial Services Manager (s151), phil.reeves@chelmsford.gov.uk,
01245 606562

Purpose

This report is for noting and Members of the revenue outturn position for 2025/26, along with the associated risks and potential ongoing impacts.

Recommendations

It is recommended that the revenue outturn position for 2025/26, and the actions arising from it, be noted.

1. Summary

- 1.1. This report identifies Council expenditure and income for 25/26 compared with the Original Budget. The overall position for 25/26 results in an improvement to the expected General Fund reserve position, which is £2.59m better than the Original Budget. Measured against the 2026/27 budget assumption, this is £0.30m better.

- 1.2. Service level budgets were underspent by £2.46m in 25/26, driven by additional net income.
- 1.3. Non-service level budgets were underspent by £0.95m in 25/26, predominantly due to lower debt repayment costs than budgeted (£0.6m), additional interest (£0.27m) and grant income (£0.25m). Business Rates retention income was lower than the budgeted amount of £2.25m in 25/26, so £0.57m of the Business Rates contingency reserve was used to cover this shortfall and bring the net amount up to £2.25m. The budget for 2026/27 allowed for transfer between earmarked reserve to establish the LGR reserve. The amount in the earmarked business rate reserve is less than planned, so an additional transfer from the general fund balance will likely be required in 2026/27.
- 1.4. There was reduced use of earmarked reserves in 25/26 of £0.82m against the Original Budget of £2.47m (see Appendices 1 and 3). However, some of this is due to timing and the expenditure will occur but in later years.
- 1.5. Appendix 1 covers the key variations, actions and risks at the service and non-service level for 25/26.
- 1.6. Appendix 2 covers the potential ongoing impact of the outturn position on future years' budgets. The 2026/27 budget already allows for many of the outturn variances. Though overall there was underspend, initial evaluation suggests there is a potential overall loss of between £119k and £169k that could be adjusted for in ongoing budgets, but this to be reviewed as part of the budget process. This is offset by other expected changes not arising from the outturn position, as shown in the Budget Forecast section below.
- 1.7. Appendix 3 shows the impact on the earmarked and unearmarked reserves positions because of the 25/26 outturn position.
- 1.8. Appendix 4 shows the supplementary estimates approved during 25/26 and their estimated financial impact on 25/26, with the remainder of the spend to be realised in future years.
- 1.9. The figures reported are provisional and subject to external audit.

2. Budget Forecast

- 2.1. Although Appendix 1 highlights that the General Fund position for 25/26 was £2.59m better than the Original Budget, a significant proportion of this has already been allowed for in the 26/27 budget and beyond.
- 2.2. The 26/27 Original Budget report presented to Council in February 2026 highlighted a forecast budget gap for 27/28 of just under £0.56m. The table below highlights the potential range of gaps that could occur for 27/28, given the outturn position for 25/26 and other known probable ongoing changes

since that report. It is important to emphasise that this reflects known risks; for instance, geopolitical tensions continue to make the risk of large forecasting errors likely. More detail on the movements arising from the review of outturn is set out in Appendix 2.

- 2.3. Further analysis will be undertaken and an updated forecast will be presented to Cabinet in the Autumn as part of the normal budget process.

Description	Downside Case	Upside Case
	£000s	£000s
26/27 Original Budget Report forecast gap for 27/28	554	554
Appendix 2 Total Variations	169	119
Updated Forecast gap for 27/28	723	673

3. Reserves

- 3.1. Appendix 3 highlights the movements on the earmarked reserves and unearmarked reserves for 25/26 against the latest forecast position presented in the 26/27 Original Budget report to Council in February 2026. The appendix shows that earmarked reserve balances were just under £1.3m higher than forecast in the 26/27 Original Budget report. This was predominantly due to a £1.3m variation on the Chelmsford Development Reserve, reflecting a delay in the use of the reserve until future years to provide the most beneficial application of funding. This in effect is a timing difference as the funding will be used in later years.
- 3.2. There was a higher level of business rate appeals than expected (loss of income), resulting in an extra £0.5m of business rate contingency reserve being used to offset the loss to the revenue budget. The business rate reserve is abolished in the 2026/27 budget, as the government has reset the system and provided a 100% guarantee of the income the Council will receive as funding from business rates in 2026/27. The loss is therefore one-off. The lower level of business rate reserve reduces the amount that can be transferred to create the new LGR reserve in 2026/27, this will most likely result in greater use of the general fund balance in 2026/27.
- 3.3. The 26/27 Original Budget report assumed the General Fund reserve balance would decrease by £0.18m. The General Fund position at outturn is £0.30m better than the forecast in the 26/27 Original Budget report due to the variations outlined in Appendix 1 of this report.
- 3.4. Some £1.37m of the £14.36m General Fund Balance has been agreed to be transferred to other reserves during 26/27 to fund specific expenditure as

presented in the 26/27 Original Budget. The transfer could increase by £0.5m identified in 3.2.

4. Supplementary Estimates 25/26

- 4.1. Appendix 4 highlights the supplementary estimates approved during 25/26 against the £300k provision during the year.
- 4.2. A total of £1,147k of supplementary estimates were approved during the year to be funded from the provision, with the balance funded from the General Fund Reserve. Of £1,147k, some £582k was spent in 25/26, but the balance is now due to be spent future years. Some of the spend was for one-off items; the remainder is ongoing and has been reflected in 26/27 budgets.
- 4.3. A further £388k worth of supplementary estimates were approved which were funded from additional income or other earmarked reserves. Only £15k of this was spent in 25/26, with the balance to be spent in 26/27 onwards.
- 4.4. The historically high level of supplementary estimate approvals shown above and in Appendix 4 would pose a significant risk to the Council's finances if it continued every year.

5. Conclusion

- 5.1. The revenue outturn position for 25/26 shows an improved General Fund position compared with the Original Budget, predominantly due to additional net income.
- 5.2. Most of these net gains have already been reflected in 26/27 budgets and beyond
- 5.3. Income was higher than budgeted across the Council in 24/25 as well as in 25/26, so further work will be undertaken to address in future what could be described as a pessimism bias in income budgets and forecasts by services and accountancy. Budgets for 26/27 were adjusted with this pessimism bias in mind and, as a result, income variations for 26/27 should prove to be smaller than in 25/26.
- 5.4. Budgets will be reviewed again throughout the budget process to understand what the latest forecast budget gaps for 27/28 and beyond are.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position – 25/26

Appendix 2 – Potential Ongoing Budget Changes

Appendix 3 – Reserves Outturn Position

Appendix 4 – Supplementary Estimates Approved in 25/26

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

None

Personnel:

None

Risk Management:

None

Equality and Diversity:

None

Health and Safety:

None

Digital:

None

Other:

None

Consultees:

None

Relevant Policies and Strategies:
None

Summary Outturn Position

This dashboard highlights the outturn position for spend, income and reserve movements for 2025/26 against the Original Budget.

The report shows **the improvement of the General Fund position**, which is **£2.59m better off than the Original Budget** due to the key variations:

Favourable Variations:

- £1,245k additional income from the garden waste subscription service, offset by £118k reduced compost credit income.
- £1,085k additional net grant income from various one-off schemes (predominantly housing related)
- £780k net additional income from the Theatre
- £593k additional income from sports centre income due to increased memberships and activity levels
- £605k additional income from various other sources, predominantly one-off in nature
- £179k underspent on vehicle fuel costs due to a cheaper price agreed as part of the new HVO contract

Adverse Variations:

- £906k reduced income at the Crematorium due to lower mortality rate and increased competition across Essex
- £902k net overspend on TA costs due to a higher cost per case than budgeted

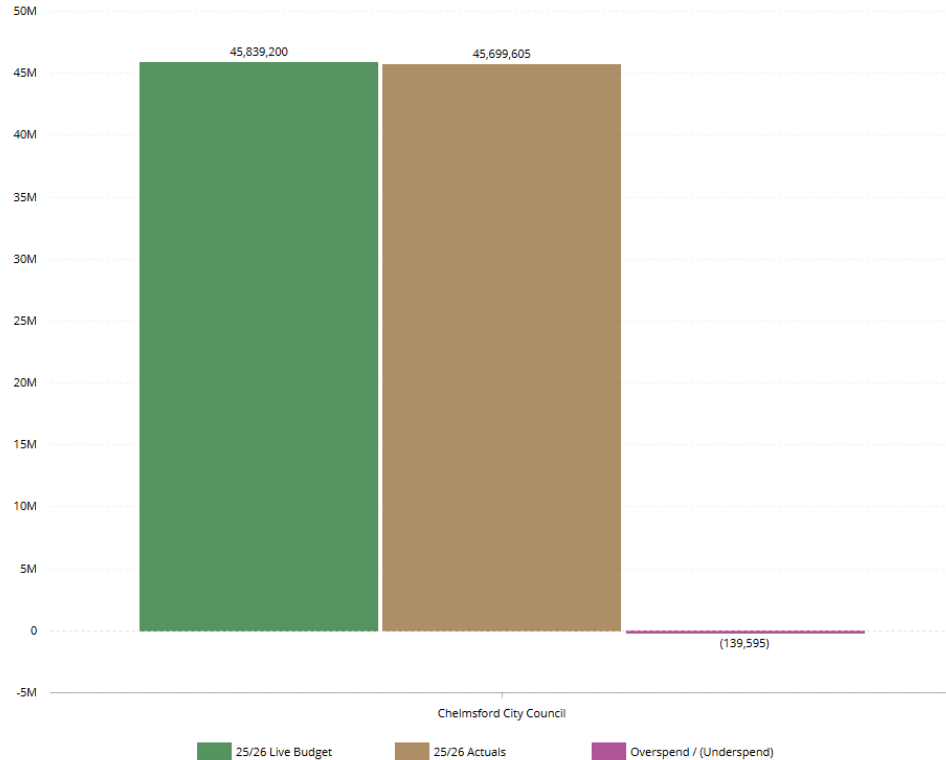
Looking at the outturn in another way, by expenditure category, as set out on the next few pages, this highlights an underspend on employee costs of £0.14m, an overspend of £1.69m on other expenditure and additional income of £4.09m, resulting in a net service underspend of just over £2.5m before HB subsidy. After the HB subsidy variation, the net service underspend is £2.43m. Additional net income is clearly the main driver of the underspend at the service level, but the majority of this has been allowed for already in 26/27 budgets.

Non-service variations including additional interest income and grant income, plus reduced debt repayment costs, total £0.95m. Earmarked reserves were £0.82m underused against the budget. Adding all of these variations together brings you to the £2.59m variation for the General Fund position for 25/26.

The ongoing impact of these variations is less than the £2.59m as a significant amount has already been allowed for in the 26/27 budgets. A separate appendix to this report provides detail on the potential ongoing implications of the outturn position, both positive and negative.

Chelmsford City Council Variances - 25/26 Outturn Report - Service Level

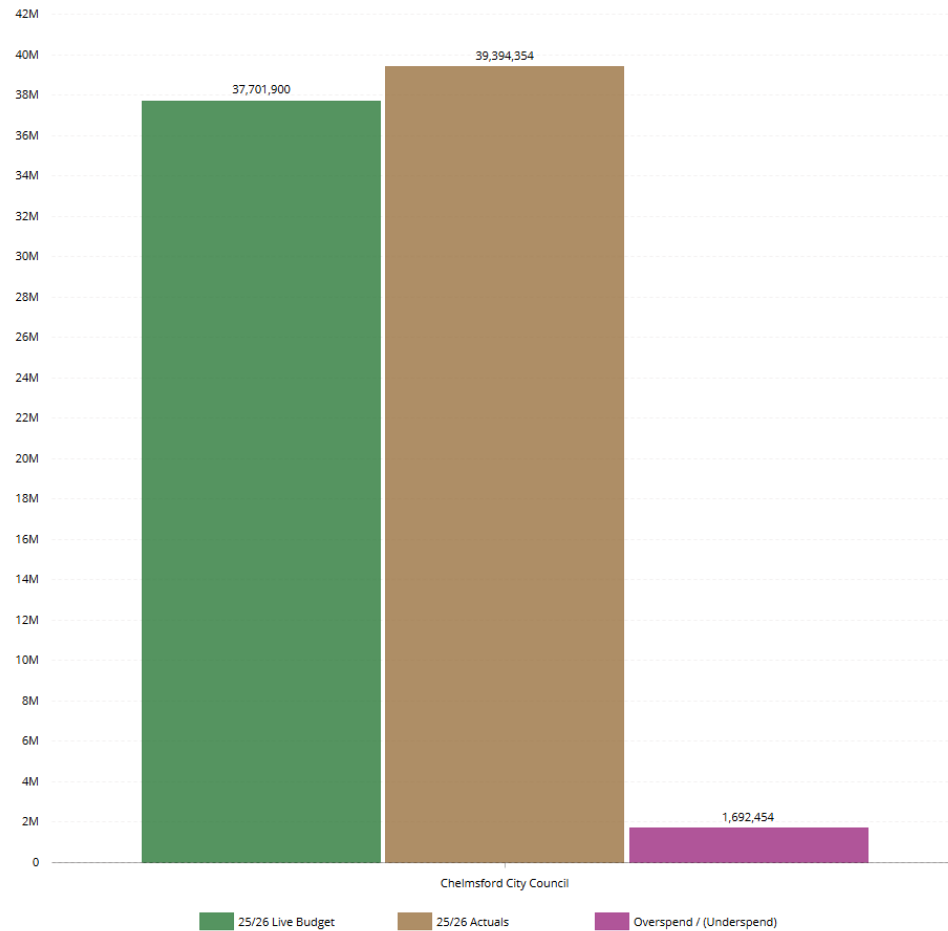
25/26 Employee Spend



Employee Key Variations, Actions and Risks

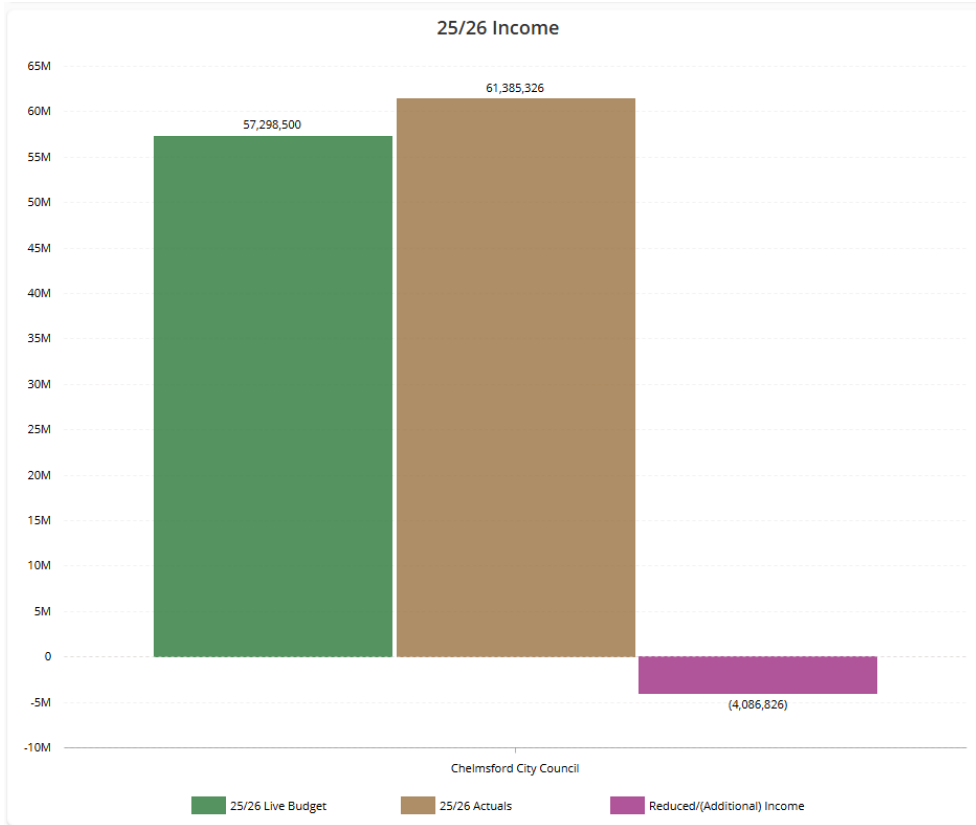
Variations	Actions	Risks
£233k approved overspend following a further 0.5% pay award and £200 unconsolidated payment being agreed (on top of the initial 3% pay award). This is funded by supplementary estimate	Pay scales were increased with the 0.5% award and unconsolidated amounts paid in September.	Pay awards outstrip the levels held in the budget
£237k approved overspend across various areas for additional staff or temporary cover funded by supplementary estimates (Legal, Benefits, PHPS, Planning Enforcement & Housing) £9k is funded by additional income	Recruitment is still in process, but the majority of these roles have now been filled	Additional supplementary estimates continue to be needed beyond the £300k central provision
£131k underspent due to staff budgets being utilised in other expenditure budgets instead (Insurance & Culture)	A grant has been made to the Cultural Development Trust and Basildon have been employed for Insurance & Risk work, with budgets updated for 26/27	
£138k overspent on grant related staffing expenditure offset by additional other expenditure and income	Continue to monitor grant spend and income across the Council and maximise where possible to fund expenditure	Spend does not meet grant conditions and income has to be paid back
£617k underspent due to vacancy factor being achieved and other underspends (£341k Parks, £123k Customer Services, £119k PHPS, £32k other)	Continue to review as further vacancies could materialise or savings could be generated for future years, an additional central vacancy factor provision is still budgeted for in 26/27	Service provision is impeded with increasing vacancies

25/26 Other Spend



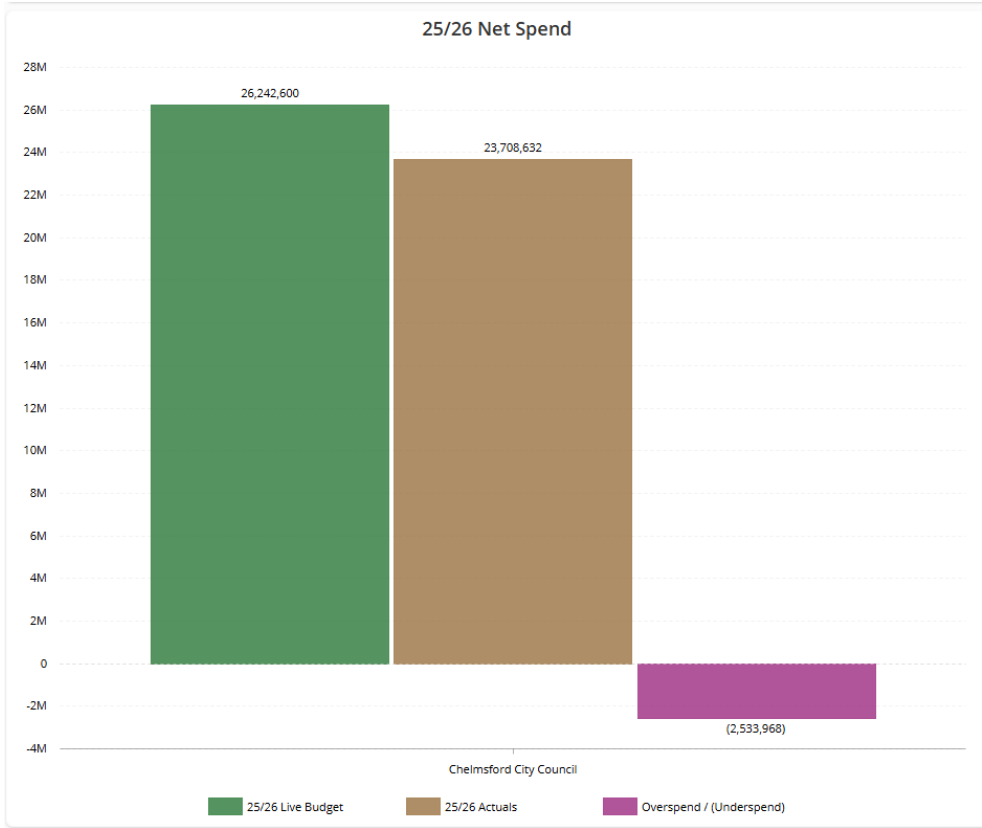
Other Spend Key Variations, Actions and Risks

Variations	Actions	Risks
£122k approved overspends all approved by supplementary estimates (Cyber Security, Council Tax Text Reminder, Local Plan, CGR Work, Asylum Work)	Ongoing spend has been reflected in 26/27 budgets	Supplementary estimate requests continue to outstrip the £300k provision
£654k overspent on Theatres operational spend due to increased activity, offset by additional income, for a net additional income of £780k	Partially reflected in 26/27 budgets, a further review of net additional income will be needed	Larger shows are not programmed in for future years or further cost of living pressures reduce customer numbers
£157k underspent on Electricity and Gas budgets due to lower unit prices than budgeted	25/26 budgets did not use specific reserves for utilities, so this effects general reserves	Energy has been purchased for 26/27, but there is a risk over prices for 27/28 due to escalating prices
£1,308k overspent on grants offset by income (£207k PHPS, £401k Housing, £207k UKSPF, £136k Culture, £226k Planning, £107k RAMS, £24k Other)	Assess whether any grant income and expenditure is ongoing for future budgets	Grant income falls away but the associated expenditure is still required in future years
£179k underspent on vehicle fuel costs due to a cheaper price agreed as part of the new HVO contract	Budgets for 26/27 were re-aligned, but prices are increasing	Prices continue to escalate
£1,385k underspent on TA costs, but reduced income for a net overspend of £902k due to increasing cost per case for each household in TA (the new rent policy implemented in 25/26 results in reduced income and spend)	This increase has been reflected in 26/27 budgets with an allowance for cost per case being higher	Supported housing provision does not reduce the forecast as hoped, and other accommodation cannot be found
£77k approved overspend on works at the Aquarium funded from the sinking fund for let properties reserve	Works were approved in 24/25 as a supplementary estimate	The works do not result in filling or retaining suites as intended
£236k overspent on consultancy and counsel fees due to public planning inquiries	Maximise affordable housing per site where possible	Affordable housing provision per site does not reach the desired target
£102k overspent on leisure maintenance costs	Review whether ongoing	Overspends continue
£125k overspent on Chelmsford Garden Communities spend offset with additional grant income	Maintain recovery of costs via grant income wherever possible	Spend does not meet grant conditions
£207k overspent on LGR implementation costs relating to business case work, offset by additional income	The split of spend and income between authorities is finalised	Spend on LGR outstrips grant funding and reserve provision
£236k overspent on external audit costs relating to the main audit and HB audits. The overspend is driven by additional costs for prior year audits	Review whether ongoing and reflect in MTFS	Additional audit fees continue, with delays in audits resulting in additional costs to the Council
£147k overspent on legal and other professional fees relating to aborted schemes and other advice on specific properties/sites (predominantly one-off in nature)	Review whether ongoing and minimise abortive costs wherever possible	More abortive costs occur
£104k overspent on outsourced work offset by underspend on employee expenditure (Insurance & Culture)	Budgets have been updated for 26/27	Outsourcing reduces quality and control of the service provided
£95k overspent on other expenditure across the Council	Work with the services to identify if anything is ongoing	



Income Key Variations, Actions and Risks

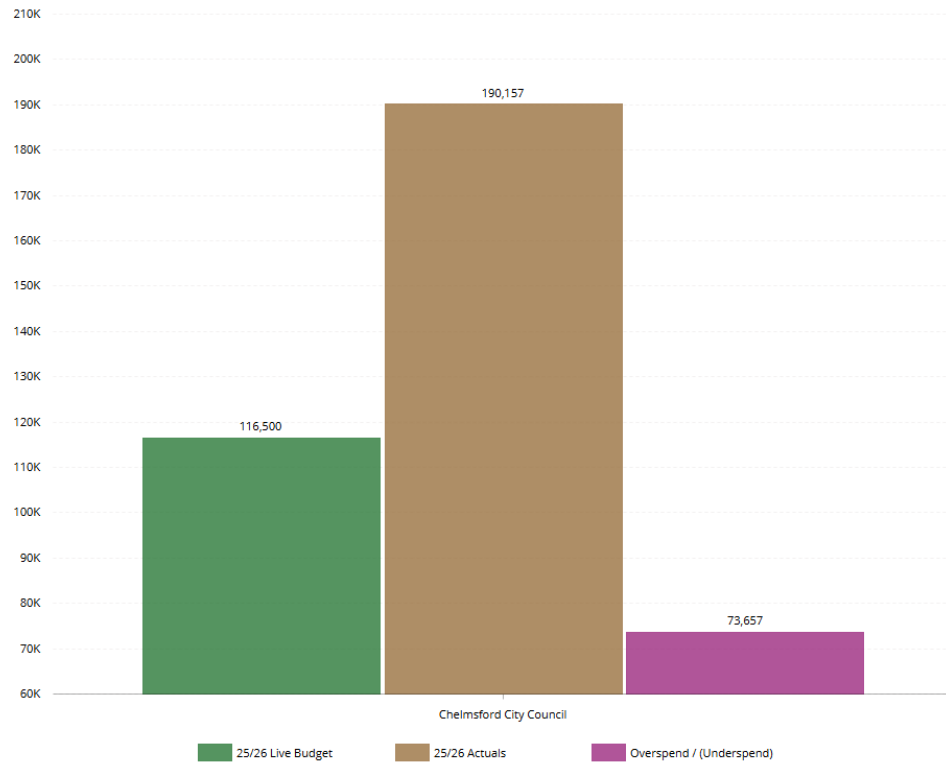
Variations	Actions	Risks
£1,245k additional income from the new garden waste subscription service given uptake of 58% of eligible residents	Budgets for 26/27 have been reviewed and an increase reflected	Large numbers of customers do not review for 26/27
£118k reduced income from garden waste compost credits, due to reduced volumes collected.	Budgets for 26/27 have been reviewed and a decrease reflected	Tonnages collected can be volatile for garden waste due to the weather
£593k additional income from sports centre income due to increased memberships and activity levels	Leisure budgets have been realigned as part of the 26/27 Original Budgets to increase employee and income budgets	Memberships or general activity levels drop off without the corresponding decrease in employee spend
£779k additional grant income from Extended Producer Responsibilities compared to budget	The gain has been contributed to a new reserve to enable budgeting at a higher level	Pack UK do not collect enough contributions from producers to fully pay this grant in the future
£2,393k additional income from various grant schemes across the Council, partly offset by additional spend (Housing £991k, PHPS £327k, UKSPF £237k, RAMS £115k, Planning £269k, Museum £213k, Audit £100k, £141k other)	Assess whether any grant income and expenditure is ongoing for future budgets as part of the MTF5	Grant income falls away but the associated expenditure is still required in future years
£2,287k reduction in income from Temporary Accommodation, offset with reduced spend, for a net overspend of £902k (the new rent policy implemented in 25/26 results in reduced income and spend)	This increase has been reflected in 26/27 budgets with an allowance for cost per case being higher	Supported housing provision does not reduce the forecast as hoped, and other accommodation cannot be found
£1,532k additional income at the Theatre due to increased activity, offset by additional spend, for a net additional income of £780k	Budgets have been realigned based off of 24/25 outturn for 26/27, further adjustments will be considered for 27/28	Larger shows are not programmed in for future years or further cost of living pressures reduce customer numbers
£906k reduced income at the Cemetery and Crematorium due to lower mortality rate and increased competition	Budgets for 26/27 have been reviewed and a decrease reflected	Further competitors come to the market
£158k additional income at Hylands due to increase events (predominantly weddings)	Review whether ongoing and reflect in the MTF5	Customer numbers reduce in future years
£180k additional income due to the successful back claim from HMRC for cultural exemption on the Panto shows	One-off claim	One-off claim
£178k additional grant income to cover LGR implementation costs, offset by additional expenditure	The split of spend and grant income between authorities has been finalised	Spend on LGR outstrips grant funding and reserve provision
£167k additional income due to the successful Truck Cartel claim	One-off claim	One-off claim
£173k additional income from other minor sources across the Council	Work with services to identify if anything is ongoing	



Service Overspend/(Underspend) (Excluding HB Subsidy)

(£2,513,173)

25/26 Net Spend (HB Subsidy excluding TA Subsidy Loss)



Comments - HB Subsidy (excluding TA Subsidy) Loss Variations

The net budget for HB subsidy (excluding TA Subsidy Loss) is a net cost of £116,500.

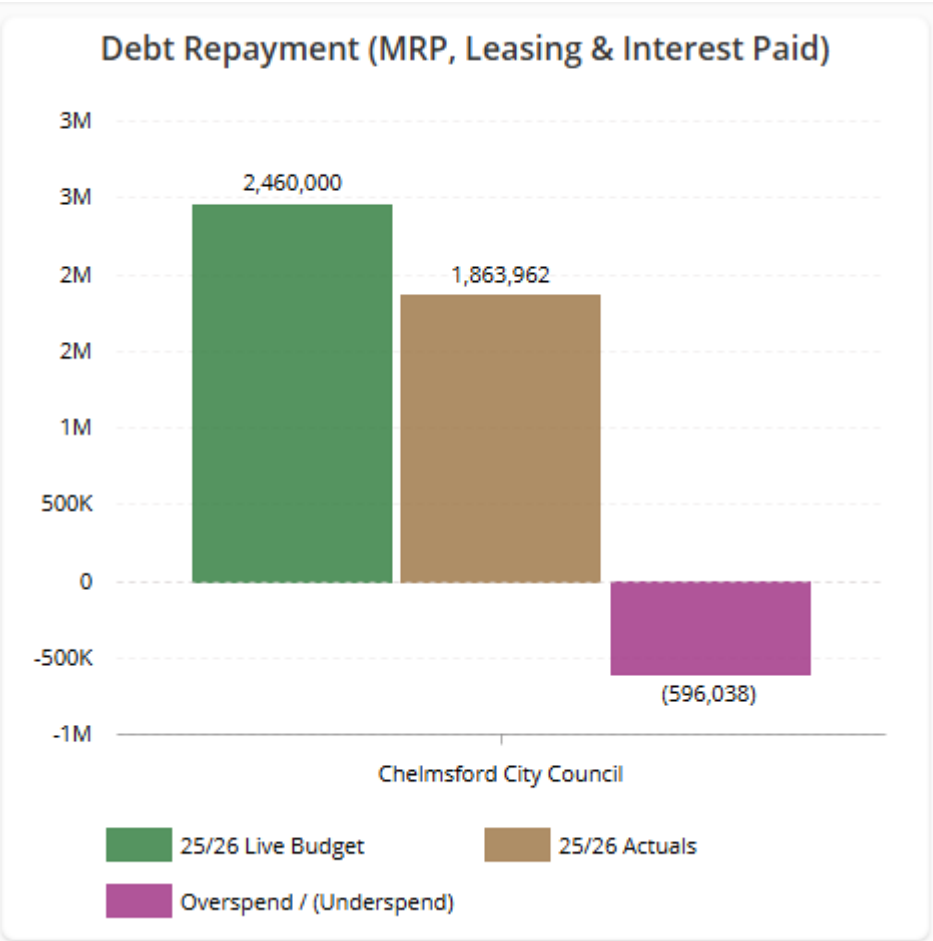
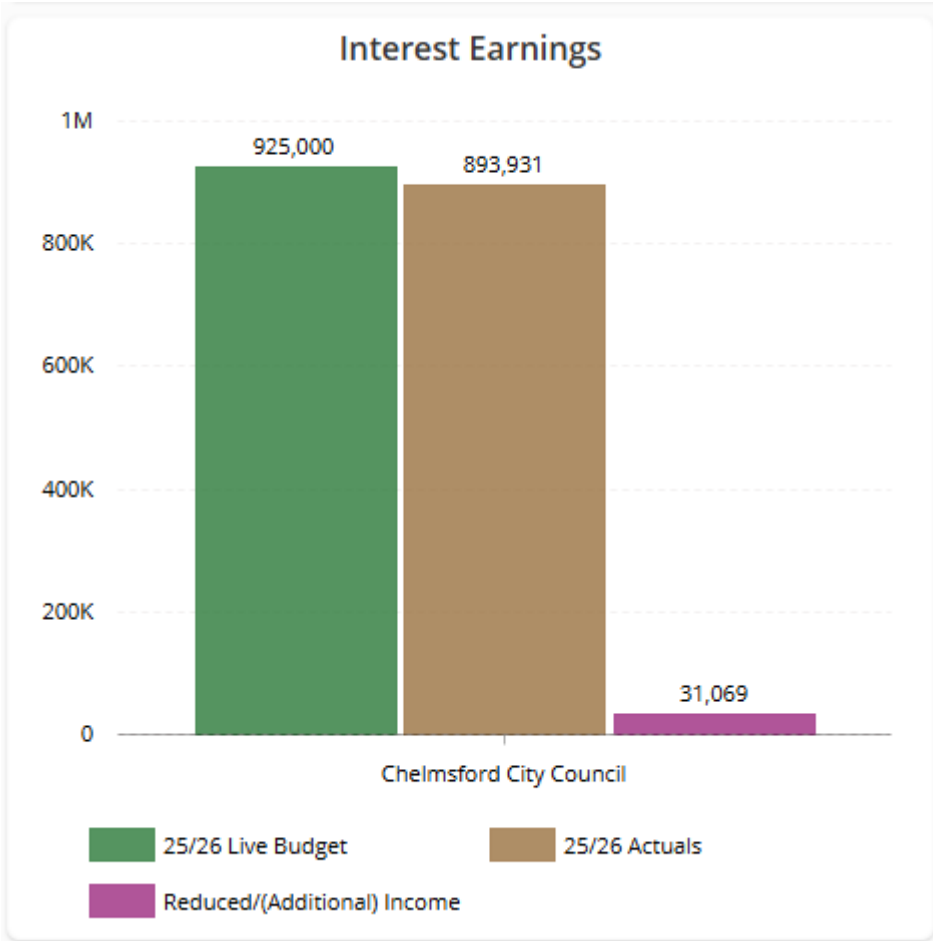
The overspend of £74k is made up of the following variations

- £256k overspent due to supported housing related losses being higher than budgeted, it is expected this could reduce in future years with Housing working with CHES to establish them as a Registered Provider (ongoing)
- £40k underspent on HB overpayments bad debt provision due to a slight reduction in the overall level of debt following one-off work completed on the pension age caseload in 25/26
- £9k underspent on Discretionary Housing Payments offset by reduced grant income
- £133k underspent on other net Subsidy movements (one-off)

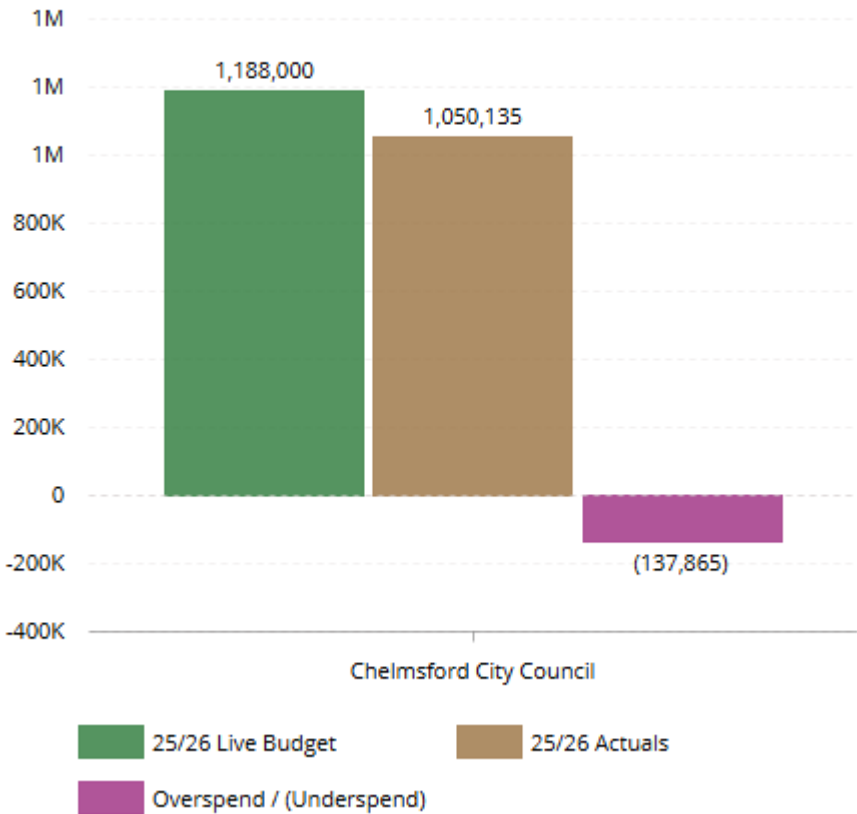
Service Overspend/(Underspend) Including HB Subsidy

(£2,460,311)

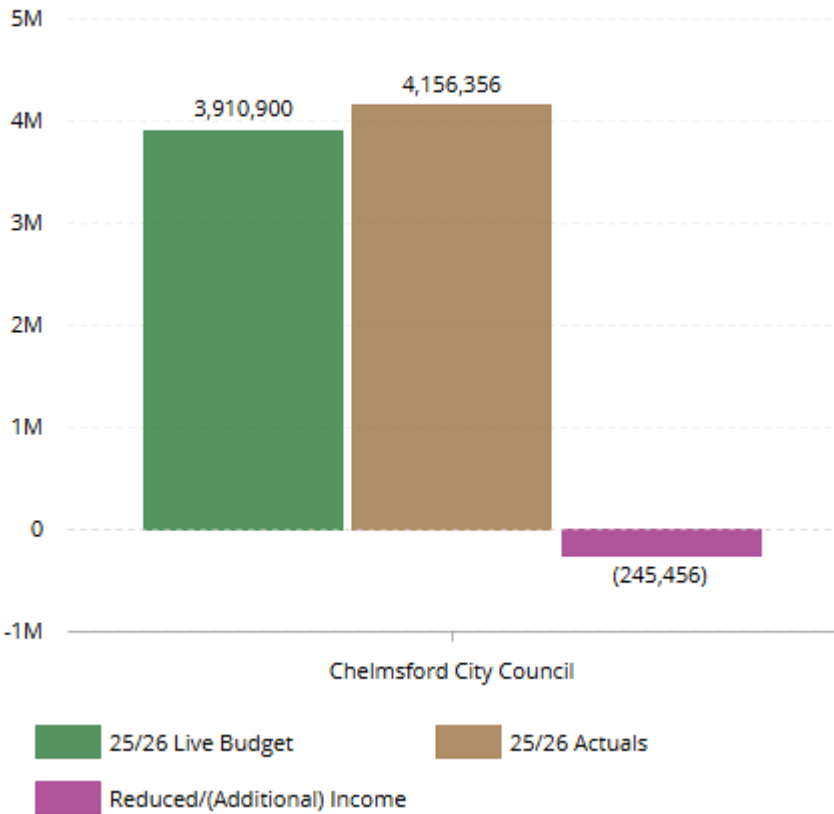
Chelmsford City Council Variances - Non-Service Level Income & Expenditure

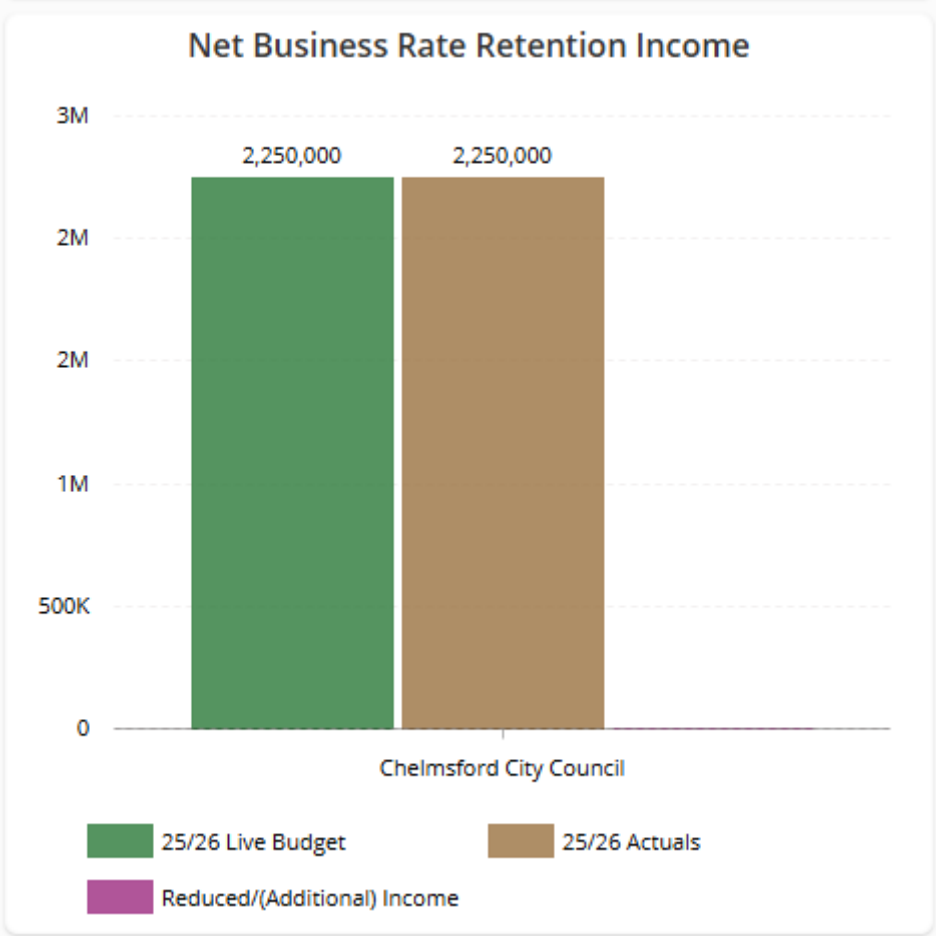


Revenue Funding of Capital



Other Grant & One-Off Income





Variations	Actions	Risks
£274k additional income from interest earnings due to slippage of capital spend, additional revenue income than budgeted and higher interest rates than budgeted	Review the Council's portfolio of investments and borrowing to maximise income and minimise cost	Spend increases, reducing cash balances and therefore interest earnings, whilst also increasing the likelihood of needing to borrow
£596k underspent on Debt Repayment due to slower timing of expected borrowing	Review the Council's portfolio of investments and borrowing to maximise income and minimise cost	Spend increases, reducing cash balances and therefore interest earnings, whilst also increasing the likelihood of needing to borrow
£138k underspent on Revenue Funding of Capital due to the delaying of spend which will now occur in future years	Maximise the most cost effective use of funding and reserves for capital spend	Additional capital expenditure is written back beyond the value held in reserves to cover this risk
£304k realised loss on the sale of the CCLA cautious multi-asset fund, which is offset by reserve movements below	The pooled asset fund reserve has been used to offset this loss and review other multi-asset fund holdings	Other multi-asset funds realise losses greater than the value held in the pooled asset funds reserve
£245k net additional grant income (£264k section 31 grants relating to business rates, (£19k) National Insurance grant)	One-off in nature	The reset of government funding from 26/27 onwards removes these variations

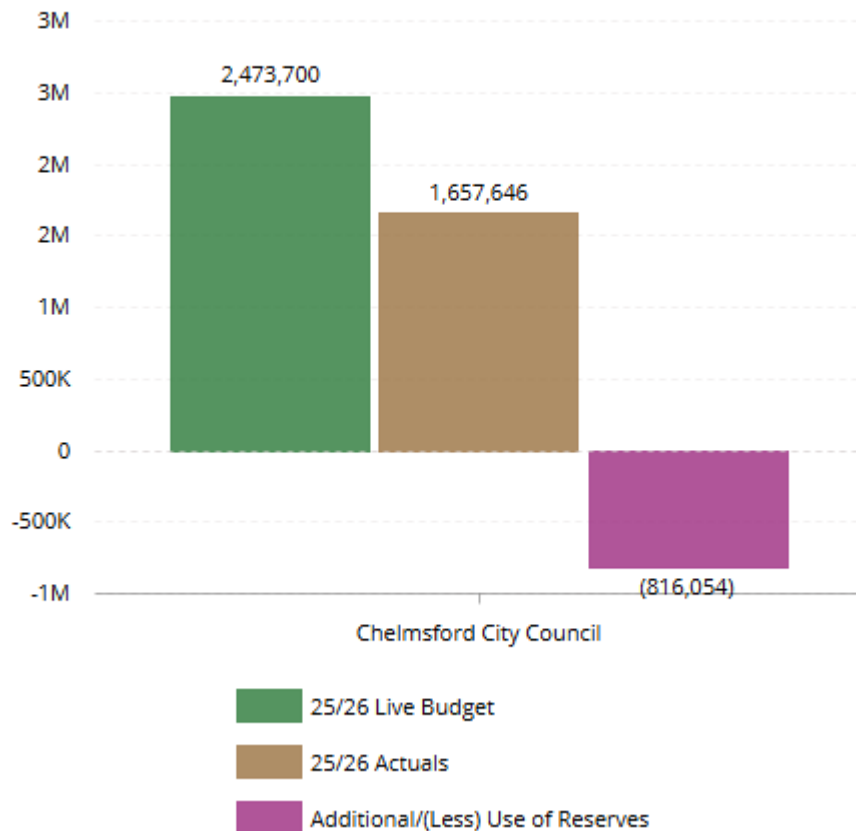
Non-Service Overspend/(Underspend)

(£948,290)

Chelmsford City Council Variances - Reserves

The underspends above at both the service and non-service level result in additional contributions to reserves as a whole, which is split out below between earmarked and unearmarked reserves.

Use of Earmarked Reserves



Earmarked Reserves

The budget for use of earmarked reserves for 25/26 was set at £2,473,700, which was predominantly made up of reserve use to cover loss of rent from commercial properties and investment in the City's assets.

The outturn position is reduced use of/additional contribution to reserves compared to the budget of £816k made up of the following variations,

£779k contribution to new EPR reserve following increased EPR funding to enable budgeting at a higher level (offset with additional income in the service above)

£157k reduced use of Chelmsford development reserve offsetting direct revenue funding of capital above

£155k reduced use of the loss of rent from commercial properties reserve due to less net loss than expected in 25/26 on these properties

£305k increased use of pooled fund losses reserve from the CCLA cautious multi-asset fund realised loss on sale of investment

£30k other reduced reserve use across various smaller reserves

General Fund

The use of General Fund Original budget was set at £382,700 for 25/26. The outturn position is a contribution of £2,210k, **£2,593k better than the budget**. The key variations that make us this amount are as follows:

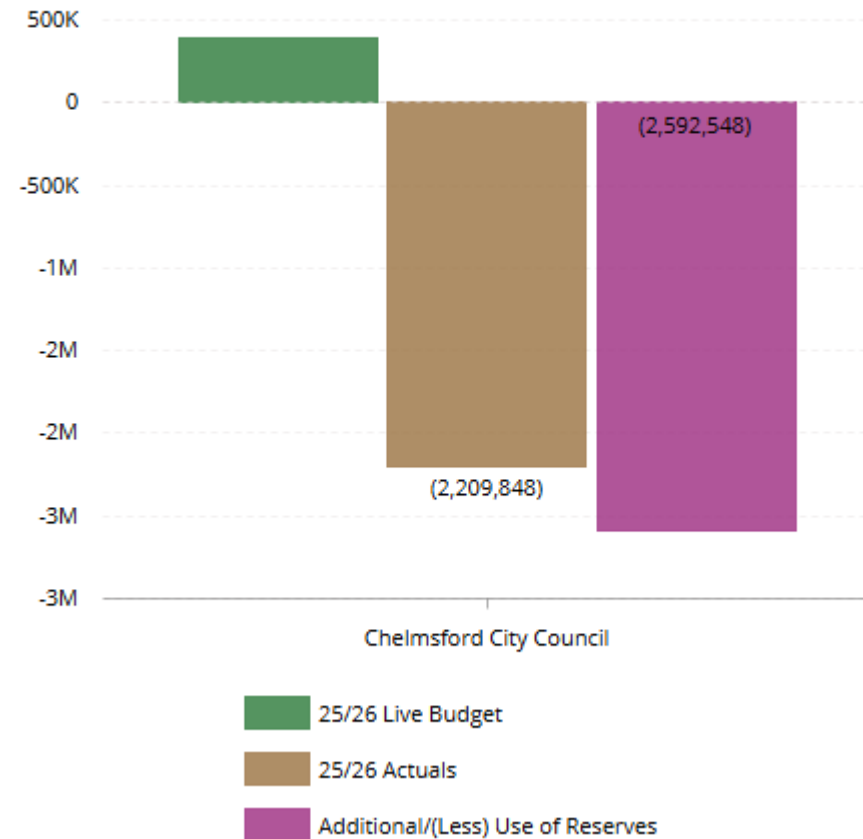
Favourable Variations:

- £1,245k additional income from garden waste subscriptions, offset by £118k reduced compost credit income.
- £1,085k additional net grant income from various one-off schemes (predominantly housing related)
- £780k net additional income from the Theatre
- £593k additional income from sports centre income due to increased memberships and activity levels
- £605k additional income from various other sources, predominantly one-off in nature
- £179k underspend on vehicle fuel costs due to a cheaper price agreed for HVO fuel

Adverse Variations:

- £906k reduced income at the Crematorium due to lower mortality rate and increased competition across Essex
- £902k net overspend on TA costs due to a higher cost per case than budgeted

Use of General Fund (Unearmarked Reserves)



Revenue Outturn 25/26 – Potential Ongoing Budget Changes

This appendix outlines the initial findings of potential ongoing changes that could be made to the Council's budgets following the 25/26 outturn position. There are favourable and adverse variations. **Figures are indicative** for the ongoing impact given the need to undertake a more robust review with the services as part of the budget process. The figures shown are changes to the 26/27 Original Budget onwards and so do not necessarily match the total variation at 25/26 outturn, with some of these issues already covered off as part of the 26/27 budget process.

The information is split between service budgets and non-service budgets, with service budgets split across employee expenditure, other expenditure and income as with the overall outturn summary page in the first appendix to this report.

Service Level Changes

Employee Expenditure

- **Council wide** – Employee budgets were underspent for 25/26, even after allowing for the additional pay award above the budgeted 3% and further overspends approved by supplementary estimates. Significant underspends were achieved across several areas due to the impact of vacant posts which will be reviewed further to see if any of these trends are ongoing. **Ongoing impact to be assessed**
- **Overtime** – several areas across the Council had overspends on overtime which were not offset by reductions in employee costs elsewhere. Overall, Council overtime budgets were overspent in 25/26 by £199k. Budgets were increased for 26/27 but still appear to be below current spending levels. **Ongoing impact to be assessed (expected to be additional cost between £50k and £100k)**

Other Expenditure

- **Car Parks** – gritting the Council's car parks over winter have now been outsourced to an external supplier, with insufficient budget provision for this specific cost in 26/27. **Ongoing impact (expected to be additional cost of £43k)**
- **Other Minor Adjustments** – There are a few other adjustments identified in the 2025/26 outturn that look necessary to make to ongoing budgets in PHPS, Building Services and Freighter House. **Ongoing impact (expected to be additional cost of £37k)**
- **Theatre** – realignments were allowed for in the 26/27 original budgets between income and expenditure to allow for increased activities. Further realignments look possible given the net outturn position for the Theatre in 25/26. **Ongoing net impact assessed in income section below**

- **Other HB Subsidy** – Overspends relating to supported housing losses were higher than budgeted in 25/26, predominantly due to increasing provision across the City from CHESS. It is expected this could reduce in future years with Housing working with CHESS to establish them as a Registered Provider. **Ongoing impact (expected to be additional cost of £120k)**

Income

- **Theatre** – net additional income in 25/26 of £780k for the Theatre against the budget due to increased activity levels. Some of these gains have already been reflected in the 26/27 original budget, along with some other known changes to the Theatre operation, but it is expected that further adjustments can still be made. **Ongoing impact to be assessed, being dependent on the future programme (expected to be additional net income of £250k)**
- **Leisure & Heritage** – net additional income in 25/26 of approximately £563k for sports centres and Hylands House against the budget. Most of this increase has already been reflected in the 26/27 original budget, but further adjustments look likely. **Ongoing impact (expected to be additional net income of £88k)**
- **Extended Producer Responsibility (EPR) Income** – Income in 25/26 was made up to the guaranteed amount by DEFRA, indicating that Pack UK who are administering the scheme did not collect enough levy from packagers to cover the guaranteed amount to the Council. £779k additional income was received over the budget in 25/26, which was transferred to a new reserve to cover the risk of this funding decreasing in the future. Given that DEFRA must make up the Council's funding by £225k in 25/26, it therefore seems likely that the 26/27 budgeted amount will not be achieved. **Ongoing impact (expected to be reduced income of £225k)**
- **Other Income Budgets** – various other smaller income budgets produced variations for 25/26 outturn that are now expected to be ongoing and have not currently been reflected in ongoing budgets. **Ongoing impact (expected to be additional income of £18k)**

Non-Service Level Changes

Interest – both interest income and debt repayment in 25/26 saw favourable variations at outturn, with £274k additional interest income and a £596k underspend on debt repayment. A more optimistic approach has already been reflected in the 26/27 budget, but this will need to be reviewed again as part of the budget process. **Ongoing impact (expected to be minimal due to changes in cashflow and interest rates)**

Description	Downside Case	Upside Case
	£000s	£000s
26/27 Original Budget Report forecast gap for 27/28	554	554
Overtime Staffing Costs	100	50
Leisure & Heritage Other Expenditure	125	125
Car Parks Gritting Costs	43	43
Other Expenditure Variations	37	37
Other HB Subsidy	120	120
Theatre Net Income	(250)	(250)
Leisure Income	(55)	(55)
Hylands House Income	(158)	(158)
Planning S106 Locum Income	74	74
EPR Income	225	225
Other Income Variations	(92)	(92)
Updated Forecast gap for 27/28 (before non-outturn changes)	723	673
Total Variation	169	119

Usable Reserves Projections

Earmarked Reserves

	25/26 Latest Forecast (Feb Council Report)					25/26 Provisional Outturn					Comments on Variation
	Opening Balance	Budgeted (use of)/ contribution to reserves	Forecast adjustments	Budgeted Transfers	Closing Balance	Actual Opening Balance	Actual net (use of)/ contribution to reserves	Transfers	Closing Balance	Variation (Closing Balance)	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Corporate Investment											
Cultural Support Fund	10		-10		0	10	5		14	14	
Local Development Framework	707	-250	-240	15	232	707	-213	15	509	277	Slippage of spend to later years
Supplementary Estimate Reserve	168	-300	105	27	0	168	-300	132	0	0	More than the full balance of £300k used in 26/27
DPO Reserve	0				0	0			0	0	
Hylands House Reserve	3				3	3			3	0	
	888	-550	-145	42	235	888	-509	147	526	291	
Capital Programme											
Project Evaluation Reserve	177				177	177	-33		144	-33	
Sinking Fund for Let Property	100	50	-93		57	100	-27		73	16	
Infrastructure Fund	42			500	542	42		500	542	0	
Chelmsford Development	2,002	-806	-1,160		36	2,002	-649		1,353	1,317	Reserve now earmarked for future year spend given outturn position on Capital and most beneficial application of funding
	2,321	-756	-1,253	500	812	2,321	-709	500	2,112	1,300	
Risk Management											
Insurance	848	-50			798	848			848	50	
Investment Reserve	1,041		-305		736	1,041	-305		736	0	
Pension Deficiency	1,240				1,240	1,240			1,240	0	
Park and Ride	298				298	298	49		346	48	
Vehicle Fuel Reserve	324			-24	300	324		-24	300	0	
Utility Costs Reserve	1,573			-73	1,500	1,573		82	1,655	155	Change to budgeted transfer to cover risk of future prices
Government Funding and Business Rates Contingency Reserve	4,068				4,068	4,068	-568		3,500	-568	Final year of Business Rate retention income under previous scheme
Rent Income (Temporary Loss of Tenant)	1,643	-1,118		1,537	2,062	1,643	-963	1,382	2,062	0	
New: EPR Funding Reserve	0		779		779	0	779		779	0	
	11,035	-1,168	474	1,440	11,781	11,035	-1,008	1,440	11,467	-314	
Total Earmarked Reserves	14,244	-2,474	-924	1,982	12,828	14,244	-2,226	2,087	14,105	1,277	
Unearmarked Reserves											
General Fund & Contingency	14,240	-383	2,186	-1,982	14,061	14,240	2,210	-2,087	14,363	302	Underspend at service and non-service level very similar to level expected as a whole in Feb Council report
Recommended level £9m											
	14,240	-383	2,186	-1,982	14,061	14,240	2,210	-2,087	14,363	302	
Total reserves	28,484	-2,857	1,262	0	26,889	28,484	-16	0	28,468	1,579	

Supplementary Estimates Approved - 25/26 - Not funded by income or reserves

Description	Full Amount	
	Requested (covers multiple years)	Impact in 25/26
Monitoring Officer Cover	£37,000	£29,000
Digital Cyber Security Contract	£116,700	£68,000
Planning Enforcement Officer	£59,400	£23,000
Revs & Bens Staff to improve accuracy	£198,700	£176,000
Pay Award ongoing (additional cost above budget)	£52,500	£52,500
Pay Award one off	£180,000	£180,000
Council Tax - Text reminder (chasing debt)	£10,000	£12,000
Senior Homelessness Officer	£59,400	£9,000
Local Plan	£240,000	£0
CGR - parish review	£165,000	£32,000
Health & Safety Officer	£28,500	£0
Total	£1,147,200	£581,500
Initial Allocation	£300,000	
Spend Above Allocation	-£847,200	

Supplementary Estimates Approved - 25/26 - Funded by Additional Income or Earmarked Reserves

Description	Full Amount	
	Requested (covers multiple years)	Impact in 25/26
Beam funding housing (Income Funded)	£149,400	£10,000
Homeless Officer (Income Funded)	£52,600	£0
CIL Admin Post (Income Funded)	£25,700	£0
LGR Project Officers (Reserve Funded)	£140,000	£4,500
Procurement Temporary officer (to be spent in 2026/27) from LGR	£20,000	£0
Total	£387,700	£14,500



Chelmsford City Council Audit and Risk Committee

24th June 2026

Capital Programme Update and Provisional Outturn 2025/26

Report by:

Financial Services Manager (S151 Officer)

Officer Contact:

Sue Jones, Senior Capital Accountant

01245 609519, sue.jones@chelmsford.gov.uk

Purpose

- a) To report the capital expenditure incurred in 2025/26.
- b) To provide an update on the approved Capital Schemes and variations in cost which have been identified at outturn and to date.
- c) To provide an update on the approved Asset Replacement Programme for 2025/26 and 2026/27 for variations in cost and timing which have been identified at outturn and to date.

Recommendations

It is recommended that the Committee notes the report:

1. Background

The Council has a long-established process for monitoring and reporting forecast expenditure and income against approved budgets. Formal monitoring reports are prepared regularly and provided to all Cabinet Members.

2. Introduction

There are two types of expenditure, capital and revenue.

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

Revenue costs are ongoing costs incurred to operate assets or provide services.

3. Capital Programme

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

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

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

4. Capital Resources

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

When capital resources are used, the amount available for investment reduces and, in turn, interest income falls, affecting the revenue budget available to support services. When the Council borrows internally to fund capital schemes there is an annual charge to revenue for the minimum revenue provision (MRP). Where external borrowing is used, there is both an MRP charge and an interest cost.

Capital resources are forecast and reported to Cabinet and Council as part of the revenue budget process. This reflects the fact that the cost of financing the capital programme, including MRP and interest, is met from the revenue budget.

5. Capital Reporting

A Capital Programme Update is included in the budget report taken to Cabinet and Council in January and February. A further Capital Programme Monitoring and Update report is scheduled to be taken to Cabinet in the autumn as part of the wider mid-year financial review.

Twice yearly meetings are also held with directors and service managers to review their planned spend and to provide an update of the capital resourcing position.

It is important to monitor capital expenditure closely because construction and project costs remain volatile. In addition, the cost of financing schemes affects revenue budgets over the long term. Given limited revenue resources, higher capital spending will often mean fewer resources are available to fund services.

6. Methods of Approval

New schemes are in the majority of cases recommended at Cabinet in January and approved by Council in February each year.

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

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

7. Capital Schemes

7.1 Monitoring Expenditure Against Latest Approved Budgets

Appendix 1 gives the overall capital outturn information for the completed Capital Schemes at the end of March 2026 and the latest forecast expenditure for the ongoing scheme costs. It identifies the anticipated variances in total individual scheme costs.

Change in scheme costs

7.2 **Appendix 1** shows that the proposed cost of the Capital Schemes has increased by a net £11.016m (0.8%) against the latest approved budget of £137.656m.

£6.677m of this is due to a previously reported provision which was established for works arising from building condition surveys. Previously it was not included in the approved capital budget figures as the figures are provisional and likely to change when fully worked up by officers. However, the provision was approved by Council and on reflection the S151 officer has now included the approved provision in the budget column. It is important to note these are not firm estimated costs and significant variations may need approval, as the schemes' proposals are fully developed.

Change in Overall Programme cost (detail in Appendix 1)	
Approved Budget	£137.656m

<p>Remaining balance of previously approved provision for building condition survey works identified. Now included in the budget column.</p> <p>Provision phase 1 agreed Council February 2025 £4.660m. Previously £809k approved by delegation. Provision phase 2 agreed Council February 2026 £3.092m. £266k previously approved by delegation.</p>	£6.677m
<p>Reductions in Scheme Costs -Transfers of spend to revenue</p> <p>Scheme number 4 – Chelmer Waterside Infrastructure. £135k spend transferred to revenue. Additional revenue capacity grant received from Homes England, used to fund project manager's cost.</p> <p>Scheme number 49 – Refurbishment of Commercial Leased Property 1, Springfield Lyons, £2m. A 25-year lease has been agreed. Costs associated with arranging the lease agreement, £99k, cannot be treated as capital expenditure and have been transferred to revenue.</p> <p>Other minor items £22k.</p> <p>The capital budgets have been reduced by these amounts.</p>	-£0.256m
<p>Reductions in Scheme Costs (minor items identified in Appendix 1; see scheme numbers 6 and 52)</p> <p>Schemes removed (minor items identified in Appendix 1; see scheme numbers 20 and 72)</p>	-£0.012m
<p>Increases in Scheme Cost - Require Approval under delegation (minor items, Scheme number 39 – Purchase Garages Medway Close, Scheme 45 Land development site Waterside and Scheme 46 New Car Park Proposal Former Outdoor Pool Site)</p>	£0.85m
<p>Increases in Programme to be Noted – Funded from CIL or New Funding Received</p> <p>Scheme number 44 – £4.568m Local Authority Housing Fund Round 4 grant awarded (Proposal to pass grant to Delta Housing to increase supply). No net cost to Council</p>	£4.581m
<p>Variations on Completed Schemes</p>	-£0.023m
<p>Total Proposed Budget</p>	£148.672m

7.3 For more detail, **Appendix 2** provides narratives for capital scheme variances in excess of £25,000 against the latest approved budget.

Change in Scheme Timing

7.4 **Appendix 1** also identifies when schemes are being delivered later than planned or expenditure is being deferred to a later year.

Many delays arise where schemes depend on factors outside the control of project officers, such as planning permission, other consents, or the timing of payments to third parties. In many cases, deferred expenditure benefits the Council by postponing financing costs and allowing balances to remain invested for longer. However, this is not always the case, as delays can also postpone planned savings or additional income.

7.5 **Appendix 1** does not provide details of the monetary value of the in-year variance. The original forecast expenditure for the year 2025/26 was £36.726m. The actual expenditure for 2025/26 was £24.425m. This is a net reduction for the spend in-year of £12.301m or 33.5%.

The table below provides details of the deferred (spend later than forecast) schemes, £16.695m.

<u>Schemes Where Expenditure is deferred to later years</u>	
Scheme number 4 Chelmer Waterside Infrastructure – Payment of commuted sum to ECC has been deferred due to the later completion date of the bridge.	-£1.240m
Scheme 49 Commercial Property 1 Springfield Lyons Refurbishment - An opportunity arose to enter a 25-year lease for this property and as part of the negotiations it was agreed that the lessee would carry out the refurbishment of the building to suit their requirements and that a £2m grant would be paid towards the cost of the refurbishment. The lease negotiations were protracted, and the payment of this grant has been deferred to 2026/27.	-£2.000m
Scheme 47 Enabling Lockside Growth Area (land purchases) – Expenditure on this scheme depends on negotiations with third parties to acquire property, and this has delayed progress. One property still remains to be acquired. The remaining budget has been deferred to 2026/27.	-£1.304m
Scheme 35 Supported Housing/Temporary Housing Provision. During the year a £7.650m budget was approved to purchase a property which did not progress to completion following detailed due diligence taking place. At February Council this budget was realigned to be used for future opportunities to increase housing provision. No additional schemes have currently been identified, and the budget has been deferred to	-£7.650m

2026/27. Any schemes are expected to be at least self-financing.	
Scheme 13 Green Initiatives Fund Phase 2. The timing of schemes is dependent on the identification of appropriate initiatives and the availability of officers to progress the schemes. Following survey work some expenditure is now expected to take place in 2026/27 Theatre Roof Solar Panels and Led Lighting upgrades, and in 2027/28 Riverside Roof solar panels.	-£0.775m
Scheme 60 – S106 Beaulieu Park Sport Pitches Top-Up – The scheme is linked to housing development, the delivery of which is delayed and still requires planning permission. The expenditure will not be committed until planning consent is granted.	-£0.800m
Other scheme variations where spend is third party dependent and schemes have been delayed (examples flood grant, CIL grants to third parties).	-£0.654m
Other scheme variations less than £0.5m where spend is deferred.	-£2.272m
Total Deferred spend on Schemes in 2025/26	-£16.695

Details of other in-year expenditure variations, being a net £4.394m, are provided in the table below.

Other In Year Variations	
<p>New Schemes Approved in Year</p> <p>Linked to Scheme 35 Housing Provision £3.212m was approved by urgency letter in November 2025 for the purchase of a property for supported housing. This purchase did not progress, and the budget was redirected to scheme number 35 Supported Housing/Temporary Housing provision.</p> <p>Scheme 46 – Proposal to build car park Riverside former outdoor pool site £26k for design.</p> <p>Scheme 50 – Purchase Granary Car Park £4.035m was approved by urgency in November 2025. £39k spend in 2025/26</p> <p>Scheme 53 – Building Condition Survey Provision £197k approved by delegation.</p>	£3.518m

Scheme 63 – Chess Garden Central Park £35k approved February Council. £19k spend in 2025/26. Various CIL schemes approved funding by CIL panel £25k .	
Scheme Number 4 Chelmer Waterside Infrastructure – The GPRS element of the scheme has been delayed due to bad weather and other unavoidable issues and is unlikely to be completed before August 2026. The cost of this element of the scheme is increasing and, in 2025/26, the value of work delivered was more than the forecast in-year budget. This increase was offset against the contingency and savings on other elements of the scheme. See paragraph 7.7.1 for the scheme update.	£0.578m
Higher cost met from external funding (s106). Scheme number 19 S106 Strategic Borough Sports Budget increased based on funding agreement to enable Runwell Sports and Social Club to deliver clubhouse facility.	£0.987m
Scheme 49 Commercial Property 1 Springfield Lyons Refurbishment – See above. There has been a saving against the original budget for the in-house refurbishment £634k and the costs associated with drawing up the lease £99k has been transferred to revenue.	-£0.733m
All Cost increases:	£0.499m
All cost reductions: scheme variations are less than £0.5m	-£0.455m
Total Other in Year Variations	£4.394m

Total In Year Underspend Against Original Forecast Spend	-£12.301m
Allowing for the changes shown above	

Financial impact of change in timing of scheme expenditure: Overall the delay in expenditure has been beneficial to the resourcing of the Council's 2025/26 capital expenditure and has delayed the use of finite Capital resources and reduced the requirement for borrowing in the year and the impact on the revenue budget. The delay in using CIL and S106 has enabled additional interest to be earned on balances held during the year. There may be some occasions where deferred spend can have a negative impact on revenue. Where schemes result in savings or are income generating, a delay in the delivery of the scheme will impact the revenue budget.

7.7 Update on Major Capital Schemes

7.7.1 Chelmer Waterside Infrastructure. Latest forecast budget £43.175m (unchanged).

Construction of the road and bridge was reported as completed in June 2025. There are still some minor outstanding works that cannot be undertaken until the GPRS works are complete, currently scheduled for August 2026. The road and bridge are subject to a final inspection by ECC, and the road safety adoption process is expected to be completed by September 2026. The final cost of the bridge construction is forecast at £19.898m. This is a forecast saving of £2.587m. Adoption of responsibility for the maintenance of the bridge is anticipated shortly afterwards. A commuted sum of £1.240m has already been agreed. This is a saving of £1.420m.

Land Remediation and Decontamination – The first phase of this work is complete; no further payments will be made until a decision on the future of the site has been made. The spend to date is £0.333m. A further £1.5m currently forecast and is being reviewed with the requirements for the Waterside development project. The overall forecast is £1.239m less than the approved budget.

Relocation of Gas Pressure Reduction System (GPRS) – works have been delayed mainly due to excessive rain and flooding of the site. This work was originally estimated to be completed by late summer 2024. The latest update on the completion of these works is August 2026. It has been reported that the cost of this work has increased and could continue to increase. The latest forecast cost is £19.4m. This is an increase of £4.53m against the original budget.

There is a forecast underspend against the bridge, commuted sum, land remediation and contamination elements of the scheme, £5.2m, and these forecast savings will need to be redirected to offset the increasing cost of the GPRS element of the scheme. This is currently forecast as an additional £4.53m.

Until the GPRS element of the scheme is complete and the final cost is known, an underspend on the scheme cannot be reported.

The remaining scheme spend is forecast to be fully funded by CIL.

Green Initiatives Phase 1 and 2

The budget covers a 5-year period up to 2030/31. The remaining budget is £3.275m

An extensive programme of upgrading existing lighting to LED has been carried out in 2024/25 and 2025/26 and will continue in 2026/27. It has been agreed that this budget will be used to install solar panels on the theatre roof in 2026/27 (£60k) and Riverside Roof in 2027/28 (£570k).

There are currently no other future commitments for the use of the remaining £2.5m.

Housing Initiatives

Following the aborted purchase of a block of flats for supported housing, a £7.650m provision has been established for Supported/Temporary Housing initiatives. The purchase did not take place as final due diligence showed that there were issues with the building that made it unsuitable for the use intended by the Council. To spend from the £7.65m a business case will need to be submitted to Cabinet.

Previously Agreed Projects:-

Modular Units Groundworks £0.250m - report to Cabinet March 2025. Brownfield Release funding has been awarded. Due to a change in the delivery of the units which were previously going to be provided on a lease basis, an additional £4.244m budget was approved by Council February 2026 to build out the site. Preliminary works have been undertaken on design and planning, and a new tender exercise will be undertaken in the summer. A planning application will be submitted. Until tendered and an updated business plan there remains cost uncertainty. It is expected that there will be a 6-month build period so there is a high risk that this scheme will not complete in 2026/27.

Refurbishment of Sandford Mill House for use as temporary accommodation £0.165m – works are currently being undertaken and will complete in 2026/27.

Grant to YMCA, £1m grant in exchange for nomination rights - approved by Cabinet March 2024. There has not been any progress with the proposed redevelopment. There is a risk that this grant payment may be deferred to 2027/28,

Delta Housing Development Pyms Road S106 grant £320k. This development is for 12 rented units for which we get full nomination rights. The scheme is complete and the units are let with an official opening date in June. Final grant payment still needs to be paid to Delta.

Delta Housing Redevelopment Lower Anchor Street S106 Grant £600k to enable development of 15 units for affordable housing. There have been unforeseen issues with the site and discussions are now taking place to see what options are available.

Local Authority Housing Fund Grant (LAHF)

A £2.61m grant was received in 2023/24 and paid to Delta Housing to use towards the purchase of 15 properties. The Council will get full nomination rights to these properties.

In 2024/25 a further £3.583m grant was awarded and it has been agreed that this will be paid to CHP to be used towards delivering a further 15 properties. The grant was paid over to CHP in 2025/26, and Delta Housing were able to deliver a further 10 properties.

A grant for £4.568m has been awarded for 2026/27 and officers are currently discussing with Delta Housing whether they will be able to deliver additional properties.

Condition Surveys

It was agreed by Council in February 2025 that a provision should be established of £4.7m in order to carry out the works identified from the 5-yearly cyclical building condition surveys. A further £3.1m was approved by Council in February 2026 for additional identified works. It is expected that a further request for funding will be made in 2026/27.

These works are essential to enable the Council buildings to remain safe and operational. A delegation was put in place in order to release the funding from the provision. The works have been programmed over the next 5 years.

Following delegations, £1.075m has now been included in the approved programme for scheduled works in 2025/26 and 2026/27. The S151 has reconsidered how the balance of the provision is reported and it is now reported in the approved budget column. The use of the budget will still require further approval under delegations.

The cost of the works completed in 2025/26 was £0.4m. A net saving of £0.2m was realised in 2025/26. This was mainly due to a reduction in the advised cost of boiler replacement works and will be used towards future schemes where costs are likely to increase.

Chelmer Waterside Infrastructure and Proposed Development of Site

The procurement process has been temporarily paused while discussions with Homes England continue regarding additional funding for the next phase of the project. Resolving these funding arrangements is critical to maintaining the scheme's viability and ensuring it can progress with confidence.

Given current market conditions, including cost pressures and economic uncertainty, it is important that a stable and sustainable financial position is established before procurement recommences. This will help reduce risk, provide assurance to stakeholders, and support the successful delivery of the project moving forward.

7.7.3 Inflation Risk

Many of the budgets set out in **Appendix 1** are approved on the basis of the best advice available at the time the original bid requests were submitted. The capital programme is reviewed in order to control the impact on revenue of borrowing (MRP and Interest). Where possible, schemes have been deferred to later years. When the schemes are implemented in later years, the cost is likely to have increased. When identified, the changes required to project cost will be reported and approvals for additional budgets dealt with under the normal financial delegations.

Funding Risk

The funding of the capital programme contains assumptions for CIL income collected from developments to be used to fund schemes. If larger developments do not commence as planned the CIL income may not be realised and there could be a shortfall on the CIL available to use. Also, some of the schemes have been brought forward on the basis of third party contributions being received. If these are not realised, then this could impact the delivery of some schemes or increase the revenue impact if schemes progress without the funding.

7.7.4 Feasibility Studies and Design Works Risk

It should be noted that the capital programme includes a number of feasibility studies and design works. There is a financial risk with such schemes that needs to be noted. Any capital scheme where costs are incurred but the scheme is not completed, or delivery is undertaken via another method so does not result in a capital spend, is likely to result in costs being re-classified from capital to revenue. The Council will have to use Revenue Reserves to meet such costs which will be funded from reserves.

8. Asset Replacements and Rolling Programmes

8.1 Monitoring Against Latest Approved Budgets

Appendix 3 shows that the final outturn spend for 2025/26 is £6.892m. This is a net increase of £1.499m or 27.8% over the original budget. However, only a £0.046m reduction relates to change in the cost of items, the majority of the changes are technical adjustment relating to the end of the PLACE consortium discussed in paragraph 8.5 below and expenditure deferred to later years. The table below provides a summary.

Approved Budget 2025/26	£5.393m
Proposed Change in scheme timing of spend to later years.	-£0.470m
Proposed Change in scheme timing earlier spend from 2026/27	£0.018m
DFG funded schemes less than grant received	-£0.134m
PLACE – Agreement to end consortium remaining grant split between members. This not capital spend but sharing of the funding with member authorities. In accounting terms, it must pass through the capital programme.	£2.131m
Net Variation in Asset Replacement Cost	-£0.046m
Total Outturn 2025/26	£6.892m

8.2 **Appendix 3** also shows that the proposed budget for 2026/27 asset replacements is £10.206m compared to the approved budget of £9.702m. This is a net increase of £0.504m, or 5.2%, which relates mostly to expenditure being deferred from 2025/26. The table provides a summary.

Approved Budget 2026/27	£9.702m
Proposed Change in scheme phasing from 2025/26– For detail see Appendix 3 2026/27 column “Rephasing from 2025/26”	£0.470m
Replacement budget for columbarium originally planned for 2026/27 now moved forward to 2025/26 in order to maintain income stream £14k and cycle rack provision in parks commenced earlier than expected £4k.	-£0.018m
Proposed change in scheme phasing from 2026/27 deferred to 2027/28	-£0.010m

Proposed change in scheme phasing from 2027/28 to 2026/27. Proposed earlier spend CCTV	£0.013m
Proposed increases in budgets – additional DFG grant received	£0.049m
Total Proposed Budget 2026/27	£10.206m

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2025/26 and narratives for those variances in excess of £25k for 2026/27 against the Latest Approved Budgets.

8.4. At February Council a budget of £5.966m was also approved for replacements required in 2027/28. This is now forecast as £5.923m. A decrease of a net £0.043m due to rephasing of spends between years £0.025m and £0.018m budget removed. Budgets will be reviewed during the year and any changes to cost and phasing will be reported. This has been beneficial to officers who when they have to purchase larger vehicles often have to contend with lead times for delivery in excess of a year.

8.5 Update on Asset Replacements and Rolling Programmes

Grant applications funded by Disabled Facility Grant

For several years the grant received has been in excess of the spend. As at 31st March there is an uncommitted balance of £3.054m. The service has been working with ECC to explore different options that could utilise the capital grant.

ECC agreed that the DFG funding could be used for two Social Care Projects. A grant to CHESS for £225k to adapt one of the new units to be fully accessible and £40k to be used towards the recently purchased TA accommodation so that the refurbishment of the property prior to use will be fully accessible. Both of these initiatives were completed in 2025/26.

The original grant received in 2025/26 was £1.367m with a top up received in March 2026 of £96k.

The spend across the grants, salaries and social projects funded by DFG in 2025/26 is £207k less than the grants received in the year.

The grant due to be paid in June 2026 is £1.416m. It is likely that the grant award will increase in the future as a new formula is being applied for the calculation which is favourable to Chelmsford.

Officers will continue to review the use of the grant and to identify additional Social Care Projects that the grant could be used for. In 2026/27 ECC have agreed a further £185k of grant can be used. £85k grant for CHESS to make facilities more accessible and £100k for installations of pool pods at Riverside and SWFLC.

MHCLG are keen that the accumulated fund held is used as quickly as possible.

PLACE Fund (Empty Homes)

Chelmsford holds a grant for a consortium of 6 Councils. The PLACE scheme was Government grant funded was to be used to enable empty homes to be brought back into use. Applications for the use of the fund, which could be a grant or loan, have reduced in number over the years.

It was agreed in November between members of the consortium that this fund would cease and the balance held re-allocated between the councils.

The total fund held was £2.730m. After the reallocation back to the other councils, this leaves £599k available for Chelmsford. In line with the original agreement this should be used towards empty home initiatives or other private sector housing initiatives.

8.6 Risks

Although much work has been undertaken to ensure that all capital replacements are included in the forecast there is still a risk that items have been missed. There are still occasions where a service will identify an asset in year that needs replacing for which there is no budget provision.

Price increases may not be accurately reflected in later years' budgets especially where replacements are deferred. Officers are reminded that they should review all years' budgets to ensure that the costs are up to date.

Service managers are aware of the pressure on the revenue budget of financing the capital programme and have delayed and deferred spend wherever possible. There is more risk that assets may need to be replaced ahead of their current scheduled replacement year if operational issues arise such as failure of plant and machinery.

A £150k provision has been included in the 2026/27 projections to help mitigate these risks. To date £17k has been used for digital servers for price increases due to the conflict in the middle east.

9. Funding of Programme

The outturn for 2025/26 on the capital schemes is £24.425m and the Asset Replacement Programme £6.892m. The combined capital expenditure outturn for the year is £31.317m.

The proposed application of resources to meet capital expenditure incurred in 2025/26 is shown in the table below. The Medium-Term Financial Strategy which will be taken to Cabinet in the autumn will provide an update on the multi-year funding of the capital programme and report on affordability.

<u>Method of Funding</u>	<u>2025/26 Spend</u>
Capital Receipts	£2.083m
Revenue Contribution	£1.050m

Capital Grants and Contributions	£8.220m
S106 Agreements	£10.891m
Community Infrastructure Levy (CIL)	£6.702m
Leasing (classified as borrowing)	£1.799m
Borrowing	£0.572m
Total	£31.317m

At the start of the year, in April 2025, the combined forecast capital spend was £45m, some £13.7m more than the actual outturn.

The new borrowing required to fund capital expenditure was forecast at £17m in 2025/26, but because of programme slippage and other changes the outturn was only £0.572m. Cashflow borrowing is distinct from borrowing used to finance the capital programme, as capital funding may be supported by both internal and external borrowing. The Treasury Management & Investment Sub-Committee considers the cashflow implications of the capital programme. The lower borrowing requirement will reduce the MRP and interest charges arising from schemes completed in 2025/26.

An additional £1.6m above the funding forecast came from capital receipts. These included £2.0m from the disposal of an asset and £0.700m from right-to-buy clawback receipts from Delta Housing. Unspent capital receipts are carried forward for use in later years.

Officers have reviewed the Prudential Indicators that are a legal requirement placed on all Councils which are intended to control and report on capital affordability. The indicators were set at February 2026 Council as part of the budget. There have been no significant changes to the capital programme which require the indicators to be updated.

Of note, the Capital Financing Requirement (CFR) is the measure of the Council's internal and external borrowing used to finance capital expenditure. As at 31 March, the CFR was £45.9m, which is lower than the February 2026 estimate of £48.0m. This is a positive movement and does not require any change to the prudential indicators.

The Treasury Management and Investment Committee will receive a report on external debt and investments for 2025/26.

10. Conclusion

- 10.1 The approved programme continues to grow as new schemes are approved and added. However, the change in the cost of currently approved schemes since the February update is modest and will be approved under delegations. In addition, a new MHCLG grant of £4.589m

has been awarded and is intended to be passed to Delta Housing to increase housing stock and the Council's nomination rights.

- 10.2 The later timing of capital scheme expenditure in 2025/26, amounting to £16.7m, has been beneficial to the Council's cashflow and financing position because it reduced the borrowing requirement in the year.
- 10.3 Asset replacement expenditure of £0.452m has been rephased from 2025/26 into 2026/27 and later years. This is favourable to the Council because it delays the commitment of capital resources and defers the need for borrowing against short-life assets.
- 10.4 The LGR process may lead to further schemes coming forward. However, legal restrictions on the award of contracts during 2027/28 may mean that some schemes take longer to start, as agreement with the authorities forming the new unitary council will be required.
- 10.5 The funding implications of the capital programme will be considered further in the Medium-Term Financial Strategy report to Cabinet in October.

List of appendices:

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

Appendix 2 Capital Schemes Major Variations Narratives.

Appendix 3 Asset Replacement Schemes for 2025/26, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2026/27, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for the years 2025/26 and 2026/27.

Background papers:

Nil

Corporate Implications

Legal/Constitutional:

None

Financial:

As detailed

Potential impact on climate change and the environment:

None

Contribution toward achieving a net zero carbon position by 2030:

Budget provision for green initiatives

Personnel:

None

Risk Management:

None

Equality and Diversity:

(For new or revised policies or procedures has an equalities impact assessment been carried out? If not, explain why)

None

Health and Safety:

None

Digital:

None

Other:

None

Consultees:

All Services

Relevant Policies and Strategies:

Medium Term Financial Strategy

Appendix I

		CAPITAL SCHEMES			VARIATION IN TOTAL CAPITAL SCHEME COSTS				
		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Spend to 31/03/2026		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	Tech. Adjs	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
		LEADER							
		<i>Economic Development and Special Projects (deputy)</i>							
44	1	150	5	155			155	No	Previously reported - Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC confirmation that grant will be provided. Update - grant received from ECC.
647	2	4,833	0	4,833			4,833	Business case to be developed with EA	Previously reported - This is the unspent budget from the withdrawn Environment Agency (EA). A new programme of works will be brought back to Cabinet at a later date. Agreement for S106 grants to be paid over to the EA £647k paid over to date.
5,034	3	160	4,874	5,034			5,034	Completed - final account for works agreed	Previously reported - Final account still to be paid
36,704	4	15,500	27,810	43,310		-135	43,175	Bridge Completed GPRS Works ongoing	Previously reported - £15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £1.1m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works. An additional £16.410m was approved by Council in July 2023. The bridge is complete and the remaining works for the GPRS are ongoing.
21,999	5	3,017	18,982	21,999			21,999	Complete	Previously reported -The expenditure on this scheme will be funded by S106. Additional S106 collected or due to be collected for Beaulieu Station and agreement to pay staged payments over to ECC towards cost of station.
99	6		120	120		-6	114	2025/26 Third party grant applications	Previously reported - October 2025 New funding has been provided for 2025/26.
38	7		71	71			71	2025/26 Third party grant applications	Previously reported- New funding has been provided for 2025/26.
55	8		55	55			55	Feasibility complete	Previously reported - Budget approved September 2020 Cabinet. Feasibility completed and remaining budget vired from Rivers and Waterways Improvements.
83	9	460	11	471		-388	83	Complete. Funding transferred to new scheme.	Previously reported - Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k vired from replacement scheme. November 2024 £20k vired to Coval Lane Co Working Space scheme. £383k uncommitted balance will be used towards the accommodation strategy and a business case will be required to release the funding. Update - budget vired to scheme 10 approved Cabinet April 2026.
	10		182	182		388	570	NEW	Approved Cabinet April 2026. Building Works £380k, Furniture £140k and £50k Contingency.
	11		100	100			100	NEW	Approved Cabinet April 2026.

Net Spend to 31/03/2026		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date	Latest Forecast Budget - Additional Requires Approval			Tech. Adjs	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget					
295	12	Green Initiatives Phase 1	500	-182	318			318	Business Cases to be Developed	Previously reported - Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, they will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023. October 2023 £43k vired to fund additional cost of electric sweepers. 2023/24 £37k budget transferred to revenue in relation to spend not capital. Majority of spend on LED lighting upgrades.
148	13	Green Initiatives Fund Phase 2	6,500	-3,100	3,400			3,400	Business Cases to be Developed	Previously reported - Approved in principle Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced. Spend on LED lighting upgrades and SWF Pool heating initiatives. Update - £630k from this budget is being used for funding installation of solar panels in 2026/27 and 2027/28.
1,500	14	CIL NE Bypass Bridge Forward Funding	1,500		1,500			1,500	Completed	Previously reported - Forward funding grant to ECC to be made 2021/22. Approved Council May 2021. Still awaiting agreement from ECC for payment to be made.
		<u>Sustainable Transport (deputy)</u>								
14	15	High Chelmer Car Park Lifts	355	71	426			426	Yes	Previously reported - Approved by Council February 2023. Scheduled for 2025/26.
110	16	High Chelmer MSCP Improvement Works	148	-38	110			110	Complete	Previously reported - approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP. Scheduled for 2025/26.
		ACTIVE								
		<u>Leisure and Heritage</u>								
2,007	17	Dovedales Sports Centre Refurbishment	1,464	670	2,134			2,134	Completed. Post contract monitoring to be completed.	Previously reported - Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford. October 2023 scheme deferred to 2025/26 although work will progress on design. Scheme approved by Urgency November 2024 additional £710k - £644 works and £66k on equipment (see replacement schedule). Update - scheme completed, final account agreed and monitoring of works still to be undertaken in 2026/27. Likely that there will be a small saving on the final reported budget.
13	18	CSAC Activity Room	14		14		-1	13	Completed	Previously reported - Approved at Council February 2025.
1,574	19	SI06 Strategic Borough Sports		1,575	1,575		-1	1,574	Completed	Previously reported - Runwell Sports and Social Club grant to cover costs of scheme. Funding agreement in place.
		<u>Voluntary and Community Sector Support</u>								
	20	CIL Grant Chelmsford Society Model Engineers	5		5		-5	0	Removed	Previously reported - CIL funding approved December 2021. Spend approved Council February 2022. Update - Scheme withdrawn.
2	21	CIL Mencap		2	2			2	Completed	
10	22	CIL Grant St John's Church		10	10			10	Completed	
10	23	CIL Grant St Luke's Church Roof		10	10			10	Completed	
7	24	CIL Grant FONS Outdoor Storage		7	7			7	Completed	
9	25	CIL Grant Sanctus - Oven		9	9			9	Completed	

Net Spend to 31/03/2026		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	Tech. Adjs	More/(Less) Than Approved Budget			Proposed Budget
55	26 CIL Green Initiatives - Various Schemes	15	58	73		13	86	No - dependent on Third party	Previously reported - £100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawn down following approval of applications for funding. Update - scheme paid from revenue in prior year capital budget not required £8k and £21k for 3 new grants approved by CIL panel April 2026. Balance available £14k.
	Public Health and Wellbeing								
	N/A								
	Cultural Services (deputy)								
3,185	27 Theatres' Modernisation	1,000	2,198	3,198			3,198	Main works complete - final account agreed, identified list of outstanding work items complete	Previously reported - Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022. £20k transferred to revenue as spend did not qualify for capital, budget reduced 2023/24. Update May 2026 - All items identified on the original snagging list have been completed but service have identified further works they wish to complete.
	28 Oaklands Museum Staff Room and Kitchen Refit	24		24			24	Yes	Previously reported - Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27
	29 Oaklands Museum Roof Works	63		63			63	No	Previously reported - Approved at Council February 2024. Works scheduled for 2025/26.
180	30 Great Baddow Hoard Gold Coins		180	180			180	Complete	Heritage Lottery Fund Grant
	31 Great Baddow Hoard Gold Coins Display Case		22	22			22	Yes	Heritage Lottery Fund Grant
2	32 S106 City Centre Public Art	62	50	112			112	Unknown	Approved use of S106 via delegation September 2025. Update - additional £50k budget approved Council February 2026 to be funded from CIL.
	FAIRER								
	Housing Services								
7,132	33 Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094	40	7,134		-2	7,132	Completed	Previously reported - Original budget approved at Council February 2022 £8.2m and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. 17 properties purchased remaining budget deferred to 2023/24. Remaining budget to purchase 1 additional property deferred to 2025/26 due to delays in completion. £1.106m budget not required removed and used to establish new pooled fund. Last house purchased in 2024/25 remaining budget for refurbishment.
	35 Supported Housing/Temporary Housing Provision		7,650	7,650			7,650	No schemes identified	December 2025 Budget approved under urgency November 2025 to purchase block of flats for supported housing. Proposed purchase now not progressing. Update - New budget approved Council February 2026. Business cases to be submitted.

Net Spend to 31/03/2026			Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Tech. Adjs	Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget		More/(Less) Than Approved Budget	Proposed Budget		
84	36	Housing Initiatives - Modular Units Groundworks	250		250		-10	240	Yes	Previously reported - Use of housing initiatives pot. £250k Brownfield Land release Funding secured . December 2025 New scheme included on new schemes schedule for proposed modular unit scheme at Meteor Way Car Park site. This budget will be used towards the cost of the scheme. Update May 2026 - spend in relation to original lease proposal transferred to revenue budget adjusted. Scheme being revised
	37	Housing Initiatives - Modular Units		4,244	4,244			4,244	NEW	Approved Council February 2026, subject to further business case
31	38	Housing Initiatives - Sandford Mill House Refurbishment for use as TA	165		165			165	Yes	Previously reported - Use of housing initiatives
21	39	Purchase Medway Garages	17		17		9	26	No Dependent on Third party	Previously reported - Use of housing initiatives pot
	40	Housing Initiatives - Grant to YMCA	1,000		1,000			1,000	No Dependent on Third party	Previously reported - Use of housing initiatives pot
160	41	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	320		320			320	Dependent on Third party	This budget is for a grant to CHP for a development at Pyms Road Galleywood.
	42	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grant to CHP for development Lower Anchor Street	600		600			600	No Dependent on Third party	Previously reported - Approved Cabinet April 2025 to enable development of 15 units for affordable rent. Update - Unforeseen issues with site. Scheme proposal and options need to be discussed with Delta Housing.
3,583	43	Local Authority Housing Fund Round 3		3,583	3,583			3,583	Completed	Previously reported - LAHF3 Grant awarded and will be paid over to Delta Housing for acquisition of properties.
	44	Local Authority Housing Fund Round 4			0		4,568	4,568	NEW	LAHF4 Grant awarded and agreed will be paid over to Delta Housing for acquisition of properties in 2026/27 and 2027/28.
		<u>Corporate Property</u>								
369	45	Land Development Site Investigations - Waterside	365	21	386		50	436	Under review	Previously reported - Approved Cabinet November 2021. Additional £50k approved by Council February 2024. £90k transferred to revenue 2024/25 1st Marketing exercise. New marketing exercise currently being undertaken.
	37	Riverside Outdoor Pool Site New Car Park Proposal		26	26		26	52	Delivery times not yet agreed	Budget approved Council February 2026. Report will be submitted once investigations completed for design and costs
4,852	47	Enabling Lockside Growth Area	450	5,706	6,156			6,156	In Negotiations - Late delivery	Previously reported - A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25. Acquisition of remaining 2 properties delayed to 2025/26 and potentially later into 2026/27 Update December 2025 - one further property purchase complete and the remaining property will need to be acquired through CPO and will not complete until 2026/27. Update - NEED WORDS FROM JR/MT

Net Spend to 31/03/2026		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	Tech. Adjs	More/(Less) Than Approved Budget			Proposed Budget
196	48	Land Acquisition Cemetery/Crematorium	1,800	1,400	3,200			To identify potential Land Site	Previously reported - Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council. October 2023 Potential site identified, surveys for suitability being undertaken, budget adjusted for estimated cost of land Council February 2024.
217	49	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	720	1,596	2,316		-99	No	Previously reported - Approved at Council February 2024. Delegation to Cabinet to approve a business case following feasibility and to spend within the approved budget. Works required to enable reletting of property. A new approval will be required by Council following tender exercise. Additional £950k budget approved April 2025. Update : tenant to undertake works partially funded by contribution £2m. Building now let on 25 year lease
39	50	Acquisition Granary Car Park		4,035	4,035			Yes	£4.035m Budget approved by Urgency November 2025
	51	Acquisition Princes Road Allotment Site		64	64			NEW	Approved Council February 2026. To be funded from Neighbourhood CIL.
	52	Acquisition Lake Central Park		133	133		-6	NEW	Approved Council February 2026. To be funded from Neighbourhood CIL.
		Building Services							
408	53	Various Condition Survey Works Phase 1		809	809		3,851	Scheduled over 2 years	Previously reported - A provision was established and approved at February Council for a sum of £4.7m identified from Building Services 5 yearly schedule of condition surveys for works to various buildings. A delegation was put in place. The sum of £601k has been approved via delegation in April 2025 for the first phase of works. The provision will be approved by delegation or business case and has already been included in the revenue financing implications. December 2025 A further £197k has been approved via delegation September 2025.
	54	Various Condition Survey Works Phase 2		266	266		2,826	NEW	Additional Provision Approved Council February 2026. Scheduled over 5 years.
		Greener Chelmsford							
		Parks and Green Spaces							
179	55	Cemetery and Crematorium Infrastructure - proposed new facility	6,800	-6,301	499			Spend to get scheme to planning approval	Previously reported - Approved Council February 2020 with a delegation for Cabinet to approve a final scheme. MT review October 2024 - decision to remove scheme to Unfunded Priorities List as uncertainty with scheme and scheme costs. Update - additional £199k approved supplementary estimate March 2026 to continue design works. Report to Cabinet in summer
50	56	Chancellor Park Pavilion Works	46		46		4	Complete	Previously reported - Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.
14	57	Beaulieu Pavilion Health and Safety Works	33		33			No	Previously reported - Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
	58	Rivers and Waterways Improvements	600	-55	545			No - Scheme to be developed	Previously reported - Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22. Start of three year programme deferred to 2024/25. MT Review October 2024 deferred scheme to 2027/28. £52k vired from underspend on Lockgates Feasibility scheme number 8.

Net Spend to 31/03/2026		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval		Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative		
		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	Tech. Adjs	More/(Less) Than Approved Budget			Proposed Budget	
674	59	Mass Tree planting and Woodland Creation	4,400	-2,690	1,710		-12	1,698	Reviewed Annually	Previously reported - Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places, S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Spend will now occur over longer period to 2029/30. Budget reduced £2.6m reduction reported to Council February 2024. Spend in relation to revenue transferred and budgets reduced annually. £23k transferred to revenue in 2024/25. Forecast spend increased by £100k over remaining years. Update - £12k transferred to revenue in 2025/26 budget reduced.
	60	S106 Beaulieu Park Sport Pitches Top up	800		800			800	Dependent on third party	Previously reported - Approved February 2025 Council
	61	Safer Spaces for Girls 4 Sites - Savernake, John Shennan, Lionmede and Melbourne		120	120			120	NEW	Approved February Council 2026. Scheme estimated to be fully funded S106 and CIL.
	62	Melbourne Park Conversion of Toilet Block to Operational Asset		128	128			128	NEW	Approved February Council 2026. Scheme estimated to be fully funded S106 and CIL.
19	63	Central Park Chess Garden		35	35			35	NEW	Approved February Council 2026. Scheme estimated to be fully funded S106 and CIL.
	64	Restoration Works Central Park Bridge		126	126			126	NEW	Approved February Council 2026. Scheme estimated to be fully funded S106 and CIL.
	65	Rivers and Waterways Improvements and Art Project		36	36			36	NEW	Approved February Council 2026. Scheme estimated to be fully funded S106 and CIL.
11	66	Landscaping Works John Shennan Playing Field					11	11	Complete	
		Planning								
283	67	Garden Communities Infrastructure Fund		290	290			290	Main Works complete	Previously reported - Various schemes will be grant funded
		SAFER								
		Community Safety								
	68	Market Road Conveniences Accessibility	20		20			20	No	Previously reported - Approved by Council February 2023. Scheduled for 2023/24.
114	69	Public Convenience Refurbishment - Admirals and Central Park	168	50	218			218	No	Previously reported - Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £114k. Remaining budget for Admirals Park £54k. Virement from scheme 71 £50k
151	70	Community Flood Improvements	184	1	185		-34	151	Completed	Previously reported - Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017. Update - Service confirmed that monitoring is complete.
		Waste Management and Recycling								
550	71	Chelmsford Indoor Market Refurbishment	500	50	550			550	Complete	Previously reported - Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020.
	72	Retail Market Drainage Improvements	31		31		-31	0	Removed	Previously reported - Approved by Council February 2022. Delegated authority to Director to spend within approved budget.
	73	Retail Market Traders' Conveniences Remodelling	102		102			102	Agreed to defer to 2027/28	Previously reported - Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27. Update - Deferred to 2027/28.
	74	Retail Market Canopy Roof Liquid System	90		90			90	Deferred to 2026/27	Previously reported - Approved by Council February 2024. Works scheduled for 2025/26. MT review October 2024 deferred scheme to 2026/27

		Latest Approved Budget - Approved February 2026 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval				
Net Spend to 31/03/2026		Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	Tech. Adjs	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
74	75 Freighter House Depot Resurfacing Works	216		216			216	No	Previously reported - Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
	<i>Support Services (deputy)</i>								
	<i>N/A</i>								
93,072	Grand Total	62,557	75,099	137,656	0	11,016	148,672		
				Net Variation		11,016			
Summary of Changes Since Previous Council Report February 2026									
							£000's		
Latest Approved Budget February 2026							131,962		
New Schemes Approved							5,168		
Supplementary Estimates Approved for Existing Schemes							526		
Completed schemes removed									
Total Approved Budget							137,656		
Latest Forecast Variations shown above									
Previously Reported Variations									
Balance on Prov. for building condition works Ph 2							2,826		
Balance on Prov. for building condition works Ph 1							3,851		
							6,677		
Previously Reported Forecast							144,333		
Unreported variations									
Increased Budgets Require Approval							85		
Increased Budgets Funded							4,589		
Increased Budget Complete Schemes							15		
Decreased budgets transferred to revenue							-256		
Decreased budgets completed schemes							-38		
Decreased budgets Forecast Lower Cost							-6		
Decreased budgets Scheme Delivery Changed							-50		
Total Unreported Variations							4,339		
Latest Forecast Budget June 2026							148,672	0	
DO NOT INCLUDE IN REPORT							14	green pot	
							141	completed still in mon	
								HIF	
							3,619	completed still in mon	
							15	condition surveys phase 1 on monitoring additional to provision	
							2,684	condition surveys phase 2 additional on monitoring not in provision	
							135	transferred to revenue not removed from monitoring	
							155,280		
							155,280	from monitoring 26/05/2026	
							0		

Appendix 2

Reasons for Variations Greater Than £25,000							
	Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason
4	Chelmer Waterside Infrastructure - Bridge	43,310	43,175	-135	Transfer to revenue	N/A	Additional revenue grant received from Homes England and capital spend for project management transferred to revenue. The overall cost of the project has not changed it is just a reallocation of the spend.
44	Local Authority Housing Fund Round 4	4,568	0	-4,568	New provision fully funded	N/A	Awarded additional grant which once agreed will be paid to CHP to purchase additional properties.
45	Land Development Site Investigations - Waterside	386	436	50	Increased budget	12.95%	The services required to enable the future use of the Waterside site have proved to be more complex than first anticipated and professional services' costs have continued to increase.
46	Riverside Outdoor Pool Site Design and Options	26	51	25	New budget	96.15%	In order to progress a potential scheme on this site the services of professionals have been instructed to provide designs and scheme costs.
49	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	2316	2217	-99	Reduced budget	-4.27%	An opportunity has arisen to enter into a long lease for this property with a saving on the refurbishment cost due to it being replaced by a contribution to the lessee. Costs associated with the lease agreement have been transferred to revenue and the budget reduced by this amount.
53, 54	Various Condition Survey Works	1075	7,752	6,677	Previously agreed Provisions now reported with cost of capital scheme	N/A	The £6.677m is the remaining balance on the provision and has already been included in previously forecast financing costs. This is approved budget and is now being shown as such. The use of the £6.677m needs to be approved either by delegation or business case submitted to Cabinet to release the funding for works to commence.
70	Community Flood Improvements	185	151	-34	Reduced budget	-18.38%	The service have reported that this scheme is complete.
72	Retail Market Drainage Improvements	31	0	-31	Budget removed	-100.00%	Service have reported that these works are not required and the budget can be removed.

APPENDIX 3 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 OUTTURN and 2026/27 BUDGETS

CAPITAL ASSET REPLACEMENT PROGRAMME	2025/26					2026/27				
	Latest Approved Budget 2025/26	Rephasing to + and from -	Variance for 2025/26 + Cost / - Saving	Total Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Rephasing to + and from -	Variance for 2026/27 + Cost / - Saving	Total Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SCHEME DESCRIPTION										
LEADER										
<u>Sustainable Transport (Deputy)</u>										
1 Car Park Pay on Foot Equipment	341	-5	-30	-35	306	0	5		5	5
2 Car Park Vehicles and Equipment	0			0	0	54			0	54
3 Car Parks CCTV	0			0	0	0			0	0
Active										
<u>Leisure and Heritage</u>										
4 Dovedales Replacement Equipment and Plant	216	-6	29	23	239	10	6		6	16
5 Riverside Replacement Equipment	67	-3		-3	64	200	3		3	203
6 Riverside Dryside Locker Keyless System	11		1	1	12	0			0	0
7 Riverside Ice Rink	21			0	21	13			0	13
8 Riverside Magic Water System	14		-2	-2	12	10			0	10
9 Riverside Studio 2 Upgrade - AV Equipment	5			0	5	0			0	0
10 Riverside Pool pod						50			0	50
11 Riverside Plant	109	-10	-4	-14	95	45	10		10	55
12 CSAC Replacement Equipment	3	-3		-3	0	102	3		3	105
13 CSAC Expansion Fitness Room Equipment	45		-2	-2	43	0			0	0
14 CSAC Plant	5	-5		-5	0	91	5		5	96
15 SWFLC Replacement Programme	4			0	4	34			0	34
16 SWFLC Pool pod						50			0	50
17 SWFLC Plant Replacement	96	-36		-36	60	15	36		36	51
18 SWF 3G Pitch	0			0	0	421			0	421
19 Hylands House Mechanical and Electrical	27	-27		-27	0	0	27		27	27
20 Hylands Pavilion Infrastructure	0			0	0	33			0	33

APPENDIX 3 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 OUTTURN and 2026/27 BUDGETS

CAPITAL ASSET REPLACEMENT PROGRAMME	2025/26					2026/27				
	Latest Approved Budget 2025/26	Rephasing to + and from -	Variance for 2025/26 + Cost / - Saving	Total Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Rephasing to + and from -	Variance for 2026/27 + Cost / - Saving	Total Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SCHEME DESCRIPTION										
21 Hylands Pavilion Equipment	10	-5		-5	5	55	5		5	60
22 Hylands House Equipment	12	-11		-11	1	23	11		11	34
<u>Cultural Services (Deputy)</u>										
23 Theatres' Equipment	127	-73	-6	-79	48	378	73		73	451
24 Theatres' Plant	15			0	15	0			0	0
25 Museum Equipment and Vehicles	0			0	0	100	-10		-10	90
Fairer										
<u>Building Services</u>										
26 Civic Centre Equipment	0			0	0	0			0	0
27 Civic Centre Plant	0			0	0	0			0	0
28 Civic Centre Pool Cars	0			0	0	50			0	50
29 Civic Centre Stairlift	0			0	0	9			0	9
30 Print and Post Room Replacement Equip.	0			0	0	16			0	16
31 Street Lighting	5	-5		-5	0	0	5		5	5
Greener										
<u>Parks and Green Spaces</u>										
32 Crematorium Equipment	137	-34		-34	103	36	34		34	70
33 Crematorium Columbarium	0	14	6	20	20	14	-14		-14	0
34 Cemetery Plant	0			0	0	0			0	0
35 Play Area Replacements	119	-29	-11	-40	79	337	29		29	366
36 Parks and Sports Grounds Heating Systems	0			0	0	43			0	43
37 Parks Replacement Vehicles and Equipment	435	-157		-157	278	576	157		157	733
38 Melbourne 3G Pitch	0			0	0	356			0	356

APPENDIX 3 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 OUTTURN and 2026/27 BUDGETS

CAPITAL ASSET REPLACEMENT PROGRAMME	2025/26					2026/27				
	Latest Approved Budget 2025/26	Rephasing to + and from -	Variance for 2025/26 + Cost / - Saving	Total Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Rephasing to + and from -	Variance for 2026/27 + Cost / - Saving	Total Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SCHEME DESCRIPTION										
39 Hylands Estate Car Park Equipment	0			0	0	0			0	0
40 Hylands Estate Sewerage pump	0			0	0	0			0	0
41 Hylands Kiosk and Play Area CCTV	0			0	0	0			0	0
42 Chelmer Park Artificial Pitch	0			0	0	0			0	0
43 Springfield Hall Park 3G Pitch	0			0	0	1,030			0	1,030
44 Town Centre parks Cycle Racks	0	4		4	4	8	-4		-4	4
Safer										
<u>Community Safety</u>										
45 CCTV Replacement Equipment	130	-5		-5	125	87	18		18	105
46 CCTV Various Schemes Sites CIL	1	-1		-1	0	0	1		1	1
47 PHPS Vehicles	0			0	0	28			0	28
48 PHPS Air Monitoring Equipment	10	-10		-10	0	58	10		10	68
49 Healthy Home Loans	3		1	1	4	0			0	0
50 Discretionary Loans DFG Funded	0		64	64	64	0			0	0
51 RIA Loans DFG Funded	0		7	7	7	0			0	0
52 RIA Grants DFG Funded	37		66	66	103	0			0	0
53 Disabled Facility Grants (fully externally funded)	1,330		-271	-271	1,059	1,367		49	49	1,416
54 Social Capital Funding Projects DFG funded	23			0	23	85			0	85
55 Housing Standards	0			0	0	0			0	0
56 PLACE	0		2,131	2,131	2,131	0			0	0
<u>Waste Management and Recycling</u>										
57 Scooters for the Disabled	0			0	0	27			0	27
58 Town Centre Bins	0			0	0	32			0	32
59 Retail Market Equipment	0			0	0	0			0	0
60 Retail Market Plant	0			0	0	0			0	0

APPENDIX 3 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 OUTTURN and 2026/27 BUDGETS

CAPITAL ASSET REPLACEMENT PROGRAMME	2025/26					2026/27				
	Latest Approved Budget 2025/26	Rephasing to + and from -	Variance for 2025/26 + Cost / - Saving	Total Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Rephasing to + and from -	Variance for 2026/27 + Cost / - Saving	Total Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
SCHEME DESCRIPTION										
61 Route Optimisation System	0			0	0	0			0	0
62 Freighter House Equipment	0			0	0	0			0	0
63 Street Cleansing Vehicles	0			0	0	953			0	953
64 Street Cleansing Equipment	0			0	0	3			0	3
65 Street Cleansing Gully Cleanser	0			0	0	220			0	220
66 Street Cleansing Crane Vehicle	0			0	0	100			0	100
67 Wet Team Equipment	0			0	0	117			0	117
68 Hit Squad Replacements	0			0	0	72			0	72
69 Refuse Vehicles	937	-45	196	151	1,088	690	45	45	735	735
70 Vehicle Maintenance	0			0	0	52			0	52
71 Recycling Vehicles	926		-215	-215	711	993			0	993
72 Recycling MRF	0			0	0	20			0	20
73 Food Vehicles	0			0	0	0			0	0
74 Prov. for Replacement with Electric Veh.	0			0	0	70			0	70
75 Love Your Chelmsford Van	0			0	0	32			0	32
76 Public Convenience Van	0			0	0	32			0	32
<u>Support Services (Deputy)</u>										
77 Digital Services Replacement Programme	0			0	0	18			0	18
78 Digital Storage	52			0	52	0			0	0
79 Digital Servers	0			0	0	48		17	17	65
80 Website Upgrade	5		-5	-5	0	140			0	140
81 System Upgrade	0			0	0	9			0	9
82 System Security	0			0	0	20			0	20
83 Networks	0			0	0	0			0	0
84 Wifi Hardware	115		-4	-4	111	0			0	0

APPENDIX 3 - CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 OUTTURN and 2026/27 BUDGETS

CAPITAL ASSET REPLACEMENT PROGRAMME	2025/26					2026/27				
	Latest Approved Budget 2025/26	Rephasing to + and from -	Variance for 2025/26 + Cost / - Saving	Total Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Rephasing to + and from -	Variance for 2026/27 + Cost / - Saving	Total Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
85 Investment in Digital Technology - DPO	0			0	0	120			0	120
86 Provision for Increases in Prices - Proposed Delegation to S151 Officer	0			0	0	150		-17	-17	133
Totals	5,393	-452	1,951	1,499	6,892	9,702	455	49	504	10,206

Analysis of Variation

	2025/26		2026/27	
	£000's	£000's	£000's	£000's
Rephasing of Schemes to/from years		-452		455
Variations Increases Require Approval for 2026/27		37		0
Variations Cost Decreases		-45		0
Reduced Demand		-276		0
Supplementary Estimates Funded		2,268		49
Variations relating to leasing		-17		0
Virement of budget		-16		0
		<u>1,499</u>		<u>504</u>
		<u>1,499</u>		<u>504</u>

APPENDIX 4 Explanation for Variations Greater Than £25,000 in Asset Replacement Programme

OUTTURN

Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason
<u>2025/26</u>						
1 Car Park Pay on Foot Equipment	341	306	-35	Price Variation	-10.26%	Lower Replacement cost than budgeted
17 SWFLC Plant Replacement	96	60	-36	Rephasing of spend to 2026/27	-37.50%	Replacements have been deferred to 2026/27 as replacement completing in April 2026
19 Hylands House Mechanical and Electrical	27	0	-27	Rephasing of spend to 2026/27	-100.00%	Replacements have been deferred to 2026/27 as replacement completing in April 2026
23 Theatres' Equipment	127	48	-79	Rephasing of spend to 2026/27 , Budget not needed and price variation	-62.20%	-£73K Replacements have been deferred to 2026/27 due to fitting works and replacement around theatre performances; -£5K budget not needed ; -£1K price variation
32 Crematorium Equipment	137	103	-34	Rephasing of spend to 2026/27	-24.82%	Replacements have been deferred to 2026/27 and existing plant prolonged until no longer economical.
35 Play Area Replacements	119	79	-40	Rephasing of spend to 2026/27	-33.61%	Replacements have been deferred to 2026/27.
37 Parks Replacement Vehicles and Equipment	435	278	-157	Rephasing of spend to 2026/27	-36.09%	Replacements have been deferred to 2026/27 as existing plant use prolonged until no longer economical.
50-53 Disabled Facility Grants (fully externally funded)	1,390	1,256	-134	Grant funded spend	-9.64%	Full allocation of grant was not spent in 2025/26.
56 PLACE	0	2,131	2,131	Grant funded spend	N/A	The PLACE group within Essex and Hertfordshire disbanded resulting in the returning funds to each authority.
69/71 Refuse & Recycling Vehicles	1,863	1,799	-64	Rephasing of spend to 2026/27, leasing and price variation	-3.44%	-£45K Replacements have been deferred to 2026/27 ; -£17K leasing; -£2K price.
<u>2026/27</u>						
17 SWFLC Plant Replacement	15	51	36	Rephasing of spend from 2025/26	240.00%	Replacements have been deferred to 2026/27.
19 Hylands House Mechanical and Electrical	0	27	27	Rephasing of spend from 2025/26	100.00%	Replacements have been deferred to 2026/27.
23 Theatres' Equipment	378	451	73	Rephasing of spend from 2025/26	19.31%	Replacements have been deferred to 2026/27.
32 Crematorium Equipment	36	70	34	Rephasing of spend from 2025/26	94.44%	Replacements have been deferred to 2026/27.
35 Play Area Replacements	337	366	29	Rephasing of spend from 2025/26	8.61%	Replacements have been deferred to 2026/27.
37 Parks Replacement Vehicles and Equipment	576	733	157	Rephasing of spend from 2025/26	27.26%	Replacements have been deferred to 2026/27.
53 Disabled Facility Grants (fully externally funded)	1367	1416	49	Higher Grant award	3.58%	Higher Grant awarded for 2026/27.
69 Refuse Vehicles	690	735	45	Rephasing of spend from 2025/26	6.52%	Replacements have been deferred to 2026/27.



Chelmsford City Council Audit and Risk Committee

24th June 2026

Internal Audit Annual Report 2025/26

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2025/26 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

Recommendations

Committee are requested to note the content of the 2025/26 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2. The Internal Audit Annual Plan for 2025/26 was approved by Audit and Risk Committee in February 2025. This report summarises the work that Internal Audit has undertaken during the financial year 2025/26, highlights how responsive management have been in implementing recommendations and the results of the service's Internal Quality Assessment.
- 1.3. Internal Audit Standards require that the Audit Services Manager provides a conclusion at organisation level about the effectiveness of governance, risk management, and/or control processes. Such a conclusion should reflect the professional judgment of the Audit Services Manager based on multiple engagements and must be supported by

relevant, reliable, and sufficient information as set out in this report.

2. Conclusion

The Internal Audit Annual Report 2025/26 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Annual Report 2025/26

Background papers: None

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). Chelmsford City Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements.

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

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Internal Audit Annual Report in May 2026.

Relevant Policies and Strategies: None

Internal Audit Annual Report 2025-26

1. Introduction

1.1. Purpose of this report

1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2025/26 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

1.2. The Role of Internal Audit

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

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

1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2025/26. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in March 2026 and will continue to be updated and appended to the Internal Audit Plan each year.

1.3. Overview of the Internal Audit Approach

1.3.1. Internal Audit Standards require that the Audit Services Manager provides a conclusion at organisation level about the effectiveness of governance, risk management, and/or control processes. Such a conclusion should reflect the professional judgment of the Audit Services Manager based on multiple engagements and must be supported by relevant, reliable, and sufficient information.

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

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

1.3.3. Internal audit work was performed in accordance with the Council’s Internal Audit methodology which is in conformance with Public Sector Internal Audit Standards, as supported by the External Quality Assessment (EQA) in December 2024.

1.3.4. The audit plan for 2025/26 was approved by Audit and Risk Committee in February 2025. Internal Audit Team resource comprised of the Audit Services Manager and 1.5 FTE Senior Auditors during 2025/26.

2. Internal Audit Opinion

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

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

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

OVERALL OPINION	<p>Moderate Assurance – overall the Council’s systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 4.</p> <p>Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below. An explanation of the types of opinion that may be given can be found in Appendix B.</p>
----------------------------	---

3. Other Sources of Assurance

3.1. Risk Management Framework

The Council’s Risk Management Framework was updated in 2025 and recognises that to be effective, it should assist the Council to identify, understand and manage risks to achieving its objectives, provide risk information to support decision-making, improve compliance with policies, procedures, laws and regulations and stakeholder expectations and provide assurance to internal and external stakeholders that the Council is well-managed.

The Principal Risk Register is central to the risk management framework, owned by Management Team and covers the Council's strategic risks which require regular oversight at senior level to ensure that, where necessary, action is taken to further mitigate risks outside the Council's indicative risk appetite. Corporate Risk Management liaise with nominated Risk Owners, Service Managers and Directors to update each Principal Risk, and report bi-annually to Management Team and Audit and Risk Committee to facilitate their monitoring and oversight. A full detailed update of the Principal Risk Register was undertaken twice during 2025/26 (September 2025 and March 2026) to ensure it is up to date and reflects the current risk profile and risk appetite.

A Risk Management Strategy was also developed for 2025/26 which set out the actions required to achieve the Strategic Risk Management Objectives, ultimately supporting the council's vision to embed a systematic approach to the identification, assessment, and mitigation of potential threats, empowering Chelmsford City Council to create a fairer, greener and more connected community through the application of proportionate, aligned, comprehensive, embedded and dynamic risk management principles.

The risk-based Internal Audit Plan is aligned to Our Council, Our Plan objectives, the Council's Principal Risks and Fraud Risk Register.

3.2. Internal Audit View on Managing the Risk of Fraud

The Council's Counter Fraud Policy was updated in November 2025 and ensures the Council approach to the prevention and detection of fraud is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally as well as assisting the Council in demonstrating its compliance with Economic Crime and Corporate Transparency Act (ECCTA) which introduced a new criminal offence of 'Failure to Prevent Fraud' (FTPF) (effective from September 2025), designed to hold organisations to account if they profit from fraud committed by their employees.

It encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategic Counter Fraud objectives were set out in the Counter Fraud Strategy 2025-27.

The risk of fraud is monitored via the Council's Principal Risk Register and Fraud Risk Register. Other processes which assist Internal Audit in detecting potential fraudulent activity include:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are aligned to the Council's Fraud Risk Register to independently assess anti-fraud controls in place.
- Data Analytics were used in 2024/25 to detect any anomalies with Accounts Payable and Payroll with a specific focus on anti-fraud tests.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

The 2024/25 Counter Fraud Annual Report was presented to Audit and Risk Committee in June 2025. The 2025/26 Counter Fraud Annual Report will be presented to Audit and Risk Committee in June 2026.

4. Summary of Findings

4.1. High Priority Findings

Report Title	Key Issues Arising
Information Governance (Limited Assurance)	High priority findings were identified relating to RoPA's (Records of Processing Activity), data retention and third-party data processors.
Driving at Work Policy (Limited Assurance)	High priority findings were identified relating to compliance, training and management information.
Cultural Strategy (Management Letter)	High priority findings were identified relating to monitoring strategic delivery actions and grant funding agreement.
Decision Making (Moderate Assurance)	A high priority finding was identified relating to Equality Impact Assessments.
Emergency Planning (Moderate Assurance)	A high priority finding was identified relating to Emergency Plan testing to ensure that they remain effective in an emergency.

4.2. Key Financial Systems (KFS)

The KFS programme is a key indicator of the overall strength of the underlying control environment, and each year Internal Audit carries out reviews of the Council's fundamental financial systems. In 2025/26, this included the following reviews, and both were moderate assurance with no high priority findings identified:

Report Title	Assurance Rating	High	Med	Low
Budgetary Control	Moderate	0	3	0
BACS	Moderate	0	3	0

Council Tax and NNDR was also part of the 2025/26 suite. The outcome of this will be reported once further work is completed.

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

Report Title	Assurance Rating	High	Med	Low
Driving Policy	Limited	3	2	0
Information Governance	Limited	2	0	2
Cultural Strategy	n/a management letter	2	0	0
Emergency Planning	Moderate	1	2	3
Decision Making	Moderate	1	2	2
Budgetary Control	Moderate	0	3	0
BACS	Moderate	0	3	0
Car Parks	Moderate	0	2	4
Housing Grants and Loans	Moderate	0	2	0
Leisure Centres	Moderate	0	2	0
Markets	Substantial	0	1	0
Community Sports & Wellbeing	Substantial	0	0	1
Council Tax & NNDR	TBC	TBC	TBC	TBC

Review of Housing Rent Deposit Scheme (RDS) has been postponed to Autumn 2026 to provide assurance once the service has reviewed the RDS Policy.

Internal Audit have also continued to provide ad hoc support, advice and guidance during 2025/26.

4.4. Management's Response to Implementing Audit Recommendations

A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. Performance relating to the implementation of recommendations during 2025/26 is tabled below.

Audit Title	Original Assurance Rating	Key Findings
Officer and Member Conflict of Interest	Limited Assurance	In the previous report, six recommendations (three high and three medium priority) were made. Our follow up audit noted that significant work had been undertaken on the processes for managing Council officer potential conflicts of interest. Two medium

Audit Title	Original Assurance Rating	Key Findings
		priority recommendations had been implemented, and four recommendations (three high and one medium priority) had been partially implemented, with the minor outstanding elements of these recommendations relating to updating documentation to formalise the new processes.
Housing Rents	Management Letter	In the previous report, four findings (three high, one medium priority) were raised. Our follow up audit noted that actions relating to three findings (two high priority and one medium) have been implemented, with actions relating to the remaining high priority finding (KPI reporting) are partially implemented.
Internal/External Comms	Moderate Assurance	In the original report, three findings (one high, one medium and one low priority) were made. Our follow up noted that the recommendations relating to the high priority finding have largely been implemented. The outstanding elements relate to some digital development delays which are being resolved and roll out of a new policy due in 2026.
Corporate Approach to Additional Hours (Overtime)	Management Letter	In the original report, high priority findings were identified relating to management of hours. management information and policy and procedures. Our follow up noted that pro-active action had been taken in the management of hours. While it is understood that services have different requirements for the use of additional hours and therefore manage this locally accordingly, senior management should continue to monitor the use of additional hours and associated risks identified to provide oversight in an inherently high-risk area.
Cyber Security & Data Breaches	Moderate Assurance	In the previous report, recommendations relating to four medium and one low priority findings were made. Our follow up audit noted that all recommendations have been implemented.
Hylands House	Substantial Assurance	In the previous report, four recommendations (three medium and one low priority) were made. Our follow up audit noted that all recommendations have been implemented.
Volunteers	Moderate Assurance	In the previous report, three medium recommendations were made which related to forming a Volunteer Co-ordinators Group. It is encouraged that the collaboration should continue to enable the sharing of best practice, and discussion of any issues/changes in policy/requirements etc.
Corporate Property	Moderate Assurance	In the previous report, recommendations relating to two medium priority findings were made. Our follow up audit noted that both recommendations (relating to strategy and the property management system) have been partially implemented, impacted by LGR and T1 development.
Licensing	Moderate Assurance	In the previous report, three recommendations (two medium and one low priority) were made. Our follow up noted that two recommendations (one medium and one low priority) have been implemented, and one medium priority recommendation relating to integrating systems is partially implemented.
Key Financial Systems (KFS 2024/25)	Substantial Assurance	In the previous report, recommendations relating to three low priority findings were made. Our follow up noted that two recommendations

Audit Title	Original Assurance Rating	Key Findings
		had been implemented, with the remaining low priority action impacted by LGR.

The follow up review of Use of Off-Payroll Workers has been delayed to 2026/27 due to current wider work in this area. The outcome of this will be reported to a future Audit and Risk Committee meeting.

5. Review of the Effectiveness of Internal Audit

5.1. The Internal Audit Strategy 2025-27 was approved by Audit and Risk Committee in January 2025 and set out key strategic internal audit objectives and initiatives. Progress towards achieving these strategic goals and our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2025/26 is shown in the table below:

Strategic Internal Audit Objectives	Strategic Internal Audit Initiatives	Priority	Key Performance Indicators	Target	Result 2025/26
Deliver an annual Internal Audit Plan which identifies the Council's most significant internal and external risks, remains flexible to respond to new and emerging risks, and which meets stakeholder needs.	<ul style="list-style-type: none"> - Collaborate internally and externally with other internal control, governance and risk management functions to coordinate and align coverage of the Council's risks and governance arrangements. - Deliver timely, effective and useful communications to key stakeholders. 	High	Audit Plan delivered to Draft Report Stage by 31st March	90%	93%
			Audit Plan delivered to final report stage by 31st May	100%	96%*
			Percentage of 2026/27 audit plan directly aligned with Principal Risks	80%	100%
			Days elapsed to issue draft audit report (10 working days from end of fieldwork meeting): 80%	To be measured for 2026/27 onwards	
Provide value-added services and proactive strategic advice to services beyond the audit plan	<ul style="list-style-type: none"> - Bring analysis and perspective on root causes of issues identified in audit findings, to help services design/take corrective actions. - Develop a management action tracker to support delivery and reporting. 	High	Percentage of applicable management actions partially or fully implemented within one year of issue of final report (where applicable)	90%	98%
			Overall customer satisfaction score for the year to meet or exceed acceptable level (i.e. very good or good) for at least 90% of completed surveys	90%	100%
			CPD requirements met per auditor, including minimum 2 hours ethics training per year.	Formal CPD requirements met for applicable team members; ethics training received by team through	

Strategic Internal Audit Objectives	Strategic Internal Audit Initiatives	Priority	Key Performance Indicators	Target	Result 2025/26
				Essex Audit Group away days.	
Embed technology and analytics into audit for workflows and applicable reviews.	Develop in-house capabilities for utilising data analytics and/or exploring the use of AI in Internal Audit.	Medium	Innovative audit techniques or tools implemented to enhance decision making by offering insights and foresights.	Use of co-pilot by audit team for terms of reference etc. Further embedding of technology in IA work to be explored during 2026/27.	

*only one report outstanding at 31st May (Council Tax and NNDR) which will be reported once further work is completed.

6. Internal Quality Assessment and Action Plan

6.1. Global Internal Audit Standard 8.3 – Quality requires that the Audit Services Manager “must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function, including two types of assessments (external and internal). At least annually, the Audit Services Manager must communicate the results of the internal quality assessment to the Audit Committee and Senior Management”.

6.2. To achieve this, Internal Audit undertook an internal assessment against the Global Internal Audit Standards, with the results below.

6.3. Additional work to be undertaken during 2026 to fully support conformance is highlighted in yellow.

Standard	IQA June 2026
DOMAIN II – ETHICS AND PROFESSIONALISM	
Principle 1 Demonstrate Integrity - Internal auditors demonstrate integrity in their work and behaviour	
Standard 1.1 Honesty and Professional Courage	Generally Conforms
Standard 1.2 Organisation’s Ethical Expectations	Generally Conforms
<i>LGAN 2024 - 9A Ethics and Standards in Public Life</i>	Generally Conforms
Standard 1.3 Legal and Ethical Behaviour	Generally Conforms
Principle 2 Maintain Objectivity - Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions	
Standard 2.1 Individual Objectivity	Generally Conforms
Standard 2.2 Safeguarding Objectivity	Generally Conforms
Standard 2.3 Disclosing Impairments to Objectivity	Generally Conforms
Principle 3 Demonstrate Competency - Internal auditors apply the knowledge, skills, and abilities to fulfil their roles and responsibilities successfully	
Standard 3.1 Competency	Generally Conforms
Standard 3.2 Continuing Professional Development	Generally Conforms
Principle 4 Exercise Due Professional Care - Internal auditors apply due professional care in planning and performing internal audit services	
Standard 4.1 Conformance with the Global Internal Audit Standards	Generally Conforms

Standard	IQA June 2026
Standard 4.2 Due Professional Care	Methodology in place; team training scheduled for June 2026
Standard 4.3 Professional Scepticism	Generally Conforms
Principle 5 Maintain Confidentiality - Internal auditors use and protect information appropriately	
Standard 5.1 Use of Information	Generally Conforms, although data cleanse due.
Standard 5.2 Protection of Information	Generally Conforms, although data cleanse due.
<i>LGAN 2024 - 9B Handling Information</i>	Generally Conforms, although data cleanse due.
DOMAIN III - Governing the Internal Audit Function	
Principle 6 Authorised by the Board - The board establishes, approves, and supports the mandate of the internal audit function	
Standard 6.1 Internal Audit Mandate	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.1 Internal Audit's Mandate</i>	Generally Conforms
Standard 6.2 Internal Audit Charter	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.2 Internal Audit's Charter</i>	Generally Conforms
Standard 6.3 Board and Senior Management Support	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.3 Support for internal audit</i>	Generally Conforms
Principle 7 Positioned Independently - The board establishes and protects the internal audit function's independence and qualifications	
Standard 7.1 Organisational Independence	Generally Conforms
<i>LGAN 2024 - 10A Resources</i>	Generally conforms
<i>CIPFA Code of Practice 2024: Principle 2.1 Organisational independence</i>	Generally Conforms
Standard 7.2 Chief Audit Executive Qualifications	Generally Conforms
<i>LGAN 2024 - 10C CAE Qualifications</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 2.2 Qualifications of the CAE</i>	Generally Conforms
Principle 8 Overseen by the Board - The board oversees the internal audit function to ensure the function's effectiveness	
Standard 8.1 Board Interaction	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.1 Audit Committee Interaction</i>	Generally conforms
Standard 8.2 Resources	Generally Conforms
<i>LGAN 2024 - 10A Resources</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.2 Resources</i>	Generally Conforms
Standard 8.3 Quality	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.3 Quality</i>	Generally conforms
Standard 8.4 External Quality Assessment	Generally conforms
<i>LGAN 2024 - 10D Selecting Independent Assessors</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.4 External Quality Assessment</i>	Generally Conforms
DOMAIN IV - Managing the Internal Audit Function	
Principle 9 Plan Strategically - The chief audit executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success	

Standard	IQA June 2026
Standard 9.1 Understanding Governance, Risk Management, and Control Processes	Generally Conforms
<i>LGAN 2024 - 9C Value for money</i>	Generally Conforms
Standard 9.2 Internal Audit Strategy	Generally Conforms
Standard 9.3 Methodologies	Methodology in place; team training scheduled for June 2026
Standard 9.4 Internal Audit Plan	Generally conforms; annual planning process to be documented.
Standard 9.5 Coordination and Reliance	Generally Conforms
<i>LGAN 2024 - 9D The role of regulators</i>	Generally conforms
Principle 10 Manage Resources - The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate	
Standard 10.1 Financial Resource Management	n/a
Standard 10.2 Human Resources Management	Generally Conforms
Standard 10.3 Technological Resources	Generally Conforms
Principle 11 Communicate Effectively - The chief audit executive guides the internal audit function to communicate effectively with its stakeholders	
Standard 11.1 Building Relationships and Communicating with Stakeholders	Generally Conforms; intranet page to be created
Standard 11.2 Effective Communication	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026
Standard 11.3 Communicating Results	Generally conforms
<i>LGAN 2024 - 10B Overall Conclusions and Annual Reporting</i>	Generally Conforms
Standard 11.4 Errors and Omissions	Generally Conforms
Standard 11.5 Communicating the Acceptance of Risks	Generally Conforms
Principle 12 Enhance Quality - The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement	
Standard 12.1 Internal Quality Assessment	Generally Conforms
Standard 12.2 Performance Measurement	Generally Conforms
Standard 12.3 Oversee and Improve Engagement Performance	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026
DOMAIN V - Performing Internal Audit Services	
Principle 13 Plan Engagements Effectively - Internal auditors plan each engagement using a systematic, disciplined approach	
Standard 13.1 Engagement Communication	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026.
Standard 13.2 Engagement Risk Assessment	Methodology in place; team training scheduled for June 2026
Standard 13.3 Engagement Objectives and Scope	Methodology in place; team training scheduled for June 2026
Standard 13.4 Evaluation Criteria	Methodology in place; team training scheduled for June 2026
Standard 13.5 Engagement Resources	Generally Conforms
Standard 13.6 Work Program	Methodology in place; team training scheduled for June 2026

Standard	IQA June 2026
Principle 14 Conduct Engagement Work - Internal auditors implement the engagement work program to achieve the engagement objectives	
Standard 14.1 Gathering Information for Analyses and Evaluation	Methodology in place; team training scheduled for June 2026
Standard 14.2 Analyses and Potential Engagement Findings	Methodology in place; team training scheduled for June 2026
Standard 14.3 Evaluation of Findings	Methodology in place; team training scheduled for June 2026
Standard 14.4 Recommendations and Action Plans	Methodology in place; team training scheduled for June 2026
Standard 14.5 Engagement Conclusions	Methodology in place; team training scheduled for June 2026
Standard 14.6 Engagement Documentation	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026.
Principle 15 Communicate Engagement Results and Monitor Action Plans - Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans	
Standard 15.1 Final Engagement Communication	Methodology in place; team training scheduled for June 2026
Standard 15.2 Confirming the Implementation of Recommendations or Action Plans	Recommendation Tracker created; more consistent use planned in 2026

Annual Opinion Categories

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

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

Key to Assurance Levels in Individual Reports

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

Key to Risk Ratings for Individual Findings in Reports

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

Limitations and Responsibilities

Responsibilities of management and internal auditors

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

Limitations inherent to the internal auditor's work

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

- **Opinion**

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

- **Internal control**

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

- **Future periods**

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

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



Chelmsford City Council Audit and Risk Committee

24th June 2026

Counter Fraud Annual Report 2025/26

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work the Counter Fraud work undertaken by Internal Audit during 2025/26.

Recommendations

Committee are requested to note the content of the 2025/26 Counter Fraud Annual Report.

1. Introduction

- 1.1. In line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally, the Council's Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption.
- 1.2. This report summarises the Counter Fraud work undertaken by Internal Audit during 2025/26 to deliver this strategy and manage the Council's risk of fraud.

2. Conclusion

The Counter Fraud Annual Report 2025/26 is attached for Audit & Risk Committee to note.

List of appendices: Counter Fraud Annual Report 2025/26

Background papers: None

Corporate Implications:

Legal/Constitutional: Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. Under the Accounts and Audit (England) Regulations 2015, the Council's accounting control systems must include measures to enable the prevention and detection of fraud. The Council's Monitoring Officer is responsible under Section 5 of the Local Government and Housing Act 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs. The Bribery Act 2010 sets out the offence which can be committed by organisations which fail to prevent persons associated with them from committing bribery on their behalf. The Economic Crime and Transparency Act 2023 sets out the 'Failure to Prevent Fraud' offence.

Financial: Failure to have appropriate arrangements to prevent and detect fraud and manage the Council's risk of fraud puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: Fraud has been identified as a Principal Risk. The FRCA is consistent with the wider corporate risk management framework.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Counter Fraud Annual Report in May 2026.

Relevant Policies and Strategies: None

Internal Audit Counter Fraud Annual Report 2025/26

1. Purpose of this report

1.1. This report summarises the Counter Fraud work undertaken during 2025/26.

2. Delivering the Council's Counter Fraud Strategy

2.1. In 2025, the Council's approach to Counter Fraud was reviewed, refreshed and updated to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally, as well as assisting the Council in demonstrating its compliance with Economic Crime and Corporate Transparency Act (ECCTA) which introduced a new criminal offence of 'Failure to Prevent Fraud' (FTPF) (effective from September 2025), designed to hold organisations to account if they profit from fraud committed by their employees.

2.2. The purpose of the Counter Fraud and Corruption Policy and Strategy 2025 is to support the Council in minimising the risk of fraud and corruption and its impact, and ultimately to protect the public purse and Chelmsford City Council services for its residents. It also ensures that the Council's internal control measures are effective in either preventing fraud and corruption or where this is not possible, that a consistent and effective approach to tackling fraud and corruption is in place.

2.3. Management Team and Audit Committee endorsed the updated Counter Fraud and Corruption Policy and Strategy in November 2025.

2.4. Supplementing the Policy is the Counter Fraud Strategy 2025-27 which set out the following actions which will be delivered over the next two years to ensure the Council is delivering counter fraud best practice.

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
<p>Capability</p> <ul style="list-style-type: none"> ➤ Undertake a detailed update of the Council's Fraud Risk Register, to support the Council's robust assessment of its fraud and corruption risks, ensuring it includes horizon scanning of future potential risks, takes into account the harm that fraud may do in the community and that there is an action plan for mitigation which is regularly reported to Management Team and Audit and Risk Committee. ➤ Review fraud risks with consideration of the new Failure to Prevent Fraud legislation. The Council's fraud policies will also be reviewed and updated to make reference to the new offence. ➤ Consider undertaking risk workshops with service areas to review fraud risks and 	<p>Update of Council's Fraud Risk Register scheduled for Summer/Autumn 2026. Risks will be reviewed with consideration of Failure to Prevent Fraud legislation and wider implications of Local Government Reorganisation.</p>

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
mitigation and incorporate these into the fraud risk register as appropriate.	
<p>Capacity</p> <ul style="list-style-type: none"> ➤ Consider the development and deployment, where possible, of data analytics/AI tools to improve and enhance fraud prevention and detection measures across the Council. 	<p>CIFAS Document Fraud training was undertaken in November 2025. It is intended that the learning from this course will underpin awareness training for staff dealing with identity documents.</p>
<p>Competence</p> <ul style="list-style-type: none"> ➤ Develop and roll out ongoing general counter fraud and anti-bribery training and awareness relevant to Council roles and responsibilities. ➤ Training programme to be aligned to the fraud risk register, targeting specific fraud risk areas and/or emerging risks (such as threat of AI in the fraud landscape). ➤ Ensure those with specific counter fraud responsibilities are maintaining and enhancing their professional skills to respond accordingly to changing work environments and emerging technology. 	<p>Following the Council-wide roll out of a training and awareness suite covering Whistleblowing and Anti-bribery and Corruption, which provided a good basis of understanding and a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents, the programme is now included as part of new starter's mandatory induction training and will be repeated for all staff in 2027/28. Targeted training will be considered following the update of the Fraud Risk Register and for those with specific counter fraud responsibilities.</p>
<p>Communication</p> <ul style="list-style-type: none"> ➤ Encourage the organisation to consult with Internal Audit to when developing new policies and procedures to assess whether the risk of fraud will be effectively mitigated. ➤ Develop an annual comms programme to maintain regular counter fraud awareness across the organisation e.g. Fraud Awareness Week activities. ➤ Consider publicising outcome of successful fraud and corruption cases internally and externally, where appropriate, to endorse the Council's anti-fraud culture and zero tolerance approach. 	<p>International Fraud Awareness Week takes place every November. In 2025, the Council's 'Our News' was utilised to promote proactive fraud prevention, remind staff of the Counter Fraud intranet site and link to Fraud and Anti-Bribery and Corruption training. This will be repeated again for 2026, along with consideration of wider counter fraud awareness communication.</p>
<p>Collaboration</p> <ul style="list-style-type: none"> ➤ Explore the formation of a Counter Fraud Working Group with representation from those who have oversight of the Council's counter-fraud activities to co-ordinate and advise on the Council's counter-fraud activities across the Council, encouraging a corporate approach and co-location of counter fraud activity. 	<p>This will be explored further following the update to Council's Fraud Risk Register to ensure the key stakeholders are approached. This may also be a useful development for Counter Fraud colleagues across other Councils as progress is made towards the Mid-Essex unitary. In the meantime, Counter Fraud is a standing item on the Council's Corporate Governance Group's action log.</p>

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
	The Audit Services Manager is also a member of Eastern Counter Fraud Group which meet approx. three times a year and share counter fraud information.

3. Managing the Risk of Fraud

3.1. The Council has identified Fraud as a risk in its Principal Risk Register (PRR 005) and has developed a detailed Fraud Risk and Control Assessment (FRCA), breaking down the Council's overall fraud risk into 20 risk areas/categories (see Appendix A). As outlined in section 2, this fraud risk assessment will be updated in more detail during Summer 2026, to ensure it considers Failure to Prevent Fraud legislation, wider implications of Local Government Reorganisation and evolving technology such as AI.

3.2. Several processes also assist Internal Audit in detecting potential fraudulent activity including:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are assessed and aligned to the Council's Fraud Risk Register.
- Data Analytics was used by Internal Audit in 2024/25 in their reviews of Accounts Payable and Payroll to detect any anomalies, with a specific focus on anti-fraud tests. Consideration of areas in 2026/27 is under way.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

3.3. Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

4. Whistleblowing

4.1. The Council's whistleblowing policy is available to staff, key stakeholders and the general public via the Council's website. A review of the Whistleblowing Policy was undertaken by the Legal and Democratic Services Manager which confirmed the current policy is compliant with legislation as reported to Governance Committee in January 2023.

4.2. The Council's appointed Whistleblowing Officer is the Director of Connected Chelmsford. However, the day-to-day management and handling of issues raised is dealt with by the Legal & Democratic Services Manager or the Human Resources Services Manager. The Council's S151 Officer and Audit Services Manager also have access to Whistleblowing reports in case of any allegations of fraud. As is best practice, an annual report is made to the Governance Committee by the Legal and Democratic Services Manager regarding any issues addressed. The last such report was made in March 2026 which noted that both staff and members of the public are willing to raise concerns.

5. Complying with NFI and Transparency Code

- 5.1. The National Fraud Initiative (NFI) is a bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data to National Fraud Initiative on a regular basis. The latest major exercise took place in October 2024 with results released from January 2025. To date, 93% of the applicable matches have been reviewed and processed by the relevant services, with no fraud identified. The next major exercise is due to take place in October 2026.
- 5.2. A NFI Protocol has been developed to ensure we are maximising the benefits of the exercises and participating in the most efficient manner. The Council also participates in the Pan Essex Counter Fraud Data Matching System. This Counter Fraud Matching System is primarily used to identify Council Tax related anomalies across Essex, which is investigated by Compliance Officers within the Revenue Service.
- 5.3. In addition, fraud data, which is required to be published annually in line with the Transparency Code, has been updated and published on the Council's website.

6. Number and Types of Investigations 2025/26

	No.	Notes
No. of cases formally investigated and closed.	4	<i>Incidents relate to Housing and Parking</i>
Current Investigations	1	<i>Incident relates to Housing</i>

Due to the confidential nature of these type of referrals, it is not appropriate to provide further details of the allegations in this report.

Appendix A

Extract from Fraud Risk Register:

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC_01	Data theft and other cyber crime	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g., theft of personal data to perpetrate identify fraud.	18	Very High
FRC_02	Corporate property	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	16	High
FRC_03	Social housing & tenancy	False applications, misallocation for personal gain, illegal subletting, secondary home use/abandonment, Right to Buy (indirect risk impacting local housing supply)	16	High
FRC_04	Procurement and contracting	Collusion to distort fair an open competition, collusion between bidders, submission of false documents for payment, split contracts, collusion with contractors, post-award contract management etc.	14	High
FRC_05	Decision-making	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information to sway decisions or affect outcome	14	High
FRC_06	Payment fraud	Diversion of payments, internally or following false requests (often cyber-enabled)	14	High
FRC_07	Payroll and expenses	False entries (e.g., ghost employees), inflation of payments, false claims for expenses and overtime, abuse of absence policies, IR35	14	High
FRC_08	Theft	Cash and equivalents e.g. funds via procurement cards and other assets for resale or personal use, including IT equipment, stores, fuel	14	High
FRC_09	Recruitment	False applications and identity fraud	14	High
FRC_010	Manipulation of data/ false accounting	Omitting or making misleading, false or deceptive entries (e.g. performance, financial data etc.)	13	High
FRC_011	Income collection fraud – other	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds or write offs; fraudulently avoiding payment of debts	9	Medium
FRC_012	No recourse to public funds	False eligibility for housing allocation, homelessness support, housing benefit, council tax support	9	Medium
FRC_013	Money laundering	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	9	Medium
FRC_014	Misuse of Council assets	Use of Council assets for personal gain at detriment to the Council (e.g. vehicles, buildings, parking spaces)	9	Medium
FRC_015	Housing Benefit	False applications, including undeclared income or partners	7	Medium
FRC_016	Non-domestic rates	Abuse of exemptions, discounts and reliefs (incl. Covid-19 sector-related), unlisted, vacant, extended premises, refund scams	7	Medium

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC_017	Council tax	Abuse of local council tax reduction support, single person and other discounts, refund scams, failure to register (Rising 18's)	7	Medium
FRC_018	Grants Received and Payable	False claims to secure a grant or demonstrate terms may have been met, diversion of funds, abuse of position to award grants	7	Medium
FRC_019	Insurance claims	False or exaggerated claims (esp. personal injury)	7	Medium
FRC_020	Voting fraud	Fraudulent acts by voters, canvassers, poll clerks and officers, and/or count staff	3	Low



Chelmsford City Council Audit and Risk Committee

24th June 2026

Audit and Risk Committee Annual Report 2025/26

Report by:

Chair of Audit and Risk Committee

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that the Audit and Risk Committee has undertaken during 2025/26 in line with CIPFA's Position Statement for Audit Committees.

Recommendations

The Council is requested to note the content of the 2025/26 Annual Report of the Committee.

1. Introduction

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

2. Conclusion

The Audit and Risk Committee Annual Report 2025/26 is attached for Council to note.

List of appendices: Audit and Risk Committee Annual Report 2025/26

Background papers: None

Corporate Implications

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

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

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

Potential impact on climate change and the environment: None

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

Personnel: None

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

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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

Relevant Policies and Strategies: None

Audit and Risk Committee Annual Report 2025/26

Introduction from the Chair of Audit and Risk Committee

I am pleased to present the Annual Report of the Audit and Risk Committee which outlines the Committee's work and achievements for 2025/26.

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

To provide ongoing assurance over the Council's risk management, governance and internal control arrangements, the Committee has been supported during 2025/26 by the Audit Services Manager, the Financial Services Manager (S151 Officer), the Procurement Manager, the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors, Ernst and Young.

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

Cllr Nora Walsh

June 2026

1. Overview

1.1. Audit Committees are a key component of the Council's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

1.2. In Chelmsford, the Audit and Risk Committee has been delegated some governance responsibilities but remains accountable to Full Council. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

1.3. As outlined in CIPFA Position Statement for Audit Committees, the core functions of the Audit Committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

1.4. The specific responsibilities include:

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

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

- **Financial and governance reporting**

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

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

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions: oversee its independence, objectivity, performance and conformance to professional standards; support effective arrangements for internal audit; promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk

management or control, and monitor management action in response to the issues raised by external audit.

- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

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

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

2. Membership and Committee Administration

2.1. There were five meetings of the Committee during 2025/26 (June 2025 – joint with Governance Committee, September 2025, November 2025, January 2026 and March 2026). Membership of the Committee for 2025/26 is attached at Appendix A.

2.2. The work programme is based around the Committee's Terms of Reference (see Appendix C), along with any items requested during the year, and is reviewed at each Committee meeting. A list of the items that have been considered by the Committee during 2025/26 is attached at Appendix B to the report.

2.3. The Committee was supported by the Audit Services Manager, the Financial Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager, as well as representatives from the Council's External Auditors, Ernst and Young.

2.4. The Committee operated under its Terms of Reference in line with the CIPFA Position Statement. The agendas for the Committee's meetings are published on the Council's website not later than five clear days before the date of each meeting. The minutes of each meeting are also published on the website as soon as possible after each meeting has taken place. The agendas for meetings can be accessed from: [Committees and Panels - Chelmsford City Council](#).

3. Governance Risk and Control

Risk Management

3.1. In September 2025, the Committee received a report from the Audit Services Manager providing an update on corporate risk management and the Principal Risk Register. It was explained that responsibility for corporate risk had moved to the Audit Services Manager earlier in 2025, and since then work had been undertaken to establish how best to manage the function with limited resources. To support resilience, the service was now working in partnership with Basildon Council, with their Risk Manager assisting Chelmsford.

3.2. A full update of the Principal Risk Register had been completed, which formed the central element of the Council's risk management framework and provided

oversight of key risks. Other areas of activity included an update to the risk management framework, early development of a Local Government Reorganisation risk register, and the preparation of a new Risk Management Strategy.

- 3.3. In March 2026, the Committee received its second bi-annual Risk Management Report, which provided an overview of the Council's Principal Risks and reflected the latest update carried out in January 2026 to ensure the register remained aligned with the current risk profile.

Countering Fraud and Corruption

- 3.4. In June 2025, the Committee received a report summarising the counter fraud work undertaken by the Internal Audit Team during 2024/25, including work on Guidance, Training and Awareness for staff and Councillors and compliance with the National Fraud Initiative and Transparency Code. The Committee were also informed about how the Council managed the risk of fraud and information on the Council's Whistleblowing policy.
- 3.5. The Committee were also updated on a new criminal offence of 'Failure to prevent Fraud' which became effective from September 2025, which is designed to hold organisations to account if they profited from fraud committed by their employees. It was noted that this was an important area for the Council to monitor closely going forward and that actions taken by the Council within the Counter Fraud strategy had provided a good basis for meeting the requirements to defend the new offence. It was also noted that these would continue to be reviewed and monitored in line with the new legislation.
- 3.6. In November 2025, the Committee received the updated the Counter Fraud and Corruption Policy and Strategy 2025 aimed to minimise the risk of fraud and corruption and its impact and set out the measures the Council had in place to comply with the Failure to Prevent Fraud legislation. The policy is based on best practice guidance, including Fighting Fraud and Corruption Locally and the CIPFA Code of Practice, and incorporated prevention measures for bribery and corruption. The accompanying strategy outlined actions to be delivered over the next two years, including updates to training and the use of technology and artificial intelligence to strengthen fraud prevention and detection.

4. Financial and Governance Reporting

- 4.1. The Audit and Risk Committee received a report from the Financial Services Manager in June 2025 for the Council's revenue outturn position for 2024/25, outlining the Council's expenditure and income against the approved budgets for 2024/25. The report also outlined the activity in the Council's finances, the variations identified, and the risks they involved.
- 4.2. The Committee also received a report which detailed the capital expenditure incurred in 2024/25 and were updated on the approved Capital Schemes and variations in cost which had been identified at outturn and to date. The report also provided an update on the approved Asset Replacement Programme for 2024/25 and 2025/26 regarding variations in cost and timing which had been identified at outturn and to date.
- 4.3. The Council's Annual Governance Statement (AGS) forms part of the Council's Statement of Accounts and its purpose is to provide assurance regarding the Council's governance arrangements and the extent to which the Council complies with its Local Code of Corporate Governance. The Audit and Risk Committee

reviewed the Local Code of Corporate Governance and Annual Governance Statement for 2024/25 jointly with Governance Committee in June 2025. The Statement highlighted those areas of governance regarded as important in 2024/25, how they were addressed, and the progress made.

- 4.4. In March 2026, Committee approved the Accounting Policies which would be used in the preparation of the 2025/26 Statement of Accounts. It was advised that one key change had been introduced relating to the valuation of property, plant and equipment.

5. Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

- 5.1. The original audit plan for 2025/26 was approved by Audit and Risk Committee in February 2025. An update was provided in September 2025 setting out the reviews proposed from October 2025 to March 2026.
- 5.2. During 2025/26, Audit and Risk Committee received several reports from Internal Audit, updating them on Internal Audit progress against the plan and high-risk issues identified. This included:
- Internal Audit Annual Report 2024/25 which provided an overall annual opinion of “moderate” assurance (June 2025)
 - Internal Audit Interim Report 2025/26 (January 2026)
- 5.3. In line with Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Charter in March 2026.

External Audit

- 5.4. In June 2025, the Committee received an update from the Council’s External Auditors, Ernst and Young, which included their annual report for 2023/24 and Provisional Audit Planning Report for 2024/25.
- 5.5. In September 2025, the Committee received an update from the Section 151 Officer updating Members on progress with prior year external audits and progress made against the 2024/25 audit. The 2023/24 audit, though a disclaimed opinion by EY, had been fully signed off. A discussion around External Audit fees and the proposals for clearing the historic backlog was also undertaken.
- 5.6. In November 2025, the Committee received an update from EY on the draft Auditor’s Annual Report for 2024/25. Members were advised that the report was required to be issued by the end of November and provided commentary on the Council’s arrangements for securing value for money and progress on the audit of the financial statements. It was reported that the audit work was substantially complete and that the final version of the report was expected before Christmas, with the audit certificate to follow once the ‘Whole of Government Accounts’ procedures had been concluded.
- 5.7. In January 2026, the Committee received the Audit Results Report for 2024/25, together with verbal updates from the Section 151 Officer and EY. Members were advised that although substantial work had been completed, the external audit could not be finalised before the statutory backstop date, so a disclaimed audit opinion was to be issued. This position reflected the national backlog in local government audits and the historic lack of assurance over opening balances

arising from previous years' disclaimed opinions. EY reported that no significant weaknesses or material errors had been identified in the areas reviewed. The Annual Governance Statement was considered consistent with EY's understanding of the Council, and no significant weaknesses had been identified in the value-for-money arrangements. Assurance gaps remained in areas such as PPE valuations, reserves, debtor and creditor listings, and journal testing, largely due to capacity constraints and systemic issues carried forward from prior years.

- 5.8. In March 2026, under Urgent Business, Section 151 Officer provided an update on the external audit position. Members were advised that Council was required to agree with the disclaimed opinion to avoid missing the national backstop deadline.

Additional Governance and Assurance Reports to Committee

- 5.9. **Corporate Health and Safety Annual Report** – In September 2025, the Committee received a report updating them on Health and Safety in 2024/25. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.
- 5.10. **Procurement Update** – In January 2026, the Committee received the annual procurement report summarising recent procurement activity, key achievements, legislative updates and planned workloads. Members noted the implementation of the Procurement Act 2023, with procedures, documentation and training updated in line with the new requirements and several procurements already delivered under the new regime. Additional transparency and reporting duties would come into effect from 2026.

Membership of Audit and Risk Committee 2025/26

Councillor Nora Walsh (Chair)

Councillor Gillian Bonnett

Councillor Hazel Clark

Councillor Natacha Dudley

Councillor Smita Rajesh

Councillor James Raven

Councillor Malcolm Sismey

Councillor Andrew Sosin

Independent Persons

Chris Groves

Jeannine Hoeckx

June 2025

- **Joint with Governance Committee**
 - Review of the Local Code of Corporate Governance and Annual Governance Statement 2024/25
- **Audit & Risk Committee**
 - External Audit Update
 - Provisional Revenue Outturn Report 2024/25
 - Capital Programme Update and Provisional Outturn 2024/25
 - Internal Audit Annual Report 2024/25
 - Counter Fraud Report 2024/25
 - Audit and Risk Committee Annual Report 2024/25
 - Audit and Risk Work Programme

September 2025

- External Audit Update
- Updated Internal Audit Plan 2025/26
- Risk Management Report
- Annual Health and Safety Report 2024/25
- Audit and Risk Work Programme

November 2025

- External Audit - Draft Auditor's Annual Report for financial year ended 31 March 2025
- Counter Fraud and Corruption Policy and Strategy 2025-27
- Audit and Risk Work Programme

January 2026

- External Audit – Audit Results Report – Auditors Annual Report and Accounts
- Internal Audit Interim Report 2025/26
- Procurement Update
- Audit and Risk Work Programme

March 2026

- Internal Audit Plan 2026 and Internal Audit Charter
- Risk Management Report
- Account Policies for the 2025/26 Statement of Accounts
- Audit and Risk Work Programme

Audit and Risk Committee

Terms of Reference

Statement of Purpose

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

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

Governance, risk and control

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

Governance reporting

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

Financial reporting

12. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
13. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the council.

14. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

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

External audit

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

Internal audit

23. To approve the internal audit charter.
24. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
25. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
26. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
27. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
28. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
29. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP

- reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.

30. To consider the head of internal audit's annual report, including:

- the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
- the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).

31. To consider summaries of specific internal audit reports as requested.

32. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

33. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.

34. To consider a report on the effectiveness of internal audit to support the AGS as required to do so by the accounts and audit regulations.

35. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

36. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

37. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

38. To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.



Chelmsford City Council Audit and Risk Committee

24th June 2026

Audit and Risk Committee Work Programme

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager elizabeth.brooks@chelmsford.gov.uk

Purpose

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

Recommendations

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

1. Introduction

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

2. Rolling Programme of Work

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

16th September 2026

Agenda Item	Report Owner
External Audit - TBC	Financial Services Manager (S151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan to March 2027	Audit Services Manager
Risk Management Report	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

2nd December 2026

Agenda Item	Report Owner
External Audit - TBC	Financial Services Manager (S151)
Internal Audit Interim Report	Audit Services Manager
Procurement Update	Procurement Manager
Audit & Risk Committee Work Programme	Audit Services Manager

17th March 2027

Agenda Item	Report Owner
External Audit TBC	Financial Services Manager (S151)
Internal Audit Plan 2027 + Internal Audit Charter	Audit Services Manager
Risk Management Report	Audit Services Manager
Accounting Policies	Financial Services Manager (S151)
Audit & Risk Committee Work Programme	Audit Services Manager

TBC June 2026

(Joint meeting with Governance Committee)

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

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit TBC	Financial Services Manager (S151)
Revenue (Outturn)	Financial Services Manager (S151)
Capital Monitoring (Outturn)	
Internal Audit Annual Report	Audit Services Manager
Counter Fraud Annual Report	
Audit & Risk Committee Annual Report & Review of TOR	
Audit & Risk Committee Work Programme	Audit Services Manager

List of appendices: None

Background papers: None

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 frameworks also emphasise the importance of the audit committee, including:

- Delivering Good Governance in Local Government
- Global Internal Audit Standards
- the Code of Practice on Managing the Risk of Fraud and Corruption

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

Consultees: None

Relevant Policies and Strategies: None
