

Audit and Risk Committee Agenda



**11 June 2025 at 7.15pm (or upon the rising
of the joint meeting with the Governance
Committee, whichever is the later)
Waterhouse Room, Civic Centre,
Chelmsford**

Membership

Councillor N. Walsh (Chair)

and Councillors

G. Bonnett, N. Bugbee, H. Clark, N. Dudley, S. Rajesh, 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

11 June 2025

AGENDA

1. Apologies for Absence and Substitutions

2. Minutes

To consider the minutes of the meeting held on 26 February 2025.

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. Provisional Revenue Outturn Report 24/25

8. Capital Programme Update and Provisional Outturn 2024/25

9. Internal Audit Annual Report

10. Counter Fraud Annual Report

11. Audit & Risk Committee Annual Report

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 26 February 2025 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, G. Bonnett, N. Dudley, D. Eley, K. Franks, S. Hall, M. Sismey and A. Sosin,

Independent Persons –
Mr C Groves
Ms J Hoeckx

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Clark, Bugbee and Raven. Councillor D. Eley and Councillor S. Hall substituted for Councillor N. Bugbee and Councillor H. Clark respectively.

2. Minutes

The minutes of the meeting on 22 January 2025 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. Audit Results Report 2023/24

The Committee received a verbal update from the Accountancy Services Manager, Section 151 Officer, detailing that the draft statement of accounts had been published before the deadline in May 2024 and following that, significant work had been undertaken by officers and the new external auditors, Ernst & Young (EY) LLP.

It was expressed that a clear focus development plan should be agreed between Chelmsford City Council and EY to allow for officers to best apply resources to the tasks set by the external auditors.

The Committee received the Audit Results Report from EY. EY expressed that they had been overly optimistic with the first-year audit and that it had taken longer than anticipated. A point had been reached whereby it was decided that no further work would be undertaken for this financial year and would continue to rebuild assurance within the next financial year so that a disclaimed audit opinion could be submitted by the deadline. The Committee were made aware of the areas of the accounts that had been reviewed, and it was explained that there had been no significant weaknesses identified.

In response to questions from Members it was noted that:

- The letter of representation was a necessary part of the audit process and its use is a requirement set by national regulators.
- Inappropriate capitalisation of revenue expenditure, would enable costs to be spread over up to 50 years rather than expensing them immediately when incurred. The spreading of the cost would mis-lead and be unsustainable. The risk of this fraudulent action occurring is higher in organisations such as councils who are facing significant financial pressures. For that reason, external auditors commit significant audit resources to reviewing capital spend at all local authorities.
- In response to local government reorganisation EY expressed the importance of continuing to build assurance for as long as the Council exists. Clearly it is important that there are no significant unknown issues when the new bodies are established.
- The previous external auditor last undertook a full audit in 2020/21, EY were unable to rely on those opinions given they were given too long ago.
- Members asked that EY produce a plan for a future meeting, showing how the audit process would be returned to full annual audits
- Members asked that the delegated authority in relation to the amendments to the Statement of Accounts and letter of representation be extended to the Vice-Chair of the Audit and Risk committee going forward.

RESOLVED that:

- The verbal update from the Accountancy Services Manager, Section 151 Officer be noted,
- The draft Audit Results Report to be noted,
- The Statement of Accounts 2023/24 be approved,
- Authority is delegated to the Chair of the Audit and Risk Committee, in consultation with the Section 151 Officer, to approve any addition amendments to the Statement of Accounts and the letter of representation, arising out of any outstanding audit work, and to publish the final Statement alongside the audit opinion.

(7.04pm to 7.43pm)

7. Internal Audit Plan 2025 and Internal Audit Charter

The Committee received a report detailing the Internal Audit Plan 2025 and the Internal Audit Charter. Members were informed that the Internal Audit Plan for 2025 would be based on prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford, Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussing with the Council staff, senior management, plus consideration of local and national issues and risks. Members were also advised of the approach to produce a 6-month work plan for flexibility to respond to higher risks that might emerge during the year. Members were also advised that there would be follow up reviews to assess implementation of recommendations from the previous year and there was contingency for any ad hoc requests. Members were also informed of the Charter which is a key requirement to demonstrate compliance with Internal Audit Standards and shows the governance structure in which Internal Audit operates.

RESOLVED That the Internal Audit Plan and Charter be noted.

(7.43pm to 7:52pm)

8. Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness

The Committee received an update on the outcome of the recent External Quality Assessment for Internal Audit and an update on Internal Audit's readiness for the new Global Internal Audit Standards (GIAS) which would come into effect on 1st April 2025.

It was reported that the outcome of the External Quality Assessment for Internal Audit was positive and that out of the 130+ standard categories there were only four low-priority recommendations.

A GIAS readiness assessment had been undertaken and was found that the service was mostly compliant with the new requirements. The remaining areas that required improvement would be covered by some updates to Internal Audit practices and would be documented in an updated Audit Methodology, as well as the introduction of the annual Internal Quality Assessment report which will be appended to the Annual Report in June 2025.

The Chair congratulated the team for their hard work around this piece of work.

RESOLVED that the Internal Audit's External Quality Assessment and update on Internal Audit's readiness for Global Internal Audit Standards be noted.

(7.53pm to 7.57pm)

9. Accounting Policies

The Committee received a report

The Committee received a report detailing the accounting policies which would be used in the preparation of the 2024/25 accounts. It was advised that these policies represent specific principles applied in the production of the annual Statement of Accounts. The Council was required to disclose these policies in the notes to the accounts and that they were aligned with the CIPFA Code of Practice on Local Authority which was based on private sector accounting.

Members were directed to the appendix of the report which were the accounting policies that the Council use. It advised that there were two significant changes these were 'Valuations of Council's property and land values' and 'Accounting for leases (IFRS16)'

RESOLVED that:

- the Committee considered and approved the accounting policies to be used in the preparation of the accounts and delegate authority to the accountancy services manager to make amendments.
- That the proposed new national publication deadlines for the Statement of Accounts and their Audit be noted.

(7.57pm to 8.02pm)

10. Work Programme

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

RESOLVED that the work programme of the Committee be noted and agreed.

(8.02pm to 8.05pm)

11. Urgent Business

There was no urgent business.

The meeting closed at 8:06pm.

Chair

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of olive green and brown, set against a blue grid background. The person is wearing a blue suit jacket. The text 'CHELMSFORD CITY COUNCIL Auditor's Annual Report' is overlaid in yellow on the left side of the image.

CHELMSFORD CITY COUNCIL Auditor's Annual Report

Year ended 31 March 2024

7 April 2025

7 April 2025



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

Dear Audit and Risk Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Chelmsford City Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the Council's any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Committee meeting on 11 June 2025.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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Contents

01

Executive Summary



02

Audit of the financial statements



03

Value for Money Commentary



04

Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). 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 July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Committee and management of Chelmsford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Risk 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 Audit and Risk 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 Executive Summary



Executive Summary

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 24 May 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- Conclusions in relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.


Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	<p>Disclaimed – Due to the disclaimers of opinion on the prior years, delays in receiving associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.</p> <p>We therefore issued a disclaimed 2023/24 audit opinion on 27 February 2025.</p>
Going concern	<p>Due to the opinion being disclaimed for 2023/24, we were not able to conclude on whether the use of going concern basis of accounting is appropriate.</p>
Consistency of the other information published with the financial statements	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
Value for money (VFM)	<p>We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.</p>
Consistency of the Annual Governance Statement	<p>We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.</p>
Public interest report and other auditor powers	<p>We had no reason to use our auditor powers.</p>
Whole of Government Accounts	<p>We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our audit certificate until these procedures are complete.</p>
Certificate	<p>We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Chelmsford City Council.</p>



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Chelmsford City Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the senior officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)


Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	Arrangements related to Chelmer Waterside Development, the Council's largest development scheme, which impacts on all three criteria.	No significant weakness identified
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		



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

Ernst & Young (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 year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the financial statements

Key findings

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


On 27 February 2025, we issued a disclaimed audit opinion on the financial statements. Due to the disclaimers of opinion on the prior years, delays in receiving associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.

We reported our audit scope, risks identified and detailed findings to the 26 February 2025 Audit and Risk Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant and higher inherent risk areas. The findings for each of the identified areas are set out in the Audit Results Report in Appendix A. We did not identify any internal control issues and areas for improvement in the control environment.

Significant risk	Conclusion
Misstatements due to fraud or error	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>Our journal testing focused on inappropriate capitalisation of revenue expenditure (fraud risk) did not identify any issues.</p>
Inappropriate capitalisation of revenue expenditure	<p>We have completed our work on capital additions and have not identified any additions that were incorrectly capitalised.</p> <p>Initial testing of REFCUS did not identify items which did not meet the statutory definition. However, as this is a fraud risk area, we must test additional samples to obtain assurance on the balance. Due to the backstop date, we have not been able to undertake further work to conclude on the material accuracy of REFCUS. We will undertake further work on this area as part of the rebuilding assurance processes in 2024/25.</p> <p>Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.</p>

Audit of the financial statements (continued)

Significant risk	Conclusion
Risk of error in valuation of property, plant and equipment specifically other land & buildings, surplus assets and investment property	<p>Our testing has provided assurance over the material accuracy of the valuation of investment property and surplus assets as at 31 March 2024 for assets revalue in year. In relation to other land and buildings, there were four samples where testing could not be completed within the available timeframes due to the need for additional information to be provided in relation to the valuation inputs of the sampled properties. We have no matters to report on the other land and buildings samples tested.</p> <p>We do not have full assurance over the overall value of PPE (other land & buildings and surplus assets) and investment property in the Council's Balance Sheet at 31 March 2024. This is because we do not have assurance over additions, disposals and valuations in 2021/22 and 2022/23 due to the opinion on those years being disclaimed. Therefore, we do not have assurance over the completeness and accuracy of movements in 2021/22, 2022/23 and the resulting asset base for 2023/24.</p>
Inherent risk	Conclusion
Pension liability valuation	<p>We have received the IAS 19 assurance response from the Essex Pension Fund auditor. The Council's share of the differences in the testing of investment assets by the Essex Pension Fund auditor is £233,990 resulting to understatement of investment assets. This is not material to the Council.</p> <p>We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified any issues.</p> <p>We were supported by our EY Pensions team to review the IAS19 reports and asset ceiling calculation. Their work required additional data from the actuary which due to timeframes will not be received before the backstop date and therefore we will rebuild the assurance on this area in 2024/25.</p> <p>We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.</p>
Heritage assets - completeness and existence	<p>We have reconciled the assets listing with the value of heritage assets to the disclosure in the financial statements and have no matters to report.</p> <p>However, we have not been able to test the existence and completeness of heritage assets due to timeframes and the level of audit work required due to the nature of asset base. It was therefore agreed that we will rebuild the assurance on this area in 2024/25.</p>



Audit of the financial statements (continued)

Inherent risk	Conclusion
Minimum revenue provision (MRP) calculation	We have reviewed the calculation of Capital Financing Requirement and Minimum Revenue Provisions. Based on the information provided to us, we are satisfied that the Council's MRP Policy is compliant with the statutory guidance issued by MHCLG.

Area of focus	Conclusion
IFRS 16 leases disclosures	We assessed and reviewed the work of the Council in relation to IFRS 16 and we have nothing to report based on the work completed.



03 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council has a number of processes supporting its delivery of services and the budget, such as the budget setting and the Medium-Term Financial Strategy (MTFS). The fundamental aim of the Council's MTFS is to maintain a sustainable financial position against a background of continuing financial uncertainty and reduced government funding as well as to support the delivery of the ambitions in the local plan. Council sets out MTFS for the next 5 years, 2023/24 – 2027/28, which provides a financial framework to support delivery of the Council's priorities.

The MTFS continues to forecast a gap between the Council's need to spend and the available resources. While the budget for 2023/24 has been balanced by using a mix of cost savings, income generation, higher fees and charges, increased use of reserves, and a Council tax increase, there remains a budget gap in future years amounting to £3.467 million in 2024/25, £2.691 million in 2025/26, £0.884 million in 2026/27, and £1.307 million in 2027/28.

The Council has established and continually updates its strong system of budget monitoring and financial control, with regular reporting both at Executive and Scrutiny level via the Audit & Risk Committee (year-end review), Overview and Scrutiny Panel (mid-year review), and Cabinet. The robustness of the financial management arrangements of the Council take into account several financial risks and assumptions including the efficiency and savings, economic structural changes such as level of income projection, inflation, energy forecast, pay, revenue budget growth, housing service costs, cost of living crisis and impact on demand, government funding, extended producer responsibilities (EPR), and business rate retention.

General Fund reserves balances at 31 March 2024 were £29.668 million, of which £15.032 million was earmarked. General Fund reserves are forecast to be £13.101 million, £14.271 million and £13.376 million in 2024/25, 2025/26 and 2026/27 respectively. The Council has plans to hold a minimum level of reserves of £9 million as set out by the Section 151 officer in the Medium-Term Financial Strategy. The Council holds a number of earmarked reserves to provide for future expenditure such as pension deficit payments, to guard against specific risk such as the reserve to support revenue costs of abortive capital projects, and to hold uncertain income until it is fully realised (Business Rates Retention income).

The Council has a revenue and capital monitoring process. Audit and Risk Committee receives Revenue Outturn report to review the key variances and actions identified. This enables the Council to identify any financial shortcomings or potential savings throughout the year. During 2023/24 senior managers were given a detailed monthly report whereas Management Team and Cabinet Members received an informal quarterly report identifying actions to address any overspends where possible. The Council only takes borrowings if needed.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council produces an Annual Governance Statement (AGS) each year and this includes an annual review of the effectiveness of the system of internal controls included in the Council's published Statement of Accounts. The preparation and publication of the Annual Governance Statement in accordance with 'CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016)' fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement for 'preparation in accordance with proper practice'. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment", which describes key elements of the Council's governance arrangements, covering key corporate systems and the range of activities for which the Council is responsible, describes processes applied in reviewing their effectiveness, and lists actions proposed to deal with significant governance issues identified.

Internal audit plays a vital role in providing independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

The Audit Services Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. 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 opinion takes into account the outcome of work during 2023/24. Of the nine reviews conducted, four were given substantial assurance, three were moderate, one limited and one where only a management letter was provided. The four audit reviews where substantial assurance were received consists of Council tax and Housing Benefit', 'UK Shared Prosperity Fund', 'Council Surveillance', and 'Parks and open spaces - Income/hire including allotments'. Moderate assurances were given to 'Safer Recruitment and Payroll', 'Members allowances and expenses', and 'Theatres - Box office income/food & beverages'. The overall audit opinion provided to the Council as a result of these reviews carried out by the Internal Audit for 2023/24 was '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.

The Council also has a Counter Fraud Strategy which acknowledges the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategy are set out in a corresponding action plan, which included updating the Council's Fraud Risk Register and Anti bribery and corruption risk register. The risk of fraud is also monitored via the Council's Principal Risk Register to proactively identify, understand and manage the risks inherent in Council's services and associated with Council's plans and strategies, to encourage responsible, informed risk taking within risk appetite and reduce exposure to a tolerable level using a justifiable level of resources. Whistleblowing policy is also available to staff, key stakeholders and the general public via the Council's website.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2024.

Our risk assessment identified a risk of significant weakness in arrangement relating to Chelmer Waterside Development, Council's largest development scheme. As this risk impacted on all three vfm criteria, commentary on this has been included on page 18 of this report.

The Council has a Local Plan which sets out the strategic priorities in place that addresses how things are changing, what issues need to be addressed and what opportunities will be created. This will ensure that the Local Plan recognises Chelmsford's spatial characteristics in planning for its future development. The strategic priorities are as follows:

- Addressing the Climate and Ecological Emergency
- Promoting smart, active travel and sustainable transport
- Protecting and enhancing the Natural and Historic Environment, and support an increase in biodiversity and ecological networks
- Ensuring sustainable patterns of development and protecting the Green Belt
- Meeting the needs for new homes
- Fostering growth and investment and providing new jobs
- Creating well designed and attractive places, and promoting the health and social wellbeing of communities
- Delivering new and improved strategic and local infrastructure
- Encouraging resilience in retail, leisure, commercial, and cultural development

In addition, a Local Development Scheme (LDS) is developed to set out what Local Plan related documents the City Council intend to prepare and a timetable for their production and consultation in the period. Chelmsford City Council's first LDS was adopted in 2006 and has since been subject to eight previous reviews.

The Council has also a number of strategic partnerships such as Safer Chelmsford Partnership and South Essex Parking Partnership (SEPP), among others. In each case, the Council forms these partnerships based on a contract which contains specific requirements in terms of service delivery and KPIs to monitor performance.

The Council has a Code of Conduct, which governs the standards of behaviour expected of elected members and a Code of Ethics and Standards for staff which applies to officers. The Council also has procurement policies and procedures and provides training for all officers.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.

Value for Money Commentary (continued)

Council's value for money arrangements on Chelmer Waterside Development, Council's largest development scheme

No significant weakness identified

We have identified a potential risk of significant weakness in relation to the Council's arrangement for the Chelmer Waterside Development, the Council's largest development. We have reviewed the Council's value for money arrangements in each of the reporting criteria:

- Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council has a capital monitoring process which covers the Chelmer Waterside Development. This is also considered when setting the budget during the year.

The project manager submits a monthly report on all the elements of spending which make up the Chelmer Waterside Scheme. The report outlines the progress updates, key issues and cost updates, which set out the current position on forecast cost and spend to date versus budget and funding. Costs presented in the report are consistent with the planned capital expenditure per the budget. The scheme is currently funded from grants and Community Infrastructure Levy. Reductions in the overall capital programme costs have meant that no borrowing has been needed for Chelmer Waterside Development to date. No capital receipts from this scheme have been included in the financial forecasts.

- Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council has established a Project Panel to provide strategic oversight for the project. The Panel will receive regular project updates and make necessary recommendations to Cabinet in relation to any key decisions linked to the project. A Project Team will report to the Chelmer Waterside Project Panel in terms of the day-to-day delivery of the three elements of the project.

A risk management strategy for the Project is in place and monitored by the Project Board. A project manager has been appointed to help Council in monitoring the progress of the project, identifying key risks and forecasting and managing the costs. The overarching risk management strategy is covered within the progress report submitted by the project manager.

The Council had also considered legal and professional advice to support the decision-making process in relation to the development. The Council had undertaken further due diligence to ensure that potential risks have been identified, evaluated, and mitigated.

- 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
- Regular capital expenditure and resources monitoring is undertaken which includes Chelmer Waterside. This monitoring includes reviewing all the forecast capital spending and funding streams available. This enables judgements to be made as to whether there are sufficient resources available to fund the capital spend and whether there may be requirements for borrowing.

The capital financing requirement is monitored regularly along with prudential indicators, which are reviewed and when necessary, changes approved. The cost of financing the capital spend (MRP and interest) is reported with the revenue budget. The capital expenditure programme is reviewed as part of the monitoring and budget setting. Changes identified impacting prudential indicators are reported to Council.

Conclusion: Based on the work performed, the Council had proper arrangements in place to in relation to this development scheme, Chelmer Waterside Development in 2023/24. No significant weakness identified.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>Despite the income and cost pressure from structural changes arising from Covid-19 and the economic environment, the Council has put in place arrangements to manage the available resources effectively to ensure it can continue to fund high quality services. The medium-term financial strategy (MTFS) details the budget setting process to ensure that the Council's resources are managed effectively in order to meet its statutory responsibilities and deliver the aspirations of the Council, over the medium term.</p> <p>The production and drafting of MTFS involves consulting service managers, directors and members to identify issues and risks. This is done by circulating budget packs to every cost centres for the projections.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The Council's MTFS identifies any budget gaps in future years. This report tries to identify a balanced approach to the use of reserves, reflecting that some significant cost pressures in the budget may be temporary, lasting only 2-3 years. Specific reserves should be established to meet these time-limited cost pressures. The Council acknowledges that the use of reserves is not sustainable in the long term as reserves are finite. However, it is too early to implement all the financial measures needed to move the budget onto a sustainable footing.</p> <p>Nonetheless, the Council will still need to continue to examine options to increase the use of Business Rate Retention Income to support ongoing expenditure, defer capital expenditure, and increase fees and charges for some services.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	This is through the services produce via the Council's finance system budgets for current and future years. These are tested by Accountancy and Management Team (MT). The priorities of the organisation are fed into the budget process by services, MT and Informal cabinet meeting prioritising spend and savings. Bidding for additional capital and revenue resource is prioritised by MT and Members. This is done by circulating budget packs to every cost centres for the projections.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Capital investment decisions form part of the budget planning. Capital bids are made by services which enable clear assessment by Management Team (MT) and Members. The Council produces a forecast that allows for capital strategy and plans. The services include in budgets the requirements of their relevant strategies. MT as consultees on the budget ensures compliance with their services priorities and strategies. Service Managers will ensure budget proposals include the implications of operational planning and strategies. MT and Informal Cabinet discuss these at un-minuted meetings.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council captures risks by a risk register to proactively identify, understand and manage the risks inherent in the Council's services and associated with Council's plans and strategies, so as to encourage responsible, informed risk taking within the Council's risk appetite and reduce exposure to a tolerable level using a justifiable level of resources. The key element identification of risk is via ensuring services monitor current in year spend and future spending plans.</p> <p>The risk management function assists the Council to identify, understand and manage its risks. The function reports twice a year to the Audit and Risk Committee to enable the Committee to monitor the effective development and operation of risk management in the Council. The Council has also a reserve levels determined by risk assessment.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council's risk management framework provide risk information to support decision-making and resource allocation, improve compliance with policies, procedures, laws and regulations and stakeholder expectations and provide assurance to internal and external stakeholders that the Council is well-managed. All decision at Cabinet and Council require consultation with monitoring officer and S151.</p> <p>The Council also utilises the internal audit function to review controls. The Audit Services Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit have developed internal audit plan which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.</p>
How the body approaches and carries out its annual budget setting process	<p>The Full Council is responsible for setting budgets and policies while the Cabinet is responsible for making day-to-day decisions within the budgets and policies that the Full Council has set. Service managers involvement is done via submission into financial system of current and future year finance, in late summer. Accountancy challenge the budget submissions. Management Team and informal Cabinet discussion of budget position from early summer to final publication of proposals in January. In addition, the Section 151 officer analyses the major risks contained within the budget and provides an opinion on the robustness of the estimates and the adequacy of reserves, in line with statutory requirements.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Monthly snapshot information of key financial spend and income are produced. Summary reporting of current year spend is done four times a year to Management Team and Cabinet members which includes identifying financial challenges and undertaking corrective actions.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's constitution contains details of their decision-making process. It sets out how they operate, how they make decisions and the procedures that Council follow. Council or committee reports are published via the Council' website, and the contents are available online (wherever possible). System of reports and delegations requires written evidence when deemed a key decision. The Council maximises the use of internal audit function to identify weakness or review decision process may have demonstrated weakness. The Audit and Risk Committee (TWCG) provides independent assurance over the adequacy of the risk management framework and the internal control environment. Amongst other things, the Audit and Risk Committee review the Council's corporate governance arrangements, determine the scope and depth of external audit activity, and also commission work from internal and external audit.



Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council has several policies and procedure manuals relating to its processes and internal control. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out. Management communicates expected and acceptable behaviour via written codes of conduct for staff and members.</p> <p>The Council has a number of arrangements in place to ensure compliance with laws and regulations:</p> <ul style="list-style-type: none">- The intranet holds the Council's Code of Conduct which Members and staff are expected to follow.- Under s5 of the Local Government and Housing Act 1989, the Council has a Monitoring Officer who is responsible for ensuring that the action/inaction by the Council, its committees or officers is not contrary to law.- Committee reports have a legal implications section included.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The scrutiny of financial management is undertaken by Internal Audit, Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.</p> <p>Financial monitoring highlights overspends which enables Management Team to challenge service performance. Accountancy undertake analysis of year end position and identify areas where activity is not aligned to budgetary objectives. Overspends on housing in last two years have led to reviews of service activity.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Overview and Scrutiny Committee will establish time-limited Task and Finish Groups to undertake investigations or reviews. Task and Finish Groups are responsible for undertaking an in-depth review to investigate specific aspects of policy, services or issues of concern to the community. The work undertaken by Task and Finish Groups aims to influence and improve policy and service delivery. Task and Finish Groups will consist of a minimum of two Councillors and take into account cross party representation. Each Task and Finish Group will be required to prepare a final report for submission to the Overview and Scrutiny Committee where future actions and recommendations will be considered and discussed.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of strategic partnerships such as Safer Chelmsford Partnership and South Essex Parking Partnership (SEPP), among others. In each case, the Council forms these partnerships based on a contract which contains specific requirements in terms of service delivery and KPIs to monitor performance.</p> <p>Specific individuals are responsible for the management and monitoring of these partnerships and review the KPI's through deep dive sessions and the Task and Finish groups. Corporate plan targets are monitored via the Council EPR system.</p>



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council does not undertake any material level of commissioning. The procurement of services is managed by Council rules. Compliance with the rules is tested via internal audit and by the procurement team being able to analyse and monitor spend via the Council's financial system. The Procurement Team supports the Council's corporate priorities through enabling officers to purchase goods, services and works in a way which is not just legally compliant, but which also secures value for money.

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Chelmsford City Council

Provisional Audit Planning Report
Year ending 31 March 2025
22 April 2025



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



Shape the future
with confidence



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

22 April 2025

Dear Audit and Risk Committee Members

Provisional Audit Planning Report

Attached is the provisional Audit Planning Report for the upcoming meeting of the Audit and Risk Committee. This report aims to provide the Audit and Risk Committee of Chelmsford City Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is 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 summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. We have not yet fully completed all our planning work, and will update the Committee on any changes to our risk assessment once we have concluded all our procedures. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

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 affect the level of resources required to fulfil our responsibilities. We will 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. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. 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).

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 11 June 2025 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
2024/25 audit strategy

2 Audit risks

3 Value for Money
risks

4 Audit
Materiality

5 Scope of
our audit

6 Audit team

7 Audit timeline

8 Independence

9 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.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/>). 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 July 2021)' issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 and Risk Committee and management of Chelmsford City Council**. Our work has been undertaken so that we might state to the **Audit and Risk 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 and Risk 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 2024/25 audit strategy overview

2024/25 audit strategy overview

Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- **Phase 1: Reset;** clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- **Phase 2: Recovery from Phase 1;** from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- **Phase 3: Reform;** involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Audit Results Report presented to the Audit and Risk Committee on 26 February 2025, we disclaimed our audit opinion on the Council's 2023/24 financial statements.

We have obtained assurance over some of the closing balances in 2023/24. However, we do not have assurance over all brought-forward balances in 2024/25. Consequently, we lack assurance over all in-year movements and some closing balances for 2024/25. Although we will continue to work towards rebuilding assurance ahead of the 2024/25 backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimer of opinion in 2024/25.

2024/25 audit strategy overview (cont'd)

Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2021/22 and 2022/23 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit and Risk Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

2024/25 audit strategy overview (cont'd)

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.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	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	<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 and revenue expenditure funded from capital under statute (REFCUS).</p>
Risk of error in valuation of property, plant and equipment, specifically other land & buildings and surplus assets	Significant risk	No 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.
Risk of error in valuation of Investment Property	Inherent risk	Change in risk 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>

2024/25 audit strategy overview (cont'd)

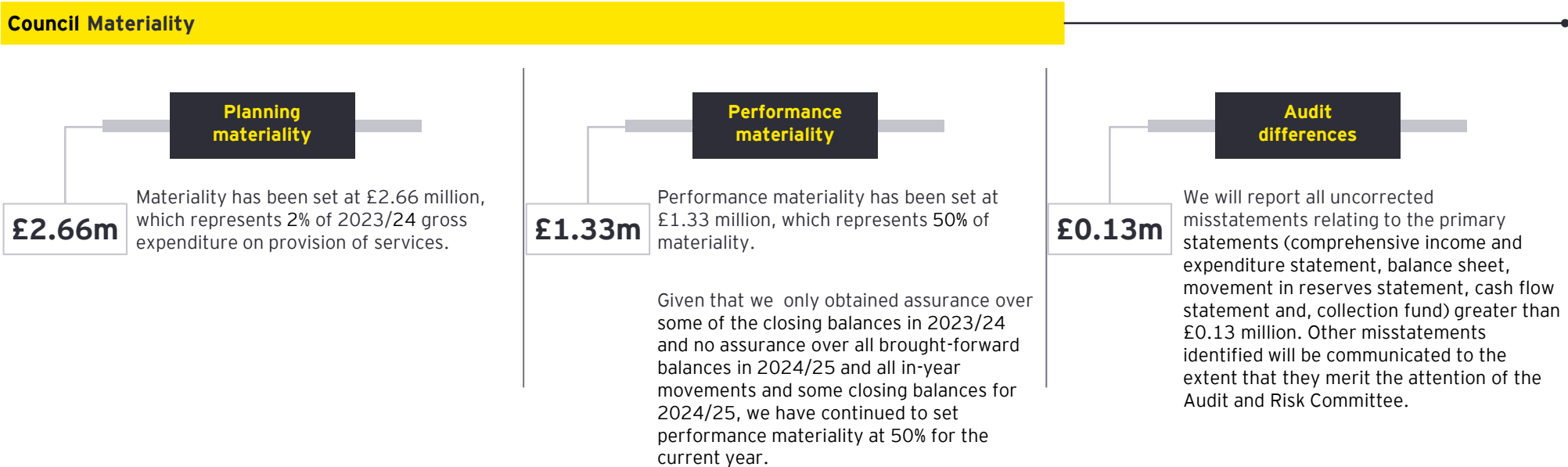
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus (cont'd)

Risk/area of focus	Risk identified	Change from PY	Details
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements.</p> <p>Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.</p>
IFRS 16 Implementation	Inherent risk	New risk	<p>IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. Where the Council is the lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and a lease liability reflecting the obligation to make lease payments.</p> <p>Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts need to be updated annually based on prevailing indices.</p>

We will continue to keep the Audit and Risk Committee updated on our assessment of any changes to audit risk.

2024/25 audit strategy overview (cont'd)



We will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.

2024/25 audit strategy overview (cont'd)

Audit scope

This Audit Planning Report covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter, and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

2024/25 audit strategy overview (cont'd)

Audit scope (cont'd)

Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

We inquire about climate-related risks during every audit as part of our understanding of the Council and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

Audit scope and approach

We plan to adopt a substantive audit approach.

2024/25 audit strategy overview (cont'd)

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- 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.

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Timeline


An audit timetable has been agreed with management. In Section 07 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.



Presumptive risk of management override of controls*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure (including REFCUS) *

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- 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.

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.

What is the risk?

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.

What will we do?

- Test Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess 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.
- Consider 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.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Seek 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)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of error in valuation of property, plant and equipment, specifically other land & buildings and surplus assets

Financial statement impact

We considered that the level of estimation uncertainty and complexity is higher on land and building valuations. The net book value of these properties as at 31 March 2024 are as follows:

- ▶ Other land & buildings - £165.46 million
- ▶ Surplus assets - £8.79 million

What is the risk?

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, surplus assets and investment property valuations held in the balance sheet.

What will we do?

- ▶ Consider the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Assess the classification of assets and the valuation basis that are assigned as a result to confirm they are appropriate;
- ▶ Review and sample test any material increases or impairments that arise during the year;
- ▶ Group the assets revalued during the year into types, depending on the nature and valuation basis. Select a sample of assets based on value and complexity of valuation and movements in year, ensuring that at least one asset have been selected from each type. For the assets sampled we will:
 - Assess the appropriateness of the methodology used by the valuer;
 - Test the material accuracy of key inputs used by the valuers in performing their valuation, such as floor plans and land areas
 - Assess the reasonableness of the key assumptions used in the valuations, such as yield rates, obsolescence;
 - Investigate any significant variations between our estimates and the values determined by the value;
- ▶ Where we identify assets that involve more complex specialist judgements, we will consider the need to engage our EY valuers to support the audit team in the above assessment:
- ▶ Review the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for property, plant and equipment and annually for investment property;
- ▶ Review assets that are not subject to valuation in 2024/25 to confirm the remaining asset base is not materially misstated; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements.

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 and therefore may be key audit matters, we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Risk of error in valuation of Investment Property

The Council's investment property represent a significant balance in the Council's financial statements, with the total balance at 31 March 2024 being £54.09 million.

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.

Our response: Key areas of challenge and professional judgement

We will:

- 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 testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review of the Council 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.

Financial statement impact

Incorrect valuations from the incorrect application of methodologies or use of inappropriate assumptions and estimations would lead to an under or overstatement of asset values on the balance sheet

Other areas of audit focus (cont'd)

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 and therefore may be key audit matters, we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

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. At 31 March 2024 this totalled £5.312 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the material accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus (cont'd)

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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IFRS 16 Implementation

- IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.
- IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.
- Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Financial statement impact

- Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.
- Lease liabilities and right of use assets will be subject to more frequent remeasurement.
- Other amendments have been made to the CIPFA Code to expand the definition of donated assets to include right-of-use assets and on accounting for leases provided at below market rate, including peppercorn and nil consideration.

What will we do?

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.



03 Value for Money risks

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.

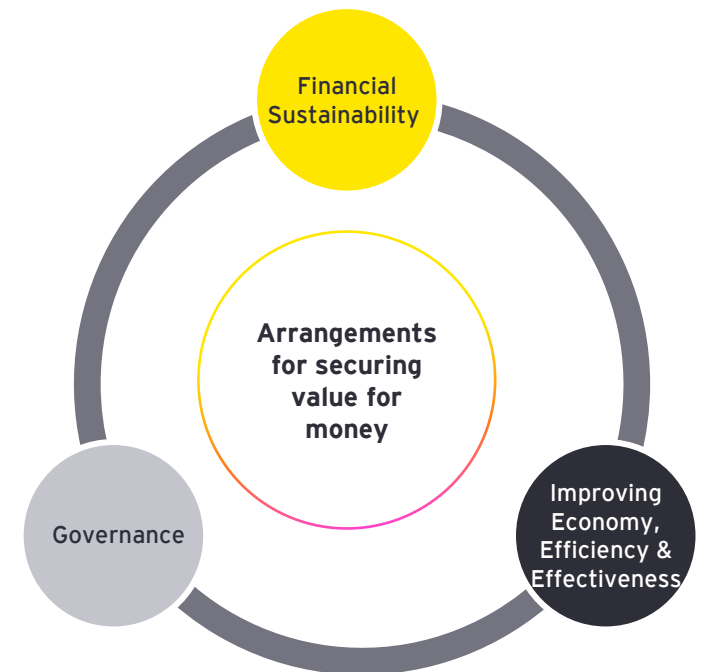
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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 (cont'd)

Planning and identifying risks of significant weakness in VFM 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 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 as 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.

Responding to identified risks of significant weakness

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.

Value for Money (cont'd)

Reporting on VFM

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 awareness. 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 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Status of our 2024/25 VFM planning

We have yet to complete our detailed value for money planning. However, one area of focus will likely be on the Council's financial sustainability arrangements. 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.

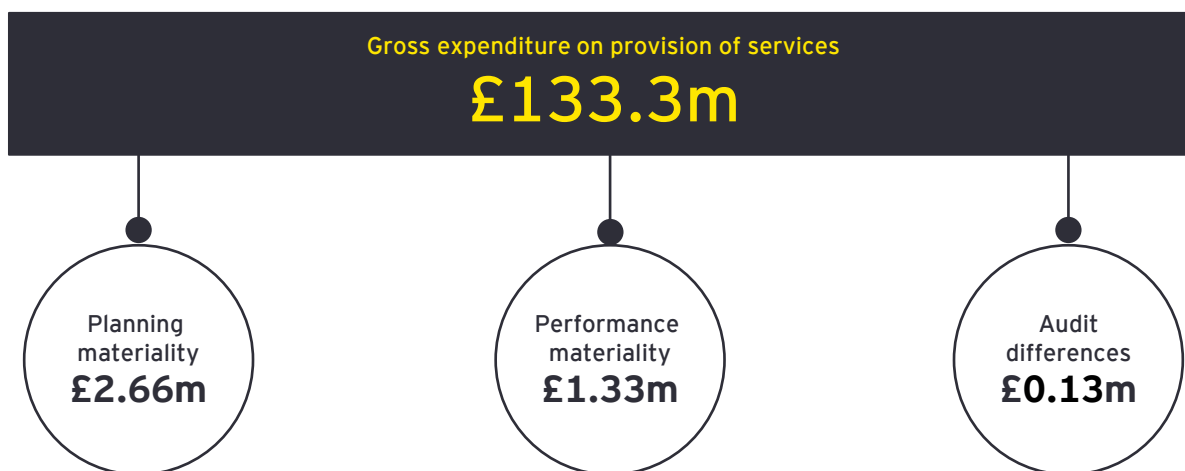


04 Audit materiality

Materiality

Council materiality

For planning purposes, planning materiality for 2024 has been set at £2.66 million. This represents 2% of the Council's 2023/24 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 will keep the Audit and Risk Committee updated on any changes to materiality levels as the audit progresses.

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 £1.33 million which represents 50% of materiality. Given that we only obtained assurance over some of the closing balances in 2023/24 and no assurance over all brought-forward balances in 2024/25 and all in-year movements and some closing balances for 2024/25, we set performance materiality to 50% for the current year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount 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 statement 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

Objective and Scope 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 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 group 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.

Audit process and strategy (cont'd)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

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



Use of specialists

Our approach to the involvement of specialists, and the use of their work

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

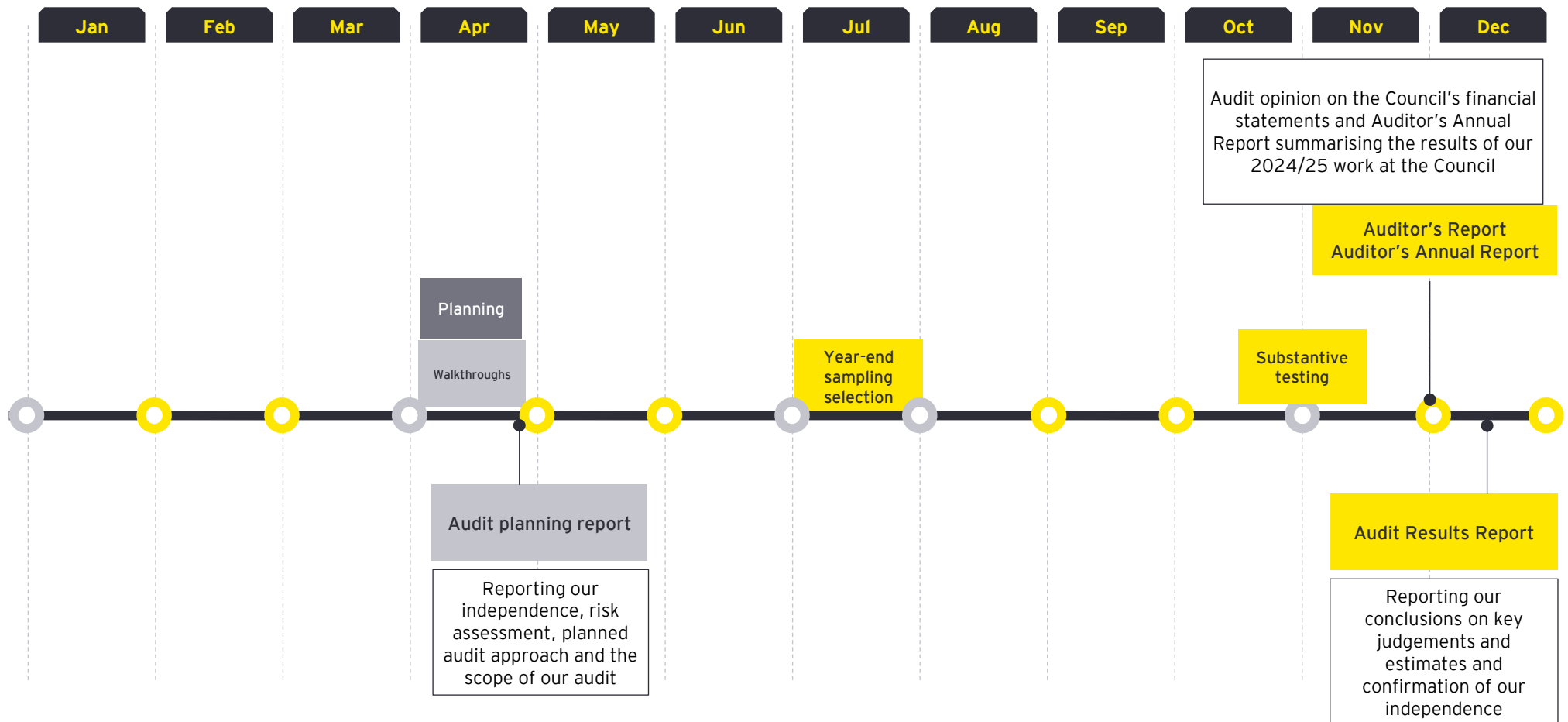


07 Audit timeline

Timetable of communication and deliverables

Provisional Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit and Risk Committee, and we will discuss them with the Audit and Risk Committee Chair as appropriate.





08 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a 'pre-approval' to provide the service).
- All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

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 2019 (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 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 Ethical Standard part 4. There are no other self interest threats at the date of this report.

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 decision 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.

Other communications

EY Transparency Report 2024

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 2024 and can be found here: **EY UK 2024 Transparency Report**.



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page 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.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 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.

Appendix B – Fees

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 2024/25	Prior Year 2023/24
	£	£
Total Fee – Code Work	181,856	166,466
Other - variations to scale fee	TBC (Note 2)	62,513 (Note 1)
Non-audit service (Housing benefit certification) (Note 3)	TBC	TBC
Total fees	TBC	TBC

All fees exclude VAT

Notes:

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by MHCLG, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit. We have submitted our scale fee variation to PSAA for their determination, covering the following areas:
 - ISA 315 - £9,425
 - IFRS 16 - £5,994
 - VFM significant risk - £5,160
 - Work of internal experts (EY Real Estates and EY Pensions) - £26,882
 - Work to support the disclaimer opinion including internal consultations - £6,974
 - Issues relating to obtaining transaction listings and working papers - £8,078
2. The scale fee 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 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
3. Our work on the certification of the Council's Housing Benefit claim will be billed on completion and will be impacted by the level of errors identified and resulting additional testing.

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 and Risk 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 ▪ Any limitations on the planned work to be undertaken ▪ 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 2025
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 ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process ▪ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Audit results report - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

		Our Reporting to you
Required communications	What is reported?	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 ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The adequacy of related disclosures in the financial statements 	Audit results report - November 2025
Misstatements	<ul style="list-style-type: none"> ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management 	Audit results report - November 2025
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the Audit and Risk 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, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▪ 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 and Risk Committee responsibility 	Audit results report - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - November 2025
Independence	<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> <ul style="list-style-type: none"> ▪ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ 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 <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - April 2025</p> <p>Audit results report - November 2025</p>
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 - November 2025
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 and Risk 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 and Risk Committee may be aware of 	Audit results report - November 2025
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit 	Audit results report - November 2025

Appendix C – Required communications with the Audit and Risk Committee(cont'd)

Required communications	What is reported?	Our Reporting to you
		When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - November 2025
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - November 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - November 2025
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report - November 2025

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ED None

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Audit and Risk Committee

11th June 2025

Provisional Revenue Outturn Report 24/25

Report by:

Accountancy Services Manager (Section 151 Officer)

Officer Contact:

Phil Reeves, Accountancy Services Manager (s151),
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Purpose

This report is for noting and informs Members of the revenue outturn position for 24/25, along with the associated risks and potential ongoing impact

Recommendations

It is recommended that the revenue outturn position for 24/25 and actions arising be noted.

1. Summary

- 1.1. This report identifies Council expenditure and income for 24/25 compared to the original budget. The overall position for 24/25 results is an improvement in the expected General Fund reserve position, which is £3.89m better off than the 2024/25 Original Budget, (measured against the 2025/26 budget assumption this is £2.5m better).
- 1.2. Net Service level budgets were underspent by £1.6m in 24/25, predominantly due to additional income.

- 1.3. Non-service level budgets were underspent by £3.9m in 24/25, predominantly due to a one-off gain of £1m from the disposal of the Councils investment in the CCLA property fund, additional interest (£0.8m), business rates (£0.8m) and grant income (£0.4m).
- 1.4. There was a reduced use of earmarked reserves in 24/25 against the Original Budget of £1.7m (see Appendix 3)
- 1.5. Appendix 1 covers the key variations, actions and risks at the service and non-service level for 24/25
- 1.6. Appendix 2 covers the potential ongoing impact of the outturn position on future years budgets. Initial evaluation suggests there is a potential overall gain of between £530k and £1,960k that could be adjusted to ongoing budgets to be reviewed as part of the budget process.
- 1.7. Appendix 3 shows the impact on the earmarked and unearmarked reserves positions as a result of the 24/25 outturn position.
- 1.8. Appendix 4 shows the supplementary estimates approved during 24/25 and the estimated financial impact on 24/25, 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 24/25 was £3.89m better than the Original Budget, a significant proportion of this has already been allowed for in 25/26 budgets and onwards.
- 2.2. The 25/26 Budget report presented to Council in February 2025 highlighted a forecast budget gap for 26/27 of just under £2.6m. The table below highlights the potential range of the gap that could occur for 26/27 given the outturn position for 24/25 and the ongoing impacts that could occur. More detail is provided on each of these movements in Appendix 2.
- 2.3. Further analysis and work will be done throughout the budget process to finalise any ongoing impacts to budgets and determine the potential budget gap for 26/27 onwards as a result.

Description	Downside Case	Upside Case
	£000s	£000s
25/26 Budget Report Forecast gap for 26/27	2,579	2,579
Appendix 2 Total Variations	(530)	(1,960)
Updated Forecast gap for 26/27	2,049	619

3. Reserves

- 3.1. Appendix 3 highlights the movements on the earmarked reserves and unearmarked reserves for 24/25 against the latest forecast position presented in the 25/26 Original Budget report to Council in February

- 3.2. The appendix shows that earmarked reserves balances were just under £1m higher than forecast in the 25/26 budget report. This was predominantly due to a £0.9m variation on the Chelmsford Development Reserve which is a delay in use of the reserve till future years.
- 3.3. The Budget report for 2025/26 allowed for £1.4m of additional General Fund reserve based on financial monitoring in November. The General Fund position at outturn is £2.5m better than the forecast in the 25/26 budget report due to the variations outlined in Appendix 1 of this report.
- 3.4. The additional £2.5m in General Fund balances at the end of 24/25 will need to be considered as to its use. Some options are to set aside the additional amount for Local Government Reorganisation costs for restructuring/implementation and/or future capital contributions. Additionally, an actuarial review of the Council's self-insured risks suggests an extra £0.5m should be added to the insurance reserve.

4. Supplementary Estimates 24/25

- 4.1. Appendix 4 highlights the supplementary estimates approved during 24/25 against the £300k provision during the year.
- 4.2. A total of £365k worth of supplementary estimates were approved during the year, with the impact on 24/25 being an expected £132k worth of spend. The remainder will be spent in future years. The majority of the supplementary estimates were for one-off spend, with the ongoing elements already reflected in 25/26 budgets.

5. Conclusion

- 5.1. The revenue outturn position for 24/25 shows an improved position for the General Fund position due to net underspends and the service and non-service level.
- 5.2. Some of these net gains have already been reflected in 25/26 budgets and onwards, but there are further gains that could be reflected in future budgets as shown in Appendix 2 and the table above.
- 5.3. Income in particular was higher across the Council in 24/25 against the budget and against the latest forecasts throughout the year. The revenue monitoring process will be looked at in 25/26 to try to avoid in future a pessimism bias on income forecasts by services and accountancy. Interest estimates for 2025/26 have already allowed for greater upside risk, but the position will be monitored and considered in the budget process.
- 5.4. It is difficult to evaluate if the gains on Government grants are ongoing, given the Government's current review of its next 3-year spending plans and commitment to change funding allocations to Councils in 2026/27.
- 5.5. Budgets will be reviewed again throughout the budget process in order to understand what the latest forecast budget gaps for 26/27 and beyond are.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position – 24/25

Appendix 2 – Potential Ongoing Budget Changes

Appendix 3 – Reserves Outturn Position

Appendix 4 – Supplementary Estimates Approved in 24/25

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:

(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:

None

Relevant Policies and Strategies:

None



Summary Outturn Position

This dashboard highlights the outturn position for spend, income and reserve movements for 2024/25 against the Original Budget.

The report shows **the improvement of the General Fund position**, which is **£3.89m better off than the Original Budget** due to the key variations:

Favourable Variations:

- £1,219k net underspend on TA costs due to reduced households and cost per case compared to budget
- £750k additional Business Rate Retention income released to the General Fund
- £916k additional net service income from various one-off grant schemes (predominantly housing related)
- £1,376k additional interest earnings and reduced interest/borrowing costs
- £354k net underspend on utilities
- £753k additional income from Leisure centres
- £528k additional net income from the Theatre (including £65k gain due to the Cultural VAT Exemption scheme)

Adverse Variations:

- £400k estimated overspend due to the additional cost of the approved pay award
- £511k reduced income at the Crematorium due to lower mortality rate and increased competition across Essex
- £821k overspend on vehicle fleet, building maintenance and software costs to be investigated
- £395k overspend on HB Subsidy (non-TA related)

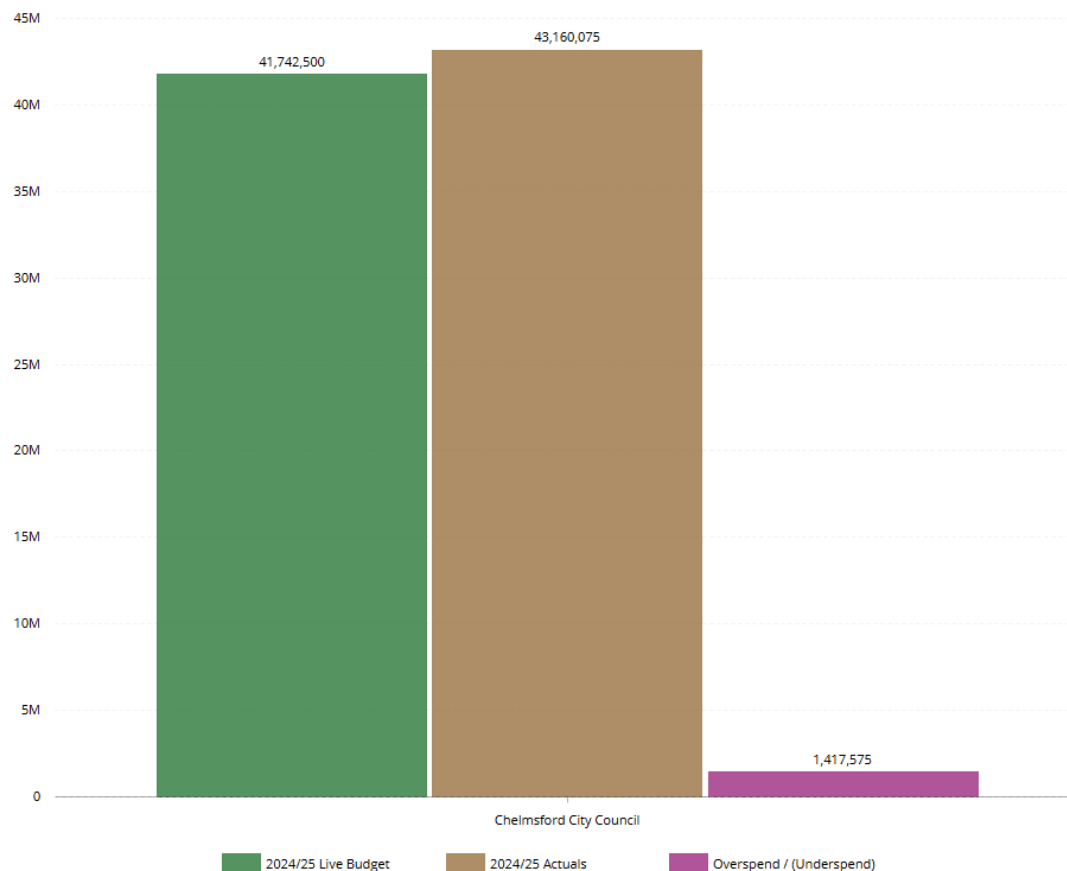
The outturn position highlights an overspend on employee costs of £1.4m (including the approved pay award), an overspend of £1.0m on other expenditure and additional income of £4.4m, resulting in a net service underspend of just over £2.0m before HB subsidy. After the HB subsidy variation, the net service underspend is £1.6m. Expenditure at the service level was higher than budgeted in 24/25, but this is at least in part due to generating additional income.

Non-service variations including additional interest income, business rates income and grant income, total £2.9m. Earmarked reserves were £1.7m underused against the budget. Adding all of these variations together brings you to the £3.89m variation for the General Fund position for 24/25.

The ongoing impact of these variations is less than the £3.89m as a significant amount has already been allowed for in the 25/26 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 - 2024/25 Outturn Report - Service Level

24/25 Employee Spend

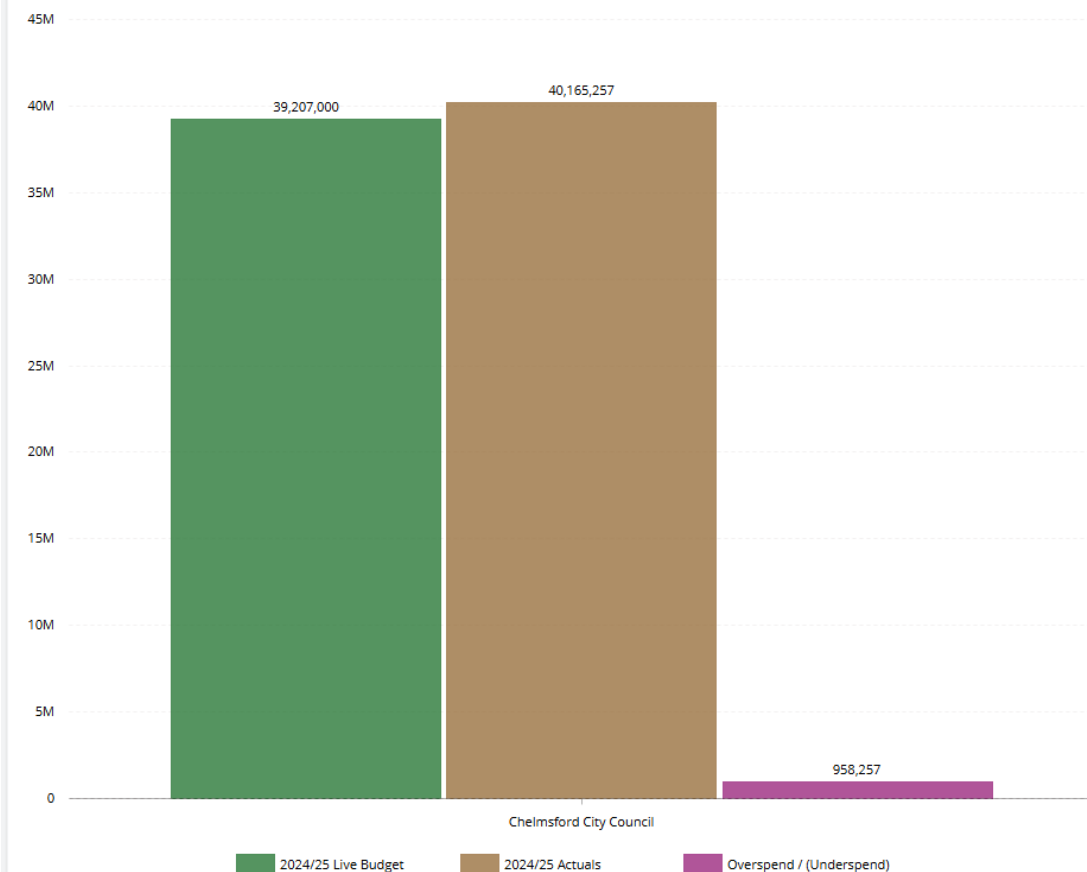


Employee Key Variations, Actions and Risks

Variations	Actions	Risks
£372k overspent on casual staff which is predominantly offset by additional income (£259k Leisure, £75k Theatres, £38k other)	Leisure and Theatre budgets have been realigned as part of the 25/26 Original Budgets to increase employee budgets and income budgets.	Casual budgets continue to over-spend without the corresponding increase in income budgets.
£412k overspent on overtime/additional hours across the Council (£162k Recycling & Waste, £72k Leisure, £44k CCTV, £134k other) £42k is offset by additional grant income in PHPS	Recycling and Waste budgets have been realigned as part of the 25/26 Original Budgets to increase employee and income budgets.	Overtime budgets have overspent in 24/25 by more than the corresponding realignment for 25/26 budgets, so there is a risk some of the over-spend will continue
£403k net overspend on agency staff/contractors not fully offset by corresponding vacancies or income (£226k Recycling & Waste, £42k Benefits & Revenues, £78k Housing Standards, £57k other) £117k approved by supplementary estimate, £62k offset by additional grant income	£57k has been approved as a supplementary estimate for Benefits & Revenues, with a further £60k approved for Housing Standards	Overspends are ongoing or not offset by vacancies, or sickness levels increase to result in more temporary staff appointments
£221k overspent due to savings put forward as part of the 24/25 budget not being achieved	These have been reviewed for 25/26 Original Budgets to determine whether they are achievable in future years	Savings have had to be partially added back into the budget from 25/26 onwards as unachievable
£92k overspend due to agency staff spend relating to the Planning Skills Delivery Fund offset by income below	Ensure spend is in line with income received	Income does not match expenditure
£400k approved overspend due to 24/25 pay award	Review pay line for 25/26 and budget provision	Future pay awards continue to be more expensive than the budget provision
£118k overspend due to one-off employee leaving costs	One-off in nature	Minimise one-off costs wherever possible
£603k net underspend due to vacancy factor being achieved ((£127k) Customer Services, (£148k) Building Control, (£171k) Parks, (£184k) PHPS, (£67k) Procurement & Insurance, (£94k other))	Review for future years as part of the MTFS	Vacancies do not materialise at the same levels in future years

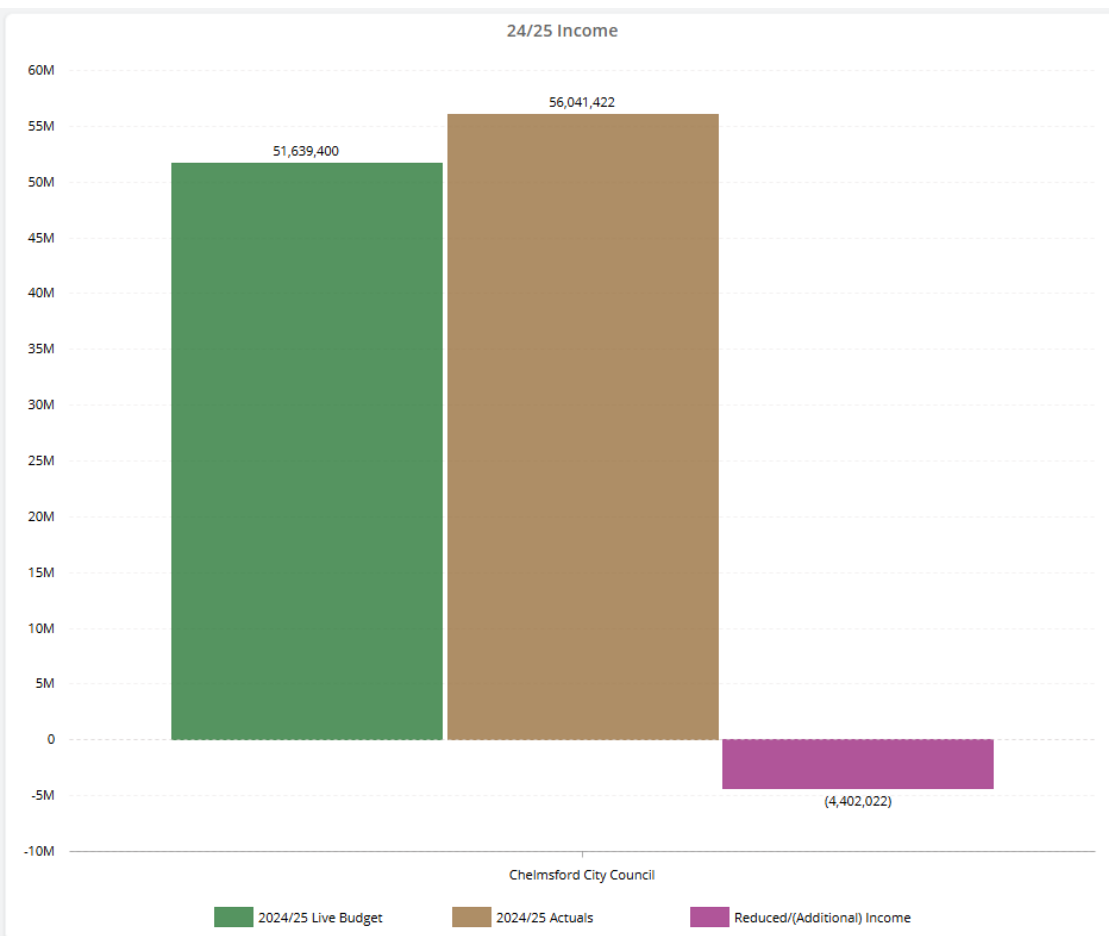
Of the £1.4m overspend on employee costs, £400k has been approved for the pay award, £117k has been approved by supplementary estimates, £118k relates to one-off leaving costs, £221k relates to savings not achieved and approximately £602k is offset by additional income. The £40k balance are underspends largely due to vacant posts occurring throughout the year.

24/25 Other Spend



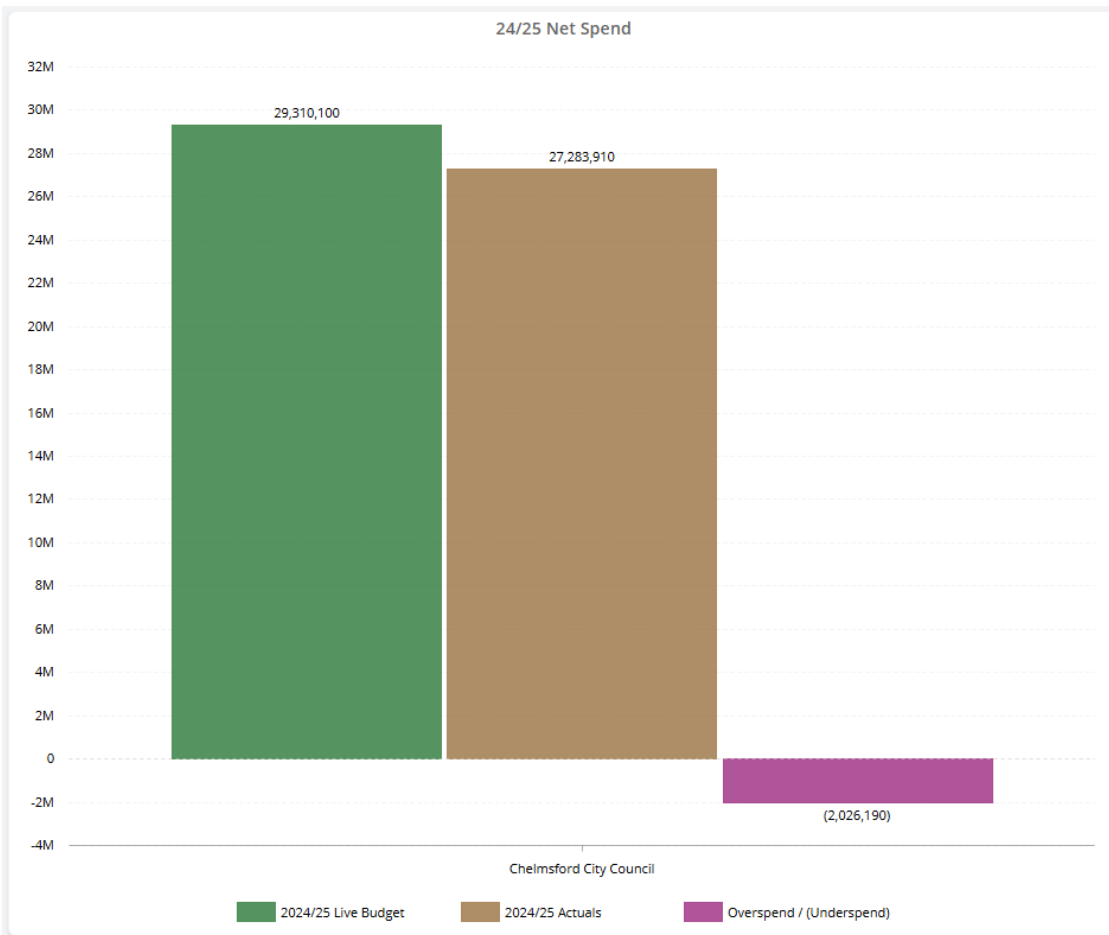
Other Spend Key Variations, Actions and Risks

Variations	Actions	Risks
£1,035k underspent on Electricity and Gas budgets due to lower unit prices than budgeted	The budgets for 24/25 were supported by £681k of specific reserves. So £354k of the £1,035k lower cost impacts on general reserve. This is reflected in reserves below.	Unit prices rise again to higher levels seen during the start of the Ukraine war. This risk is mitigated through purchasing energy over a longer period.
£856k additional spend on Theatres operational spend due to increased activity, offset by additional income, for a net additional income of £528k (£65k of which relates to Cultural VAT Exemption Income)	Budgets were realigned for 25/26 to reflect the higher levels of activity, this will be reviewed again as part of the MTFS	Larger shows are not programmed in for future years The Cultural VAT Exemption from HMRC is not approved
£2,051k underspent on TA due to reduced case load compared to budget (predominantly subsidy loss and payments to landlords/TA providers), offset by reduced income of £832k for a net underspend of £1,219k	Budgets were realigned for 25/26 to reflect the latest cost per case and TA projections at the time, this will be reviewed again as part of the MTFS	Cost per case increases significantly in line with higher charges from TA providers or caseload increases beyond current budget forecasts
£1,321k additional spend on various grant schemes which is fully funded by increased income below (£133k PHPS, £328k Housing, £87k Garden Communities, £225k UKSPF, Waterside £465k, £67k RAMS, £16k Planning)	Assess whether any grant income and expenditure is ongoing for future budgets as part of the MTFS	Grant income falls away but the associated expenditure is still required in future years
£261k overspent on vehicle fleet costs across the Council (excluding fuel), predominantly due to increased costs of parts for repairs and maintenance of vehicles	Budgets were assessed and realigned as part of the 25/26 Original Budgets, but a further review will be required as part of the MTFS	Repair costs continue to outstrip budgets due to inflationary increases
£265k overspent on Leisure and Heritage Services reactive and cyclical maintenance	An allowance for inflation was included in 25/26 budgets, this will need to be reviewed again as part of the MTFS	Costs outstrip inflation provision allowed for in the budgets
£455k one-off overspend due to an increase to the court cost bad debt provision reflecting a review post pandemic and a wider review of Council Tax arrears as a whole	The budget for 25/26 has been established at a lower level than the actual for 24/25 to reflect the catch up in 24/25	Provisions do not cover unrecoverable amounts of debt
£262k overspent on consultant and counsel fees for public inquiries	Minimise these costs wherever possible	Further public inquiries occur that don't result in 35% affordable housing
£295k overspent on software licences across the Council	Budgets were increased for 25/26 by £130k so a further review will be needed	Contract prices increase above inflation
£673k overspent on capital spend written back to revenue for various schemes offset by reserves use below	Assess capital schemes for 25/26 and the risk of further spend being written back	Abortive costs of capital schemes cannot be capitalised
£514k underspent on Business Rates for vacant properties as the Council is not liable during refurbishment works	Assess forward plan of property work to see if future vacant periods could occur	Once works are complete the Council becomes liable until tenants are found
£170k overspent on other expenditure across the Council	Work with the services to identify if anything is ongoing	



Income Key Variations, Actions and Risks

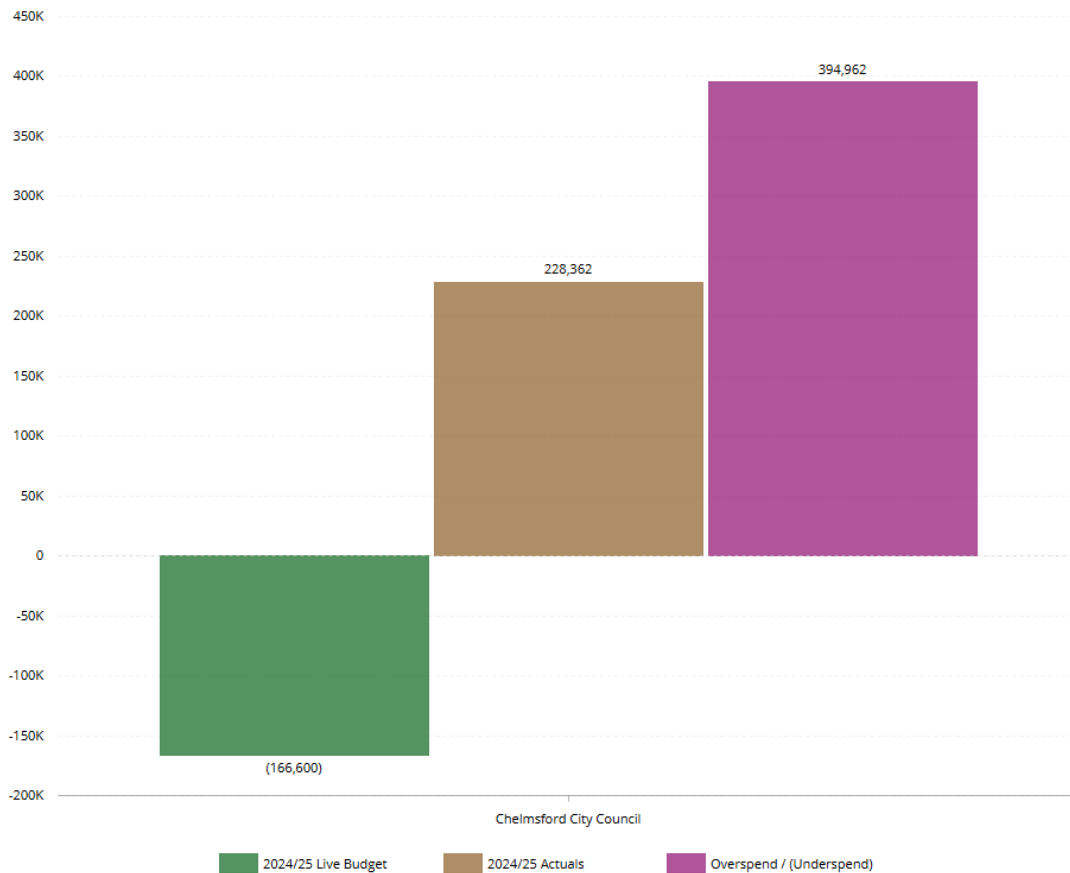
Variations	Actions	Risks
£1,520k additional income at the Theatre due to increased activity and cultural VAT exemption income (£419k), offset by additional spend, for a net additional income of £528k . The Original Budget included £354k worth of cultural exemption income, so the net position for the Theatre is a £65k gain on cultural exemption income and a £463k gain excluding this	Theatre budgets were realigned as part of the 25/26 Original Budget to reflect the increased activity levels, a further review will be completed for the MTFS given the increased income levels from 24/25	Larger shows are not programmed in for future years. Cultural VAT exemption is broadly agreed by HMRC representing £419k worth of income to the Council, though there remains some limited risk around this.
£529k additional income from recycling sales and credits and additional Food Waste grant. The majority of this is due to the increased price of glass which was set to the end of 24/25	Budgets were realigned as part of the 25/26 Original Budget to increase employee and income budgets, this will be reviewed again as part of the MTFS	Recycling sales income is volatile due to price and tonnage changes, the price agreed for glass sales in 25/26 for example is lower than the price for 24/25
£753k additional income from sports centre income due to increased memberships and activity levels, this is partially offset by additional staff spend above	Leisure budgets have been realigned for the 25/26 Original Budget to increase employee and income budgets, this will be reviewed during the MTFS as further income could be realised	Memberships or general activity levels drop off without the corresponding decrease in employee spend
£390k additional car parking income, predominantly due to short stay throughput increases and season ticket increases	Additional throughput income was added to 25/26 budgets, the balance will be reviewed during the MTFS	Customer trends and habits change resulting in reduced parking income
£2,506k additional income from various grant schemes across the Council, partially offset by additional spend above (Housing £1,210k, PHPS £233k, Waterside £465k, Planning £259k, UKSPF £274k, £65k other)	Assess whether any grant income and expenditure is ongoing for future budgets as part of the MTFS	Grant income falls away but the associated expenditure is still required in future years
£832k reduced income from TA rental income due to reduced caseload compared to the budget, offset by reduced spend above of £2,051k for a net underspend of £1,219k	Budgets were realigned for the 25/26 Original Budget to reflect cost per case and TA projections, this will be reviewed again as part of the MTFS	Cost per case increases significantly in line with higher charges from TA providers or caseload increases beyond current budget forecasts
£286k reduced income from Planning, Building Control and Local Land Charges due to the slowdown of the market	Building Control and Local Land Charges budgets were realigned for 25/26, this will be reviewed further during the MTFS	Income falls further with further changes to the market
£511k reduced income at the Crematorium due to lower mortality rate and increased competition across Essex	Budgets were realigned for 25/26, this will be reviewed during the MTFS	Further competitors come to the market
£211k additional income at Hylands House relating to weddings, hires and additional events	Review with the service as part of the MTFS to assess whether ongoing	Gains are one-off in nature
£144k additional income from Garden Waste subscription charges introduced in March (4 weeks of income)	Review with the service as part of the MTFS to assess any ongoing gain	Numbers signing up to the service drop-off or do not renew next year



Service Overspend/(Underspend) (Excluding HB Subsidy)

(£2,026,190)

24/25 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 surplus of £166,600 due to the way the scheme operates from the government. However, we are now expecting the scheme to be in an ongoing deficit position due to the reasons below.

The overspend of £395k is made up of the following variations

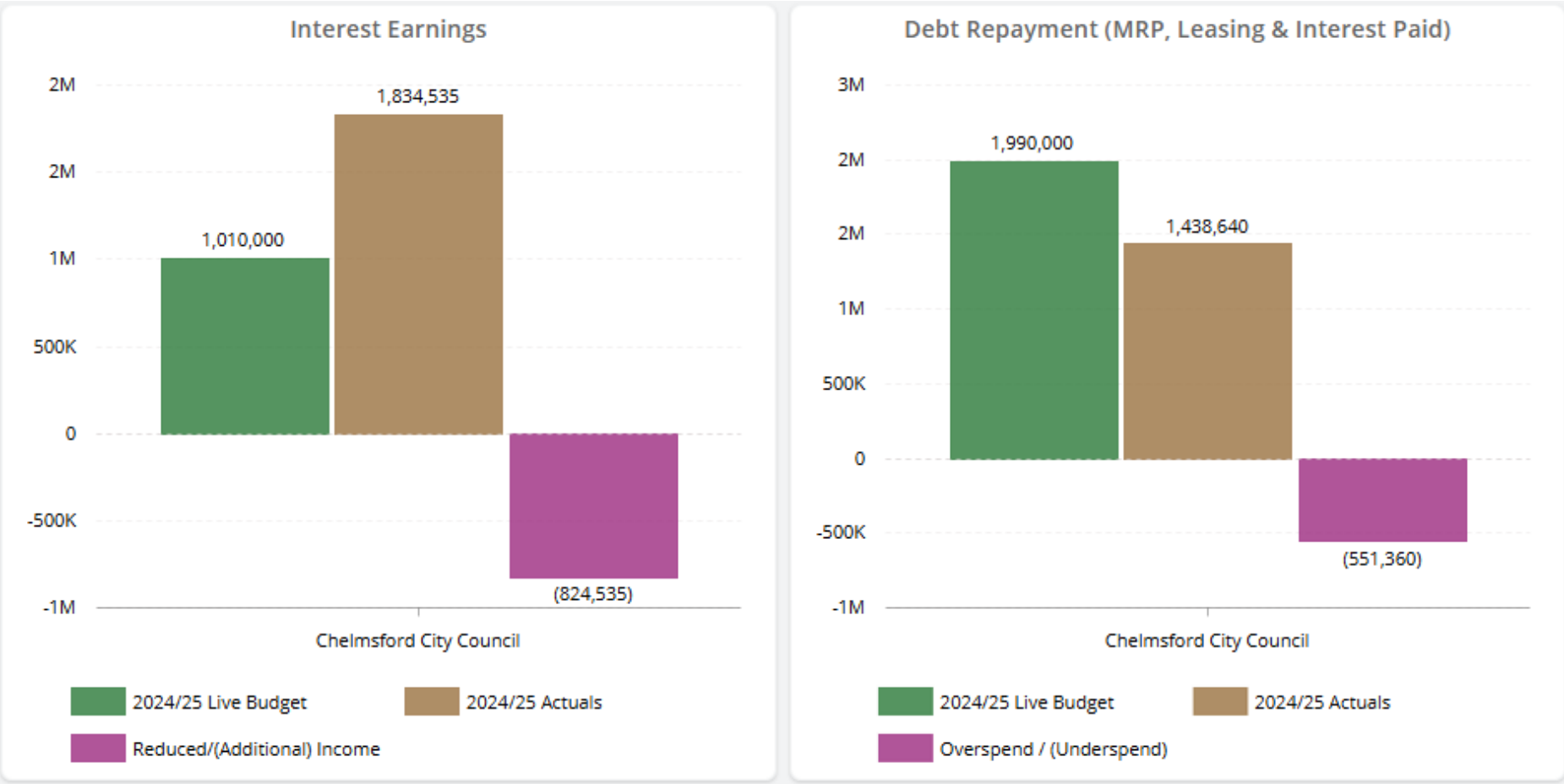
- £429k overspend due to higher levels of supported housing and other technical adjustments
- £20k under budget on HB overpayments bad debt provision due to changes in operation of reclaiming the debt with DWP being slower than first thought with more cases still to move over to Universal Credit
- £14k under budget on other net Subsidy movements

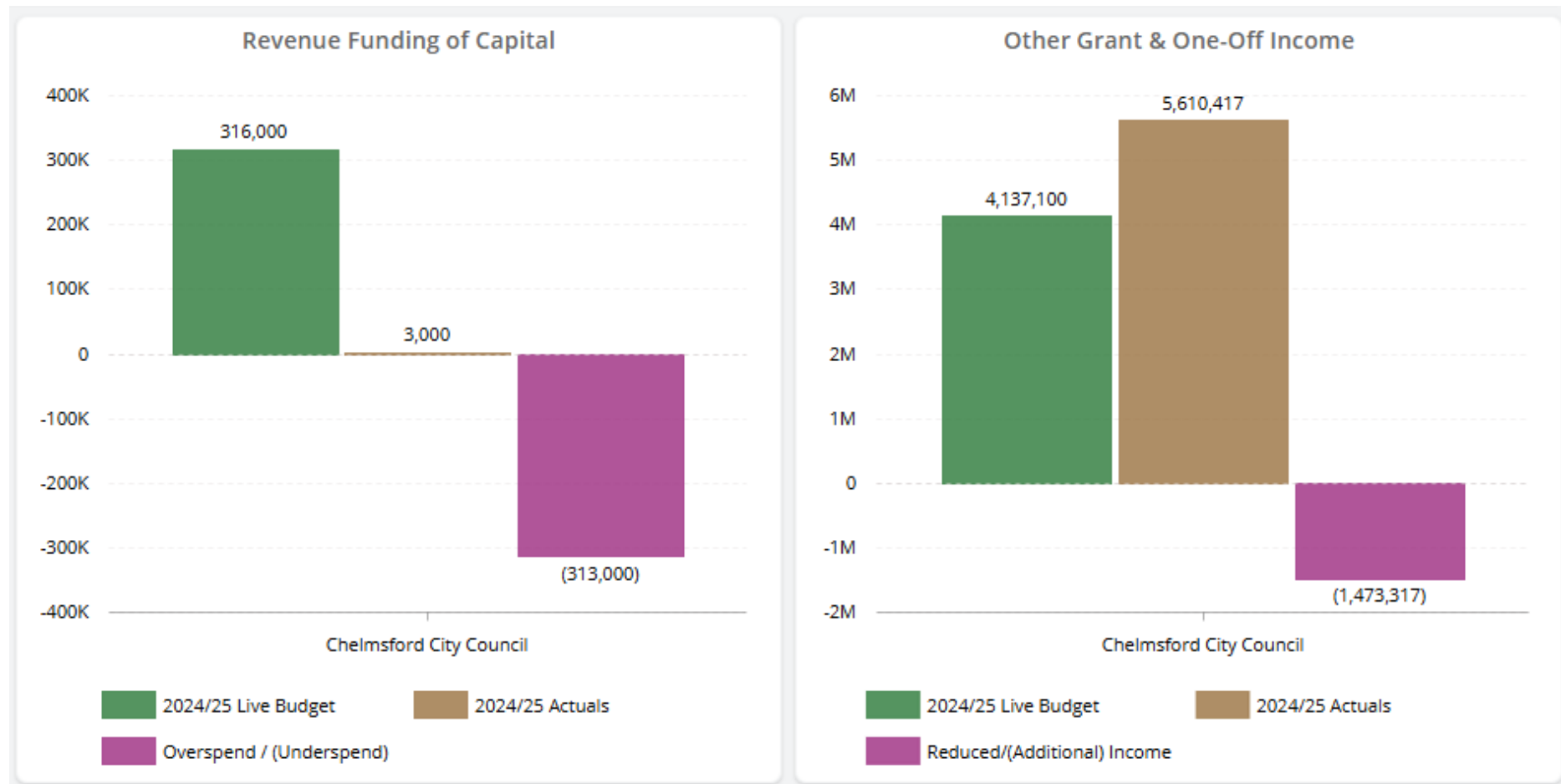
Much of the above is an ongoing change and so will need to be reflected in the MTFS and future budgets

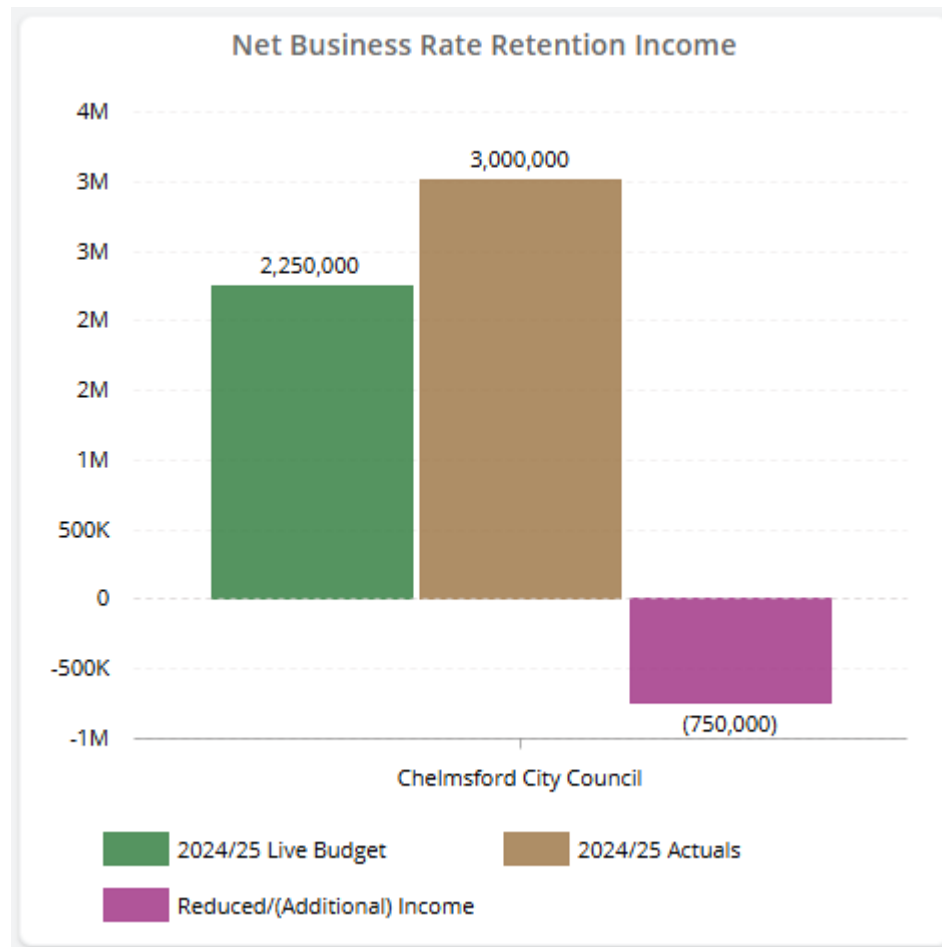
Service Overspend/(Underspend) Including HB Subsidy

(£1,631,229)

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







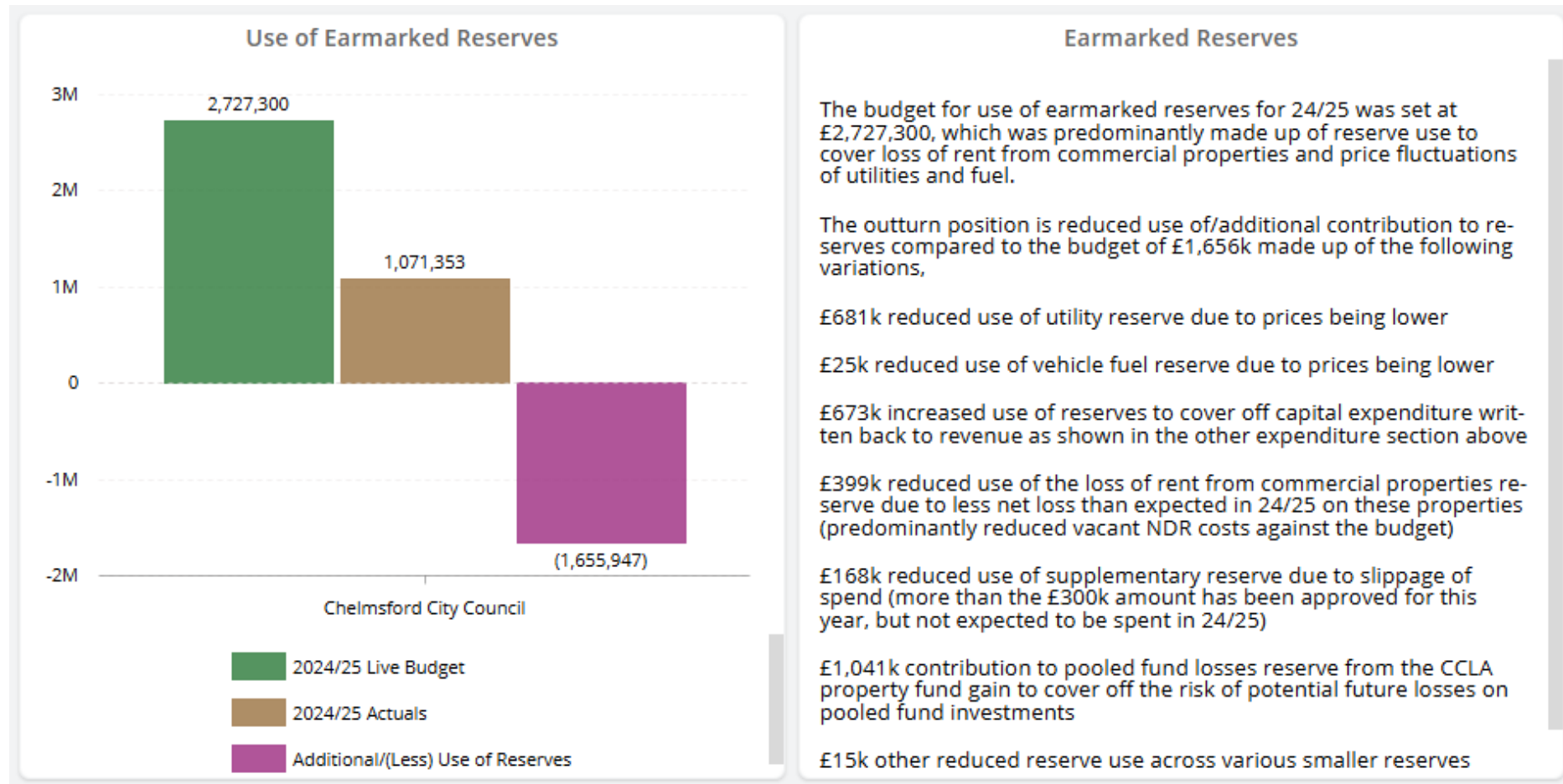
Chelmsford City Council Variances - Non-Service Level Income & Expenditure

Variations	Actions	Risks
£825k additional income from interest earnings due to slippage of spend and holding some one-off contributions (reported to TMISC further)	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
£551k 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
£313k underspend 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
£1,041k additional income from one-off gain on disposal of property fund investment offset by contribution to reserves below	This has been fully contributed to a new reserve below to offset the risk of future losses on other cash investments	Cash investments in funds lose more in capital value than the reserve covers
£432k additional income from one-off grant income, predominantly related to Business Rates	Review whether any of this gain is ongoing for the MTFs	The reset of the retention scheme in 26/27 removes this gain completely
£750k additional Net Business Rate Income	£0.75m extra income to General balance, with another £0.3m transferred to the business rate contingency reserve.	The Government has confirmed it will reset the retention scheme in 26/27 resulting in a possible £2.25m loss to service budget funding. Manage risk via specific contingency.

Non-Service Overspend/(Underspend)

(£2,870,984)

Chelmsford City Council Variances - Reserves



Chelmsford City Council Variances - Reserves

General Fund

The use of General Fund Original budget was set at £1,516,700 for 24/25. The outturn position is a contribution of £2,371k, **£3,887k better than the budget**. The key variations that make us this amount are as follows:

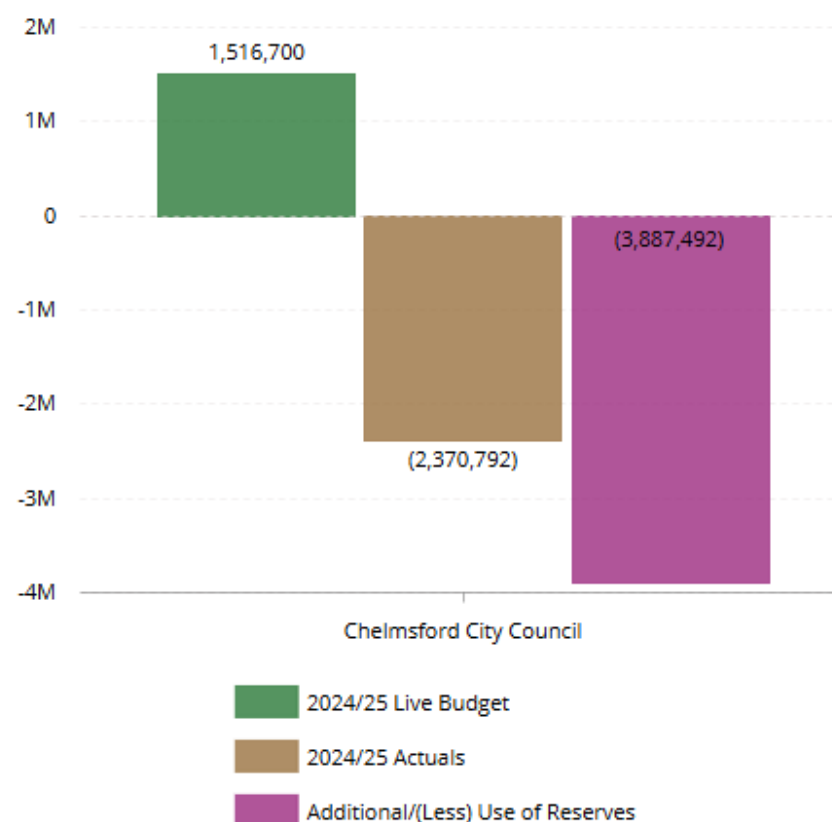
Favourable Variations:

- £1,291k net underspend on TA costs due to reduced households and cost per case compared to budget
- £750k additional Business Rate Retention income released to the General Fund
- £916k additional net service income from various one-off grant schemes (predominantly housing related)
- £1,376k additional interest earnings and reduced interest/borrowing costs
- £354k net underspend on utilities
- £753k additional income from Leisure centres
- £528k additional net income from the Theatre (including £65k gain due to the Cultural VAT Exemption scheme)

Adverse Variations:

- £400k estimated overspend due to the additional cost of the approved pay award
- £511k reduced income at the Crematorium due to lower mortality rate and increased competition across Essex
- £821k overspend on vehicle fleet, building maintenance and software costs to be investigated
- £395k overspend on HB Subsidy (non TA related)

Use of General Fund (Unearmarked Reserves)



Revenue Outturn 24/25 – Potential Ongoing Budget Changes

The below appendix outlines the initial findings of potential ongoing changes that could be made to the Council's budgets following the 24/25 outturn position. There are favourable and adverse variations, with some of the changes needing further investigation with the services throughout the budget process. **Figures are indicative** for the ongoing impact given the need to undertake a more robust review.

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

- **Recycling & Waste** – net overspend on staffing as a whole for 24/25 was £468k. Of this figure, £149k was due to the 24/25 pay award and so is reflected in 25/26 budgets onwards. A further £63k was due to one-off leaving costs so not ongoing. Realignment was made for 25/26 budgets between employee spend and income totalling £209k for Recycling and Waste. Initial assessment subject to review; **Ongoing impact additional cost of £50k per year.**
- **Leisure and Theatre** – realignments were allowed for in the 25/26 original budgets between income and expenditure to allow for additional customers/events. Further realignments look possible given the net outturn position on these areas for 24/25; **Ongoing net impact assessed in income section below**

Other Expenditure

- **Vehicle Fleet Repairs Costs** – net overspend on vehicle fleet costs (excluding fuel shown below) across the Council in 24/25 was £314k, predominantly due to increased costs of parts for repairs and maintenance of vehicles. An allowance of an additional £178k was added to 25/26 budgets. Initial assessment; **Ongoing impact additional cost of £140k per year.**
- **Vehicle Fuel Costs** – net underspend across the Council in 24/25 of £53k. Budgets were reduced by £76k for fuel for 25/26 with the price of fuel expected to drop compared to 24/25 average prices. There is the possibility of further gains in 25/26 due to a new price being negotiated on the HVO contract, so this will be reviewed with the service once more info is known; **Ongoing impact to be assessed (expected saving)**
- **Building Maintenance Costs** – net overspend of £189k across the Council due to more than anticipated urgent repairs taking place in 24/25. Building Maintenance budgets have been historically overspent, with £67k additional budget added in for 25/26; **Ongoing impact to be assessed (expected cost)**

- **Software Licences** – net overspend across the Council in 24/25 was £295k. Budgets were increased in 25/26 by £130k to allow for some of this increase, and some of the costs in 24/25 related to one-off costs for upgrades;
Ongoing impact to be assessed (expected cost)
- **Theatre** – realignments were allowed for in the 25/26 original budgets between income and expenditure to allow for additional/bigger shows. Further realignments look possible given the net outturn position on these areas for 24/25; **Ongoing net impact assessed in income section below**

Income

- **Theatre** – net additional income in 24/25 of £528k for the Theatre against the budget. A small proportion of this gain (£65k) was in relation to additional cultural VAT income, but the remainder (£463k) was additional net income for the Theatre. Overall, some £419k of theatre income in 2024/25 is from VAT savings on cultural exemption, which has now been broadly agreed with HMRC, though an element of risk to income remains; **Ongoing impact to be assessed being dependant on future programme (expected to be additional income).**
- **Leisure** – net additional income in 24/25 of approximately £422k for sports centres against the budget. Realignments were made for 25/26 budgets totalling £276k additional net income, so the balance of £146k will be investigated with the service. Due to the nature of the income received from leisure, there is a chance the gain could be higher than the £146k as the monthly amount of income received from memberships is still currently on an upward trend; **Ongoing impact to be assessed (expected to be additional income of between £150k-£300k).**
- **Car Parks** – net additional income in 24/25 of £390k against the budget due to increased throughput and the fees and charges increasing applying for part of the year. Additional throughput income of £251k was added to 25/26 budgets, so the car parks income model will be updated as part of the budget process to assess whether further throughput changes can be made; **Ongoing impact to be assessed (expected to be additional income of between £50k-£140k).**
- **Grant Income** – just over £900k worth of net grant income was received above the budgeted level in 24/25. Although a significant proportion of this was one-off, there is scope that some of these grants remain in future years and so this will be assessed further. Officers expect that some form of asylum grant funding will be ongoing, with £464k already identified to be received for 25/26; **Ongoing impact expected to be additional income of £460k**
- **Garden Waste Subscription Charges** – approximately £103k additional net income was realised in 24/25 for the garden waste subscription charges introduced in early March. Early indications are that the levels of income for 25/26 and onwards are significantly above the £1.3m net budget. Once expenditure budgets are taken into account, the income budget for 25/26 for garden waste subscription charges sits at £1.42m, with nearly £2.2m received for 25/26 already. This will be reviewed as part of the budget process to

assess the level of ongoing additional income that can be added to budgets; **Ongoing impact to be assessed (expected to be additional income of between £700k-£900k).**

- **Cemetery & Crematorium** – net reduced income in 24/25 against the budget of £511k due to lower mortality rate and increased competition across Essex. Reduced throughput led to 25/26 budgets being reduced by £299k, so it looks like a further adjustment is necessary, this will be reviewed with the service based on the latest throughput data throughout the budget process; **Ongoing impact to be assessed (expected to be lower ongoing income circa £210k)**
- **Hylands House** – additional income of £211k was realised in 24/25 against the original budget which is offset by some additional costs. An additional £56k was added to 25/26 original budgets, so there could be scope for further increases if wedding and event numbers continue; **Ongoing impact to be assessed as it is currently unclear how much could be one-off factors.**

Non-Service Level Changes

Interest – both interest income and interest paid in 24/25 saw favourable variations at outturn, with £825k additional interest income and a £501k underspend on interest paid. Although some of this gain was because of holding one-off cash for longer than expected, there has still been a historical trend of realising more income and reduced spend. A more upside approach has been already added to 25/26 budgets, 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)**

Business Rates – additional income of £750k was realised in 24/25 but this a provisional position depending on the whole Essex pool. The budget for business rate retention has remained at £2.25m for 25/26, but given the uncertainty surrounding the reset of the business rates system happening in 26/27, there currently isn't any scope to change these budgets; **Ongoing impact will be determined by Government funding announcements which may not be fully known until Christmas 2025, however, it is expected to be a significant loss.**

Description	Downside Case	Upside Case
	£000s	£000s
25/26 Budget Report Forecast gap for 26/27	2,579	2,579
Recycling & Waste Staffing Costs	50	0
Vehicle Fleet Repair Costs	140	140
Vehicle Fuel Costs	0	(50)
Building Maintenance Costs	120	50
Software Licence Costs	100	50
Theatre Net Income	(250)	(460)
Leisure Net Income	(150)	(300)
Car Parks Income	(50)	(140)
Grant Income	0	(460)
Garden Waste Subscription Charges	(700)	(900)
Cemetery & Crematorium Income	210	210
Hylands House Income	0	(100)
Updated Forecast gap for 26/27	2,049	511

Usable Reserves Projections

Earmarked Reserves

Corporate Investment

	24/25 Latest Forecast (Feb Council Report)					24/25 Provisional Outturn					Comments on Variation
	Provisional /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	
Cultural Support Fund	57				57	57	-47		10	-47	Contribution to Culture Chelmsford
Local Development Framework Growth Fund	1,040	-225	-50		765	1,040	-333		707	-58	Slightly increased Local Plan spend than forecast
	0				0	0			0	0	
Carry Forwards & Supplementary Estimate Reserve	0	-300	273	300	273	0	-132	300	168	-105	Increased supplementaries since budget report
Housing Initiatives	0				0	0			0	0	
DPO Reserve	79	-8			71	79	-79		0	-71	Funding of one-off staff costs and website migration costs - reserve now fully spent
Hylands House Reserve	3				3	3			3	0	
Master Plan Income	0				0	0			0	0	
	1,179	-533	223	300	1,169	1,180	-591	300	888	-281	

Capital Programme

Project Evaluation Reserve	175		-35	37	177	175	-35	37	177	0	
Sinking Fund for Let Property	50	50			100	50	50		100	0	
Infrastructure Fund	715		-715		0	715	-673		42	42	
											Reserve now earmarked for future year spend given outturn position on Capital and most beneficial application of funding
Chelmsford Development	2,024	-257	-644		1,123	2,024	-21		2,002	879	
	2,964	-207	-1,394	37	1,400	2,963	-679	37	2,322	922	

Risk Management

Insurance	898	-50			848	898	-50		848	0	
New: Investment Reserve	0		1,041		1,041	0	1,041		1,041	0	
Pension Deficiency	1,057			183	1,240	1,057		183	1,240	0	
Park and Ride	258				258	258	40		298	40	
Vehicle Fuel Reserve	604	-25	25	-280	324	604		-280	324	0	
Utility Costs Reserve	1,573	-682	682		1,573	1,573			1,573	0	
Business Rate Retention Reserve	6,491	-5	940		7,426	6,492	1,006		7,497	71	Timing difference for amounts to be paid out in 25/26
Rent Income (Temporary Loss of Tenant)	0	-1,231	153	2,475	1,397	0	-832	2,475	1,643	246	Net spend for Eagle House and 1 Springfield Lyons not as large as thought so less reserve use needed
	10,881	-1,993	2,841	2,378	14,107	10,882	1,205	2,378	14,464	357	

Total Earmarked Reserves

Unearmarked Reserves

General Fund & Contingency	14,607	-1,515	1,407	-2,715	11,784	14,636	2,371	-2,715	14,292	2,508	Underspend at service and non-service level leading to a significant contribution to the general fund balance at year end compared to forecast
Recommended level £9m											
	14,607	-1,515	1,407	-2,715	11,784	14,636	2,371	-2,715	14,292	2,508	
Total reserves	29,631	-4,248	3,077	0	28,460	29,661	2,305	0	31,966	3,506	

Supplementary Budgets Approved during 2024/25

Description	Amount requested	Part Year Effect for 24/25
Revs & Bens Agency Staff Cover	£57,400	£57,400
Housing Standards -Agency staff	£132,800	£16,000
Theatre Marketing Provision	£15,800	£15,800
Theatre Technicians	£92,800	£0
Local Land Charges transfer of data to new system	£35,000	£16,000
Revs and Bens Pro Print Licence Upgrade	£31,400	£26,500
Total	£365,200	£131,700

Amount Available	£300,000
Allocation Overspent by	£65,200



Audit and Risk Committee

11th June 2025

Capital Programme Update and Provisional Outturn 2024/25

Report by:

Accountancy Services Manager (S151 Officer)

Officer Contact:

Sue Jones, Senior Accountant

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

Purpose

- a) To report the capital expenditure incurred in 2024/25.
- 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 2024/25 and 2025/26 for variations in cost and timing which have been identified at outturn and to date.

Those schemes requiring approval will be taken forward to July Cabinet.

Recommendations

It is recommended that

1. The report be noted, and
 2. Officers produce a report for July Cabinet including any comments from Audit & Risk Committee.
-

1. Background

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

2. Introduction

There are two types of expenditure, capital and revenue.

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

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

3. Capital Programme

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

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

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

4. Capital Resources

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

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

is an annual charge to revenue for the minimum revenue provision (MRP) and when we borrow externally there is an MRP and interest payment.

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

5 Capital Reporting

A 'Capital Programme Update' is included within the budget report taken to Cabinet in January and a 'Capital Programme Update and Outturn' report has previously been taken to Cabinet/Council in July each year. A further 'Capital Programme Monitoring and Update' report is scheduled to be taken to Cabinet in November.

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 closely monitor capital expenditure as cost inflation has been historically high. Additionally, the cost of financing schemes impact revenue budgets over the long term, given limited revenue resources higher capital spend will often mean less revenue resources 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 2025 and the latest forecast expenditure for the ongoing scheme costs. It identifies the anticipated variances in total individual scheme costs.

7.2 Appendix 1 shows that the proposed cost of the Capital Schemes has increased by a net £0.438m (0.3%) against the latest approved budget of £130.684m. This is summarised on the table overpage.

Change in Overall Programme cost (detail in Appendix 1)	
Approved Budget	£130.684m
Reductions in Scheme Costs	
Transfer Spend to Revenue Scheme number 33 – Theatre Refurbishment. £3k spend transferred to revenue. Consultant fees in this case are not capital. Scheme number 62 - Mass Tree planting and Woodland Creation. £23k Spend transferred to revenue as it does not meet definition of capital.	-£0.026m
Reductions in Scheme Costs Spend from prior years transferred to Revenue – capital feasibility works now classified as revenue (main items are listed below) Scheme number 49 – Chelmer Waterside original marketing exercise £90k Scheme number 50 – Various Land Site Investigations. £478k spend transferred. Proposed land site transfers to housing associations for social housing development in exchange for future nomination rights. Schemes removed Scheme number 15 – CIL Integrated Cycling Infrastructure. Remaining £36k budget removed, scheme complete. Scheme number 49 – Various Land Site Investigations. Remaining £134k budget removed as any future spend will be revenue.	-£0.568m -£0.170m
Increases in Scheme Cost - Require Approval	
Scheme number 19- High Chelmer MSCP Improvement Works. Tenders returned additional budget required.	£0.008m
Scheme number 56 – Cemetery and Crematorium Infrastructure proposed new facility. Advised by service manager that additional budget required to complete surveys and planning application.	£0.200m
Scheme number 62 – Mass Tree Planting and Woodland creation. Service review of programme and request for additional funding. Scheme now scheduled to complete 2030/31. The forecast now includes updated prices for the trees and land in future years.	£0.100m

Increases in Programme to be Noted – Funded from CIL or New Funding Received	
Scheme number 1 – Public Realm Wayfinding Signs. Additional contribution available towards cost of scheme. Still awaiting confirmation of ECC grant funding before scheme can commence.	£0.005m
Scheme Number 32 CIL Green Initiatives. Grant request approved by panel.	£0.008m
Scheme number 9 – Rural England Prosperity Fund (REPF) Grants. New grant awarded for 2025/26. No net cost to Council	£0.120m
Scheme 36 and 37 – Great Baddow Hoard Gold Coins and Display Case. Grant received to purchase new heritage asset. No net cost to Council.	£0.202m
Scheme number 48 – Local Authority Housing Fund Round 3 additional grant awarded (Proposal to pass grant to CHP for Housing accommodation). No net cost to Council	£0.775m
Variations on Completed Schemes to be Noted	
Actual Increases in Completed Scheme Costs	£0.010m
Actual Reductions in Completed Scheme Costs.	-£0.226m
Total Proposed Budget	£131.122m

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

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

Many of the delays are where schemes are reliant upon conditions outside the control of Project Officers such as obtaining planning permission, consents and paying over CIL grants to third parties. Often the delay in the spend is favourable to the Council due to deferring financing costs or cash can be invested for longer.

7.5 **Appendix 1** does not provide details of the monetary value of the in-year variance. The original forecast expenditure for the year 2024/25 was £43.42m. The actual expenditure for 2024/25 was £31.213m. This is a net reduction for the spend in-year of £12.207m or 28%. The table overpage provides details of the schemes and shows the major variations over £0.5m.

<u>Schemes Where Expenditure is deferred to later years</u>	
Scheme 53 Commercial Property 1 Springfield Lyons Refurbishment- This scheme has been delayed due to the cost of scheme following tenders being higher than expected and therefore a value engineering review has taken place. Additional £950k approved in April 2025.	-£0.694m
Scheme 51 Enabling Lockside Growth Area (land purchases)– The spend on this scheme is dependent upon negotiations with third parties to acquire property and this has caused delays to the progress of the scheme. There are still 3 properties to acquire. The remaining budgets have been deferred to 2025/26.	-£1.779m
Scheme 52 Purchase land for new cemetery – this spend has been deferred due to prolonged negotiations for the Heads of Terms and a condition being that the purchase will proceed when there is an outline planning permission for the development which is risk free of legal challenge. The budget has also been reduced by £800k based on the negotiated price (see below).	-£3.156m
Scheme 40 Housing Initiatives Unallocated - this is the remaining balance held in the unallocated pot following the review by MT which resulted in a reduction of £1.094m (see below). No additional schemes have currently been identified and the budget has been deferred to 2025/26. Any schemes are expected to be at least self-financing.	-£4.510m
Scheme 4 – Chelmer Waterside Infrastructure - The road and bridge construction is practically complete with some minor outstanding works still required. The bridge and road still need to have final sign off by ECC before they agree to the adopting the maintenance. The GPRS element of the scheme has been delayed due to bad weather and other unavoidable issues and is unlikely to complete until April 2026.The unspent budgets have been deferred to later years.	-£4.629m
Scheme 16 CIL NE Bypass Bridge Forward Funding ECC – This was originally scheduled for payment in 2022/23. ECC have still not provided a funding agreement and this has now been deferred to 2025/26.	-£1.500m
Other scheme variations where spend is third party dependant and schemes have been delayed (examples flood grant, CIL grants to third parties).	-£0.703m
Other scheme variations less than £0.5m where spend is deferred.	-£1.673m

Total Deferred spend on Schemes in 2024/25	-£18.644
Other In Year Variations	
Scheme 6 Beaulieu Park Station S106 Grant – Additional contribution collected and paid over to ECC as part of the funding agreement.	£7.288m
New Schemes in Year Scheme 46 - CHESS Loan £478k Scheme 60 - Lionmede Tennis Courts £120k funded by grant Other £15k	£0.613m
Scheme 40 Housing Initiatives Unallocated – reduced following MT review	-£1.094m
Scheme 52 Purchase land New Cemetery	-£0.800m
Other schemes' variations less than £0.5m where cost increases occurred	£1.016m
Other schemes' variations less than £0.5m where cost has decreased, scheme removed or spend transferred to revenue	-£0.586m
Total Other in Year Variations	£6.437m
Total In Year Underspend Against Original Forecast Spend	-£12.207m

This delay in expenditure has been beneficial to the resourcing of the Council's 2024/25 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.

7.7 Update on Major Capital Schemes

7.7.1 HIF Access Road and Bridge and Associated Works

The road and bridge were practically complete at the end of March with some additional works scheduled to be completed in April and May 2025. The bridge will not be operational until ECC has provided final sign off and the certificates required under the S38 and S278 agreements are in place for the adoption of the bridge and road maintenance to transfer to ECC.

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.

Relocation of Gas Pressure Reduction System (GPRS) – works have been delayed 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 April 2026. It is anticipated that the cost of this work could continue to increase.

The table below provides details of the current position on each element of the project. Although there is a potential underspend currently showing against the scheme it is not known what the final cost of the GPRS works will be and this forecast £1.9m should be held as a contingency against the project until all elements are complete.

	Spend to 31/03/2025	Budget	Forecast	Variation
Road and Bridge	£19.283m	£22.620m	£19.800m	-£2.820m
Road and Bridge retained contingency			£ 0.600m	£0.600m
Land Remediation and Decontamination	£0.331m	£3.070m	£ 3.070m	-
GPRS	£12.982m	£14.870m	£16.460m	£1.590m
Commutated Sums	-	£2.750m	£1.460m	-£1.290m
Total Capital	£32.596m	£43.310m	£41.390m	-£1.920m
Project management and site supervision costs funded by Homes England Capacity Grant in revenue	£0.527m		£0.527m	£0.527m
Total Scheme	£33.123m	£43.310m	£41.917m	-£1.393m

The scheme is forecast to be fully funded by CIL, S106 and Government Grants.

The resourcing of this scheme is under constant review and is impacted by the timing of the receipt of CIL income.

Green Initiatives Phase 1 and 2

The budget covers a 6-year period up to 2030/31. The remaining budget is £3.4m

An extensive programme of upgrading existing lighting to LED has been carried out in 2024/25. This will continue in 2025/26. The service is currently reviewing the feasibility of installing solar panels on some of the larger buildings in 2025/26 and 2026/27.

Housing Initiatives

A review of Housing delivery was undertaken and it was agreed that the individual budgets approved for housing initiatives should be pooled and used to assist in the delivery of any new policy coming from the review to assist in the delivery of temporary accommodation. MT agreed a £1.094m reduction to the budget. After removing the budgets for agreed projects, the remaining pooled budget is £4.510m.

Agreed Projects:-

Modular Units Groundworks £0.250m report to Cabinet March 2025. Brownfield Release funding has been awarded. There will be an additional CIL Liability charge for the scheme.

Refurbishment of Sandford Mill House for use as temporary accommodation £0.110m – approved February Council.

Grant to YMCA, £1m grant in exchange for nomination rights -approved by Cabinet March 2024.

Local Authority Housing Fund Grant (LAHF)

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

In 2024/25 a further £3.582m grant was awarded and it has been agreed that this will be paid to CHP to be used towards delivering a further 15 properties.

Condition Surveys

It was agreed by Council in February that a provision should be established for £4.7m in order to carry out the works identified from the 5 yearly building condition surveys. 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 2 years, 2025/26 and 2026/27. Following a delegation £564k has now been included in the approved programme for the first phase of scheduled works.

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.

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 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. Reserves of £1.5m were established within revenue.

In 2024/25 an adjustment for spend in prior years totalling £0.568m has been transferred to revenue for schemes not progressing. A further £0.105m was transferred for in year spend. It is likely that further transfers will take place in 2025/26.

In total since the reserve was established £1.238m has been transferred from capital to revenue.

The amounts in reserves for design and feasibility will need to be reviewed and increased in the 2026/27 budget process.

8. Asset Replacements

8.1 Monitoring Against Latest Approved Budgets

Appendix 3 shows that the final outturn for 2024/25 is £3.556m. This is a net decrease of £0.909m or 22%. Forecast spend of £0.847m has been moved forward to 2025/26 or later years. The table below provides a summary.

Approved Budget 2024/25	£4.465m
Proposed Change in scheme timing of spend the vast majority for spend in later years	-£0.847m
Net Variation in Asset Replacement Cost	£0.010m
Accounting Adjustment for assets funded by leasing – Capital budgets were approved to enable officers to acquire the vehicles either via outright purchase or leasing. Under new accounting rules this will be classified as capital expenditure funded by borrowing.	-£0.072m
Total Outturn 2024/25	£3.556m

8.2 **Appendix 3** also shows that the proposed budget for 2025/26 asset replacements is £8.253m compared to the approved budget of £7.658m. This is a net increase of £0.595m, or 7.8%. The table provides a summary.

Approved Budget 2025/26	£7.658m
Proposed Change in scheme phasing from 2024/25– For detail see Appendix 3 2025/26 column “Rephasing from 2024/25”	£0.719m
Replacement originally planned for 2026/27 now moved forward to 2025/26 in order to keep cremators operational	£0.103m
Proposed change in scheme phasing from 2025/26 to 2026/27	-£0.448m
Proposed increases in budgets – additional DFG grant received	£0.165m

Proposed increases in budgets will need approval	£0.056m
Total Proposed Budget 2025/26	£8.253m

8.3 **Appendix 4** provides narratives, for those variances in excess of £25k, for 2024/25 and narratives for those variances in excess of £25k for 2025/26 against the Latest Approved Budgets.

8.4. At February Council a budget of £4.586m was also approved for replacements forecast as required in 2026/27. This is now forecast as £5.059m. An increase of £0.473m due to rephasing of spends between years. This budget will be reviewed during the year and any changes to cost and phasing will be reported.

8.5 Update on Asset Replacements

Investment in Digital Technology – DPO

A £500k budget was established to enable services to bring forward schemes to improve service delivery. In order to release the funding a project proposal should be brought forward for approval. There has not been any spend from this provision since 2022/23. The remaining balance is £493k.

Grant applications funded by Disabled Facility Grant

For several years the grant received has been in excess of the spend. We now hold a balance of £2.8m. The service has been working with ECC to explore different options that could utilise the capital grant.

ECC agreed that the DFG funding can be used for two Social Care Projects this year. A grant to CRESS 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.

Staff allocations have also increased to enable the processing of more grant applications.

The spend across the grants, salaries and social projects funded by DFG in 2024/25 is £47k more than the grants received in the year.

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 have 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.

9. Funding of Programme

The outturn for 2024/25 on the capital schemes is £31.213m and the Asset Replacement Programme £3.556m. The combined outturn for the year is £34.769m.

The proposed application of resources to meet capital expenditure incurred in 2024/25 is shown in the table below. The discussion and approval for the funding will be included within the Medium-Term Financial Strategy which will be taken to Cabinet in October.

<u>Method of Funding</u>	<u>2024/25 Spend</u>
Capital Receipts	£1.655m
Revenue Contribution	£0.003m
Capital Grants and Contributions	£3.188m
S106 Agreements	£11.425m
Community Infrastructure Levy (CIL)	£13.724m
Leasing (classified as borrowing)	£0.312m
Borrowing	£4.462m
Total	£34.769m

Prudential Indicators

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 2025 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 calculation of the Council's internal and external borrowing used to finance its capital expenditure. This includes the new debt taken onto the balance sheet at the 1st April 2024 to comply with IFRS16. As at 31st March this is £45.4m compared to an estimate of £47.619m made in February.

The Treasury Management and Investment Committee will receive a report on external debt and investments for 2024/25.

10. Conclusion

- 10.1 The total cost of the Capital Schemes is forecast to increase by a net £0.438m more than the latest approved budget (increases £1.428m, reductions -£0.990m). The majority of the increases forecast in spend are funded by new grants or CIL, some £1.110m.
- 10.2 The later timing (underspend) of Capital Schemes in 2024/25, £12.207m, is beneficial to the Council in terms of cashflow and financing as it has reduced the requirement for internal borrowing in the financial year.
- 10.3 The 2024/25 Asset Replacement Schemes, £0.847m has been deferred to 2025/26 and later years. The realignment of the asset replacement budgets into later years is favourable to the Council as it delays the commitment of capital resources. The requirement to borrow against short-term assets has been delayed to 2025/26.
- 10.4 There is a significant risk that the overall cost of the capital programme will increase as there are schemes on the unfunded priorities list which following feasibility works and assessment of scheme costs will be brought forward.
- 10.5 Resources used to fund the capital programme will be reviewed and reported to July Cabinet.

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 2024/25, a comparison of the budgeted expenditure against the Outturn.

Also, the Asset Replacement Schemes for 2025/26, a comparison of the budgeted expenditure against the Directors of Service forecast.

Appendix 4 Asset Replacement Schemes Major Variations Narratives for the years 2024/25 and 2025/26.

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:

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 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
		LEADER							
		Economic Development and Special Projects (deputy)							
32	1	Public Realm Wayfinding Signs Phase 3	150		150	5	155	No	Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC to approve scheme.
647	2	Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833	Business case to be developed with EA	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	Public Realm Tindal Square Design and Construction	160	4,874	5,034		5,034	Completed - final account for works agreed	Final account still to be paid
32,596	4	Chelmer Waterside Infrastructure - Bow Bridge and Road, Remediation of Land and GPRS Relocation.	15,500	27,810	43,310		43,310	No	£15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works. An additional £16.410m was approved by Council in July 2023.
318	5	Chelmer Waterside Infrastructure - Purchase of Land		320	320	-2	318	Complete	Land purchased to secure access to Bow Bridge.
12,369	6	S106 Beaulieu Park Station	3,017	18,981	21,998		21,998	Payment dates relate to receipt of contributions	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.
70	7	UK Shared Prosperity Fund - Various Grant Funded Schemes	346	-276	70		70	Complete	Approved by Council February 2023. Three year funded programme commenced 2022/23. £276k of grant was vired to pay for Co- Working Hub.
361	8	Rural England Prosperity Fund- Supporting Businesses and Communities	400		400	-39	361	Complete	Approved by Council February 2023. Two year funded programme commencing in 2023/24. £39k has been used towards funding land purchase for woodland.
	9	Rural England Prosperity Fund- Supporting Businesses and Communities Grant 2025/26			0	120	120	2025/26 Third party grant applications	Additional funding has been provided for 2025/26.
55	10	Automatic Floodgates and Provision of Locks - Feasibility		55	55		55	No	Budget approved September 2020 Cabinet. Feasibility completed and remaining budget vired from Rivers and Waterways Improvements.
83	11	Civic Offices Improvement Programme	460	11	471		471	Under Review	Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k vired from replacement scheme. November 2024 £20k vired to Coval Lane Co Working Space scheme.
272	12	Coval Lane Co Working Area		296	296	-24	272	Complete	Approved November 2024 Cabinet. Part funded by £276k UK prosperity Grant.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
238	13	Green Initiatives Phase I	500	-182	318		318	Business Cases to be Developed	Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, he will decide on the preferred schemes. £102k vired towards cost of electric vehicle - approved February 2023. 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.
108	14	Green Initiatives Fund Phase 2	6,500	-3,100	3,400		3,400	Business Cases to be Developed	Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced. Spend on LED lighting upgrades and SWF Pool heating initiatives.
64	15	CIL Integrated Cycling Infrastructure Grant	100		100	-36	64	Complete	CIL funding approved at meeting of the CIL Panel 23/1/2020.
	16	CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Forward funding grant to ECC to be made 2021/22. Approved Council May 2021. Still awaiting agreement from ECC for payment to be made.
		<u>Sustainable Transport (deputy)</u>							
	17	High Chelmer Car Park Lifts	355		355		355	Yes	Approved by Council February 2023. Scheduled for 2025/26.
740	18	High Chelmer car Park Waterproofing Levels 11,12,13	500	300	800	-60	740	Complete	Approved by Council February 2023. Scheduled for 2025/26. Works have become urgent and needs to be rescheduled to 2024/25. Additional £350k approved by Council February 2024.
	19	High Chelmer MSCP Improvement Works	148	-54	94	8	102	No	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP. Scheduled for 2025/26,
58	20	Fairfield Road Car Park Resurfacing and Relining	84	-25	59	-1	58	Complete	Approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP.
79	21	Moulsham Street Car park Resurfacing		79	79		79	Complete	Request for funding to be redirected to additional car park
		ACTIVE							
		<u>Leisure and Heritage</u>							
145	22	Dovedales Sports Centre Refurbishment	1,464	670	2,134		2,134	Scheduled for 2025/26	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).
300	23	South Woodham Ferrers Pool Works and Plant	275	60	335	-35	300	Complete	Approved at Council February 2023. Scheduled for 2024/25. October 2023 Scheme deferred to 2025/26 pending outcome of application for Sport England Funding. Additional £60k budget approved by Council February 2024. £233k Sport England grant awarded and scheme reprogrammed to 2024/25 due to spend date of grant.
	24	CSAC Activity Room	14		14		14	Yes	Approved at Council February 2025.
567	25	S106 Strategic Borough Sports		587	587		587	Unspecified	Runwell Sports and Social Club grant to cover costs of scheme. Funding agreement in place.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
6	26	S106 Community Open Space			0	6	6	Complete	S106 grant to parish council for open spece improvements.
63	27	Hylands House Stable Block Toilets	44	16	60	3	63	Complete	Approved at Council February 2020 and programmed for 2022/23. Now programmed for 2023/24. October 2023 following review deferred to 2024/25. Cost reviewed and £16k additional budget approved February 2024.
		<u>Voluntary and Community Sector Support</u>							
26	28	CIL St Andrew's Scout Hut Building	80	-54	26		26	Complete	CIL funding approved Cabinet October 2018 scheme to be included in capital programme approved by February Council 2019. This grant is currently under review and a report will be taken to propose that some of the grant is redirected to another facility.
	29	CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	CIL funding approved December 2021. Spend approved Council February 2022.
6	30	CIL Grant Hot Box Live		6	6		6	Complete	CIL funding agreed
	31	CIL Grant St John's Church		10	10		10	No - dependent on Third party	CIL funding agreed
48	32	CIL Green Initiatives - Various Schemes	15	43	58	8	66	No - dependent on Third party	£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.
		<u>Public Health and Wellbeing</u>							
		<u>N/A</u>							
		<u>Cultural Services (deputy)</u>							
3,157	33	Theatres' Modernisation	1,000	2,201	3,201	-3	3,198	Main works complete - final account agreed but still outstanding work items to complete	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.
	34	Oaklands Museum Staff Room and Kitchen Refit	24		24		24	No - Agreed to Defer to 2026/27	Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27
	35	Oaklands Museum Roof Works	63		63		63	Yes	Approved at Council February 2024. Works scheduled for 2025/26.
	36	Great Baddow Hoard Gold Coins			0	180	180	New Funding	Heritage Lottery Fund Grant
	37	Great Baddow Hoard Gold Coins Display Case			0	22	22	New Funding	Heritage Lottery Fund Grant
		FAIRER							
		<u>Housing Services</u>							

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
7,085	38	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094		7,094		7,094	Refurbishment of final property outstanding	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.
1,275	39	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - acquisition of land	1,300	0	1,300	-25	1,275	Complete	Approved £2m at Council February 2020. Delegated authority to Cabinet. Report taken to Council in July and £1.3m budget approved to purchase land for affordable housing. £0.7m not required and used to establish new pooled fund.
	40	Housing Initiatives Future schemes to be developed	6,964	-2,454	4,510		4,510	Business Case to be Developed	October 2023 - Review of housing delivery being undertaken. All unallocated/unspent housing initiatives budgets have been pooled into one single pot, £6.964m which will be used to assist in the delivery of any new policy determined from the review to assist in the delivery of temporary accommodation. Approved Council February 2024. MT review October removed balance £1.094m.
8	41	Housing Initiatives - Modular Units Groundworks		250	250		250	Yes	Use of housing initiatives pot. £250k Brownfield Land release Funding secured.
	42	Housing Initiatives - Sandford Mill House Refurbishment for use as TA		110	110		110	Yes	Use of housing initiatives pot.
	43	Housing Initiatives - Grant to YMCA		1,000	1,000		1,000	Yes	Use of housing initiatives pot.
	44	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,323	320		320	Dependent on Third party	Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation. £1.325m budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.
350	45	Housing Grant to CHESS	350		350		350	Complete	Approved by Council February 2024 for payment in 2024/25. Initial payment made in 2023/24 to support initiative.
478	46	Housing Loan to CHESS		478	478		478	Complete	Approved via urgency letter December 2024
2,610	47	Local Authority Housing Fund Round 2		2,610	2,610		2,610	Complete	LAHF2 Grant awarded and paid over to CHP for acquisition of properties.
	48	Local Authority Housing Fund Round 3		2,807	2,807	775	3,582	Grant Conditions	LAHF3 Grant awarded and will be paid over to CHP for acquisition of properties.
		Corporate Property							
206	49	Land Development Site Investigations - Waterside	365	51	416	-90	326	Under review	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.
0	50	Various Land Sites' Disposal Costs	612	0	612	-612	0	Spend transferred to revenue budget removed	Approved Council February 2022. Delegated authority to the director to spend within the approved budget. Additional budget approved £120k February 2023 Council. Council report in July decision taken to transfer some smaller sites rather than develop in house, therefore prior spend will need to be transferred to revenue. £255k transferred to revenue 23/24. A further £478k transferred to revenue in 2024/25. Original budget was overspent.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
4,377	51	Enabling Lockside Growth Area	450	5,706	6,156		6,156	In Negotiations - Late delivery	A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25. Acquisition of remaining 2 properties delayed to 2025/26.
44	52	Land Acquisition Cemetery/Crematorium	1,800	1,400	3,200		3,200	To identify potential Land Site	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.
26	53	Refurbishment of Commercially Leased Properties - I Springfield Lyons	720	2,230	2,950		2,950	No	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.
		<u>Building Services</u>							
27	54	Civic Centre Ventilation and Roof Works	30		30	-3	27	Complete	Approved at Council February 2024. Scheduled for 2024/25.
	55	Various Condition Survey Works		564	564		564	Scheduled over 2 years	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 £564k has been approved via delegation in April 2025 for the first phase of works.
		<u>Greener Chelmsford</u>							
		<u>Parks and Green Spaces</u>							
3	56	Cemetery and Crematorium Infrastructure - proposed new facility	6,800	-6,700	100	200	300	Spend to get scheme to planning approval	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,
30	57	Beaulieu Park Pavilion Refurbishment	57		57	-27	30	Complete	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2025/26.
40	58	Chancellor Park Pavilion Works	46		46		46	No	Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.
14	59	Beaulieu Pavilion Health and Safety Works	33		33		33	No	Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.
121	60	Lionmede Park Upgrade Tennis Courts	120		120	1	121	Complete	Approved supplementary estimate £120k funded from LTA contribution
	61	Rivers and Waterways Improvements	600	-55	545		545	No - Scheme to be developed	Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22. 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.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
610	62	Mass Tree planting and Woodland Creation	4,400	-2,767	1,633	77	1,710	Reviewed Annually	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.
	63	S106 Beaulieu Park Sport Pitches Top up	800		800		800	Dependent on third party	Approved February 2025 Council
9	64	CIL Landscape Enhancement Scheme Chignal Road	11		11	-2	9	Complete	CIL funding approved October 2018 Chignal Road Landscaping scheme approved February 2019 Council.
11	65	CIL Parks and Open Spaces - John Shennan Basketball		9	9	2	11	Complete	CIL neighbourhood grant application from Moulsham Community Trust approved April 2024.
		Planning							
283	66	Garden Communities Infrastructure Fund		290	290		290	Main Works complete	Various schemes will be grant funded
54	67	S106 Stonebridge Illuminations	37	27	64	-10	54	Complete	Approved by delegation April 2019. Additional budget approved by delegation March 2020 £6k. £14k vired from River can Scheme 2023/24.
108	68	S106 Public Art Channels	21	87	108		108	Complete	Approved by delegation January 2020 £21k. Additional sum approved by delegation £79k October 2021. £2k approved Council February 2024.
525	69	CIL Sutherland Lodge Refurbishment	525		525		525	Complete	Approved Council July 2017.
		SAFER							
		Community Safety							
	70	Market Road Conveniences Accessibility	20		20		20	No	Approved by Council February 2023. Scheduled for 2023/24.
114	71	Public Convenience Refurbishment - Admirals and Central Park	168		168		168	No	Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £113k. Remaining budget for Admirals Park £54k.
151	72	Community Flood Improvements	184	1	185		185	Works Completed Monitoring to continue	Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.
		Waste Management and Recycling							
550	73	Chelmsford Indoor Market Refurbishment	500	100	600		600	Indoor works completed. Outdoor works deferred to 2025/26	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.
	74	Retail Market Drainage Improvements	31		31		31	Deferred to 2025/26	Approved by Council February 2022. Delegated authority to Director to spend within approved budget.

			Latest Approved Budget - Approved February 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval			
Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budgets	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s		SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s		
	75	Retail Market Traders' Conveniences Remodelling	102		102		102	Agreed to defer to 2026/27	Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27.
	76	Retail Market Canopy Roof Liquid System	90		90		90	Deferred to 2026/27	Approved by Council February 2024. Works scheduled for 2025/26. MT review October 2024 deferred scheme to 2026/27
9	77	High Chelmer MSCP and Retail Market Red Walkway Health and Safety works	14	-5	9		9	Completed	Approved by Council February 2024. Works scheduled for 2024/25,
58	78	Freighter House Depot Resurfacing Works	216		216		216	Yes	Approved at Council February 2023. Five year programme scheduled to commence 2024/25.
		<u>Support Services (deputy)</u>							
		<u>N/A</u>							
76,618		Grand Total	73,640	57,044	130,684	438	131,122		
					Net Variation	438			
			Summary of Changes Since Previous Council Report February 2025						
							£000's		
							Latest Approved Budget February 2025	129,170	
							New Schemes Approved	564	
							Supplementary Estimates Approved for Existing Schemes	950	
							Total Approved Budget	130,684	
							Latest Forecast Variations shown above		
							Increased budgets completed schemes to be noted	10	
							Increased Budgets Require Approval	308	
							Increased Budgets Require Approval Funded	1,110	
							Decreased budgets transferred to revenue	-26	
							Decreased budgets completed schemes	-226	
							Decreased budgets Forecast Lower Cost	0	
							Decreased budgets aborted costs transferred to	-568	
							Decreased budgets Schemes Removed	-170	
							Latest Forecast Budget May 2025	131,122	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
8	Rural England Prosperity Fund- Supporting Businesses and Communities	400	361	-39	Funding reassigned	-9.75%	This scheme was dependent upon applications being submitted for grants by businesses and community groups and had to be spent by 31/3/2025. £39k was unallocated at the end of the year and it was agreed that this would be used towards funding the purchase of land to create a new woodland for community use.
9	Rural England Prosperity Fund- Supporting Businesses and Communities - Grant Allocation 2025/26	0	120	120	New provision fully funded	N/A	This scheme is dependent upon applications being submitted for grants by businesses and community groups and has to be spent by 31/3/2026.
15	CIL Integrated Cycling Infrastructure Grant	100	64	-36	Budget removed	-36.00%	It has been confirmed that there will be no further requests for grants . Contingency included in tender has not been required.
18	High Chelmer car Park Waterproofing Levels I	800	740	-60	Underspend scheme complete	-7.50%	
23	South Woodham Ferrers Pool Works and Plant	335	300	-35	Underspend scheme complete	-10.45%	Contingency included in tender has not been required.
36,37	Great Baddow Hoard Gold Coins	202	0	-202	New provision fully funded	N/A	A grant has been awarded by the heritage lottery fund.
39	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy and Affordable and Social Housing - acquisition of land	1300	1275	-25	Underspend scheme complete	-1.92%	Land acquired costs lower than estimated.
48	Local Authority Housing Fund Round 3	2807	3582	775	Increased budget fully funded	N/A	Additional grant received to be used towards temporary accomodation provision. Likely to be paid over to a housing association.
49	Land Development Site Investigations - Waterside	416	326	-90	Spend transferred to revenue	-21.63%	The cost of the first marketing exercise has been transferred to revenue and the budget reduced.
50	Various Land Sites' Disposal Costs	612	0	-612	Spend transferred to revenue - remaining budget removed	-100.00%	£478k has been transferred to revenue as it is not a capital spend. The remaining £134k budget has been removed as any further spend associated with the disposal of various sites to HA's will be a revenue spend.
56	Cemetery and Crematorium Infrastructure	100	300	200	Increased budget	200.00%	Advised by service manager that he original £100k provision for feasibility and planning was insufficient and will need to be increased.
57	Beaulieu Park Pavilion Refurbishment	57	30	-27	Underspend scheme complete	-47.37%	Scheme completed cost of boiler replacement less than estimated.
62	Mass Tree planting and Woodland Creation	1633	1710	77	Increased budget	4.72%	Budget reduced by £23k as spend in year transferred to revenue. The spend in revenue has been funded by a capital provision. Following a review by the service manager they have requested that the budget is increased by £100k for the remaining years.

APPENDIX 3													
CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME													
		2024/25						2025/26					
		REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE VARIATIONS FROM LATEST APPROVED ESTIMATE TO OUT TURN						2024/25 REPLACEMENT PROGRAMME - CAPITAL EXPENDITURE REPHASING VARIATIONS					
		Analysis of Variations						Variations					
Net Expenditure to 31/03/2025	CAPITAL ASSET REPLACEMENT PROGRAMME	Latest Approved Estimates for 2024/25	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2024/25 Additional Cost	Total Outturn 2024/25	Original Approved Estimate for 2025/26	Re phasing from 2024/25	More/Less(-) Than Approved Budgets -More Requires Approval	Approved Replacements rephased between years	Net Variance for 2025/26 Additional Cost	Total Proposed Budget Requirement for 2025/26
£000's	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	LEADER												
	Sustainable Transport (Deputy)												
0	1 Car Park Pay on Foot Equipment	0				0	0	281				0	281
0	2 Car Park Vehicles and Equipment	32	-32			-32	0	22	32			32	54
	Active												
	Leisure and Heritage												
0	3 Dovedales Replacement Equipment	0				0	0	220				0	220
141	4 Riverside Replacement Equipment	149	-8			-8	141	77	8			8	85
0	5 Riverside Dryside Locker Keyless System	0						11				0	11
0	6 Riverside Ice Rink Seating	0						21				0	21
0	7 Riverside Magic Water System	0						14				0	14
0	8 Riverside Studio 2 Upgrade - AV Equipment	0						5				0	5
46	9 Riverside Plant	49			-3	-3	46	101				0	101
25	10 CSAC Replacement Equipment	22	4		-1	3	25	42	-4			-4	38
0	11 CSAC Expansion Fitness Room Equipment	0				0	0	45				0	45
0	12 CSAC Plant	25	-25			-25	0	5	25			25	30
13	13 SWFLC Replacement Programme	3	-3		13	10	13	28	3			3	31
27	14 SWFLC Plant Replacement	58	-29		-2	-31	27	28	29			29	57
1	15 SWF 3G Pitch	1				0	1	421			-400	-400	21
11	16 Hylands House Mechanical and Electrical	11				0	11	25				0	25
0	17 Hylands Pavilion Infrastructure	6	-6			-6	0	25	6			6	31
0	18 Hylands Pavilion Equipment	45	-45			-45	0	15	45			45	60
30	19 Hylands House Equipment	61	-30		-1	-31	30	0	30			30	30
	Cultural Services (Deputy)												
365	20 Theatres' Equipment	395	-10		-20	-30	365	238	10			10	248
18	21 Theatres' Equipment - Throw Lens	18				0	18	0				0	0
18	22 Theatres' Plant	18				0	18	6				0	6
0	23 Museum Equipment and Vehicles	2	-2			-2	0	32	2			2	34
	Fairer												
	Building Services												
0	24 Print and Post Room Replacement Equip.	5	-5			-5	0	14	5			5	19

Net Expenditure to 31/03/2025	CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Estimates for 2024/25	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2024/25 Additional Cost	Total Outturn 2024/25	Original Approved Estimate for 2025/26	Re phasing from 2024/25	More/Less(-) Than Approved Budgets -More Requires Approval	Approved Replacements rephased between years	Net Variance for 2025/26 Additional Cost	Total Proposed Budget Requirement for 2025/26
2	25	Street Lighting	29			-27	-27	2	0				0	0
		<u>Greener</u>												
		<u>Parks and Green Spaces</u>												
30	26	Crematorium Equipment	33	-1		-2	-3	30	66	1		103	104	170
0	27	Crematorium Columbarium	14	-14			-14	0	0	14			14	14
276	28	Play Area Replacements	360	-84			-84	276	294	84			84	378
165	30	Parks Replacement Vehicles and Equipment	196	-31			-31	165	824	31			31	855
0	31	Melbourne 3G Pitch	4	-4			-4	0	12	4			4	16
37	32	Chelmer Park Artificial Pitch	37				0	37	0				0	0
		<u>Safer</u>												
		<u>Community Safety</u>												
19	33	CCTV Replacement Equipment	48	-29			-29	19	112	29			29	141
0	34	CCTV Various Schemes Sites CIL	3	-3			-3	0	0	3			3	3
2	35	PHPS Air Monitoring Equipment	12	-10			-10	2	58	10			10	68
6	36	Healthy Home Loans	6				0	6	0				0	0
13	37	Discretionary Loans DFG Funded	13				0	13	0				0	0
4	38	RIA Loans DFG Funded	0			4	4	4	0				0	0
59	39	RIA Grants DFG Funded	10			49	49	59	0				0	0
971	40	Disabled Facility Grants (fully externally funded)	914			57	57	971	1,202		165		165	1,367
202	41	Social Capital Funding Projects DFG funded	265	-63			-63	202	0	63			63	63
		<u>Waste Management and Recycling</u>												
3	42	Scotas for the Disabled	7	-4			-4	3	23	4			4	27
0	43	Town Centre Bins	0				0	0	32				0	32
81	44	Depot Telescopic Front loader	107			-26	-26	81	0				0	0
155	45	Vehicle Wash	170			-15	-15	155	0				0	0
0	46	Street Cleansing Vehicles	0				0	0	644				0	644
5	47	Street Cleansing Equipment	5				0	5	3				0	3
0	48	Street Cleansing Crane Vehicle	0				0	0	88				0	88
0	49	Street Cleansing Gully Emptier	0				0	0	150		40		40	190
0	50	Wet Team Equipment	0				0	0	91		16		16	107
34	51	Hit Squad Replacements	43			-9	-9	34	89				0	89
57	52	Refuse Vehicles	300	-225		-18	-243	57	750	225			225	975
72	53	Vehicle Maintenance	79	-8		1	-7	72	6	8			8	14
139	54	Recycling Vehicles	226	-32		-55	-87	139	920	32			32	952
0	55	Recycling MRF	20	-20			-20	0	0	20			20	20
275	56	Food Vehicles	278			-3	-3	275	0				0	0
0	57	Prov. for Replacement with Electric Veh.	0				0	0	100				0	100
		<u>Support Services (Deputy)</u>											0	
32	58	Digital Services Replacement Programme	33			-1	-1	32	12				0	12
0	59	Digital Storage	0				0	0	68				0	68

Net Expenditure to 31/03/2025	CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Estimates for 2024/25	Change in Scheme Phasing	New Proposal	More/Less (-) Than Approved Budgets	Net Variance for 2024/25 Additional Cost	Total Outturn 2024/25	Original Approved Estimate for 2025/26	Re phasing from 2024/25	More/Less(-) Than Approved Budgets -More Requires Approval	Approved Replacements rephased between years	Net Variance for 2025/26 Additional Cost	Total Proposed Budget Requirement for 2025/26
0	60	Digital Servers	0				0	0	48			-48	-48	0
47	61	Meeting Room Digital Equipment	47				0	47	0				0	0
0	62	Website Upgrade	2			-2	-2	0	6				0	6
0	63	System Upgrade	0				0	0	9				0	9
0	64	System Security	0				0	0	20				0	20
175	65	Networks	176			-1	-1	175	0				0	0
0	66	Wifi Hardware	0				0	0	115				0	115
0	67	Investment in Digital Technology - DPO	128	-128			-128	0	240				0	240
0	68	Civic Duties Vehicle	0				0	0	0				0	0
													0	
3,556		Totals	4,465	-847	0	-62	-909	3,556	7,658	719	221	-345	595	8,253
					-62					595				
			2024/25 Analysis of Forecast Variations from Latest Approved Estimate £000's						2025/26 Analysis of Projected Variations £000's					
			Rephasing of Schemes to 2024/25				-719		Rephasing of Schemes from 2024/25					719
			Rephasing of Schemes to Later Years				-128		Rephasing of Schemes from 2026/27					103
			Price Variations Increases to be noted				1		Rephasing of Schemes to 2026/27					-448
			Price variations Decreases				-85							
			Reduced Demand				-27							
			Supplementary Estimates New unfunded to be noted						Supplementary Estimates New unfunded					56
			Supplementary Estimates Funded New to be noted				110		Supplementary Estimates Funded New to be noted					165
			Adjustment for Vehicles financed by leasing				-72							
			Virement to capital scheme				13							
			Removed to be funded from revenue				-2							
							-909							595

APPENDIX 4

Reasons for Variations Greater Than £25,000 in Asset Replacement Programme							
	Scheme Description	Latest Approved Budget £000's	Estimated Budget Required £000's	Variation £000's	Variation Type	Percentage Change	Reason
	<u>2024/25</u>						
	<u>Sustainable Transport (Deputy)</u>						
2	Car Park Vehicles and Equipment	32	0	-32	Rephasing of spend to 2025/26	-100.00%	Replacements have been deferred to 2025/26 as service still reviewing their requirements for vehicle.
	<u>Leisure and Heritage</u>						
12	CSAC Plant	25	0	-25	Rephasing of spend to 2025/26	-100.00%	Replacements have been deferred to 2025/26 and existing plant prolonged until no longer economical
14	SWFLC Plant Replacement	58	27	-31	Rephasing of spend to 2025/26	-53.45%	Replacements have been deferred to 2025/26 and existing plant prolonged until no longer economical
18	Hylands Pavilion Equipment	45	0	-45	Rephasing of spend to 2025/26	-100.00%	Replacements have been deferred to 2025/26 and existing equipment prolonged until no longer economical
19	Hylands House Equipment	61	30	-31	Rephasing of spend to 2025/26	-50.82%	Replacements have been deferred to 2025/26 and existing equipment prolonged until no longer economical
	<u>Cultural Services (Deputy)</u>						
20	Theatres' Equipment	395	365	-30	Rephasing of spend to 2025/26	-7.59%	£10K required to complete replacements rephased to 2025/26 and £20K budget underspend not required.
	<u>Building Services</u>						
25	Street Lighting	29	2	-27	Budget removed	-93.10%	Planned Street lighting changes made and remaining budget no longer required
	<u>Parks and Green Spaces</u>						
28	Play Area Replacements	360	276	-84	Rephasing of spend to 2025/26	-23.33%	Replacement play areas continued into 2025/26
30	Parks Replacement Vehicles and Equipment	196	165	-31	Rephasing of spend to 2025/26	-15.82%	Replacements have been deferred to 2025/26
	<u>Community Safety</u>						
33	CCTV Replacement Equipment	48	19	-29	Rephasing of spend to 2025/26	-60.42%	Replacements have been deferred to 2025/26 to link in with tendered exercise for CCTV
39	RIA Grants DFG Funded	10	59	49	Increase spend Fully Funded by grant	100.00%	Additional spend incurred that is fully funded by grant. It is difficult to predict the annual spend in year.
40	Disabled Facility Grants (fully externally funded)	914	971	57	Increase spend Fully Funded by grant	6.24%	Additional spend incurred that is fully funded by grant. It is difficult to predict the annual spend in year.
41	Social Capital Funding Projects DFG funded	265	202	-63	Rephasing of spend to 2025/26	-23.77%	£23k Grant payment to CHESS delayed as scheme not reported as complete by 31/3/2025 and £40k contribution towards adapting TA property delayed as works have not commenced.
	<u>Waste Management and Recycling</u>						
44	Depot Telescopic Front loader	107	81	-26	Leasing	-24.30%	Vehicle acquired with finance lease variation to budget due to take on value of lease liability
52	Refuse Vehicles	300	57	-243	Rephasing of spend to 2025/26	-81.00%	£225k Replacements have been deferred to 2025/26 where vehicle has been delivered in April 2025. £18k saving against original budget.
54	Recycling Vehicles	226	139	-87	Rephasing of spend to 2025/26	-38.50%	£32k Replacements have been deferred to 2025/26 where vehicle has been delivered in April 2025. £55k saving against original budget.
	<u>Support Services (Deputy)</u>						
67	Investment in Digital Technology - DPO	128	0	-128	Rephasing of spend to 2025/26	-100.00%	Budgets have been deferred to 2026/27 awaiting for schemes to be brought forward for funding.

Reasons for Variations Greater Than £25,000 in Asset Replacement Programme							
	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	Reason
		£000's	£000's	£000's			
	<u>2025/26</u>						
	<u>Sustainable Transport (Deputy)</u>						
2	Car Park Vehicles and Equipment	22	54	32	Rephasing of spend from 2024/25	145.45%	Replacements have been deferred to 2025/26
	<u>Leisure and Heritage</u>						
12	CSAC Plant	5	30	25	Rephasing of spend from 2024/25	500.00%	Replacements have been deferred to 2025/26
14	SWFLC Plant Replacement	28	57	29	Rephasing of spend from 2024/25	103.57%	Replacements have been deferred to 2025/26
15	SWF 3G Pitch	421	21	-400	Rephasing of spend to 2026/27	100.00%	Replacements have been deferred to 2026/27 to be reviewed annually
18	Hylands Pavilion Equipment	15	60	45	Rephasing of spend from 2024/25	300.00%	Replacements have been deferred to 2025/26
19	Hylands House Equipment	0	30	30	Rephasing of spend from 2024/25	100.00%	Replacements have been deferred to 2025/26



Audit and Risk Committee

11th June 2025

Internal Audit Annual Report 2024/25

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 2024/25, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations.

Recommendations

Committee are requested to note the content of the 2024/25 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 2024/25 was approved by Audit and Risk Committee in March 2024. This report summarises the work that Internal Audit has undertaken during the financial year 2024/25, identifies the key themes that we have identified across the Council and also highlights how responsive management have been in implementing recommendations.

- 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 2024/25 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Annual Report 2024/25

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 2025.

Relevant Policies and Strategies: None

Internal Audit Annual Report 2024-25

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 2024/25 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 2024/25. 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 2025 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 C. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with Public Sector Internal Audit Standards, as supported by the External Quality Assessment (EQA) in December 2024.
- 1.3.4. The audit plan for 2024/25 was approved by Audit and Risk Committee in March 2024. Internal Audit Team resource comprised of the Audit Services Manager and 1.5 FTE Senior Auditors during 2024/25.

2. Internal Audit Opinion

- 2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
- 2.2. In assessing the level of assurance to be given, the following has been considered:
- All audits undertaken in the year
 - Any follow up action taken in respects of audits from previous periods
 - The effects of any significant changes in the Council's systems or objectives
 - Any limitations which may have been placed on the scope of internal audit
 - The extent to which resource constraints may impact on the Audit Service's Manager ability to meet the needs of the organisation
 - The results of work performed by other assurance providers, such as External Audit.

OVERALL OPINION

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

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

3. Other Sources of Assurance

3.1. Risk Management Framework

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

Risk consequence criteria have been aligned with Internal Audit to ensure that management and Services receive broadly consistent messages to enable them to prioritise their risks. Internal Audit also use the Principal Risk Register, the Fraud Risk Register and other risks identified through the risk management framework, to inform the annual risk-based Internal Audit plan and to inform audit planning for individual audit assignments.

3.2. Internal Audit View on Managing the Risk of Fraud

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.

Actions required to deliver and implement the Strategy are set out in a corresponding action plan. Key activities in 2024/25 included the roll out of guidance, training and awareness across the Council and complying with NFI and Transparency Code requirements.

The risk of fraud is monitored via the Council’s Principal 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 assessed and aligned to the Council’s Fraud Risk Register.
- Data Analytics have been used by Internal Audit since 2024 in their reviews of Accounts Payable and Payroll to detect any anomalies, 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 Council also participates in mandatory NFI exercises. The latest major exercise took place in October 2024 with results released from January 2025.

A whistleblowing policy is also available to staff, key stakeholders and the general public via the Council’s website.

A separate Counter Fraud Annual Report 2024/25 has also been produced which details these elements further.

4. Summary of Findings

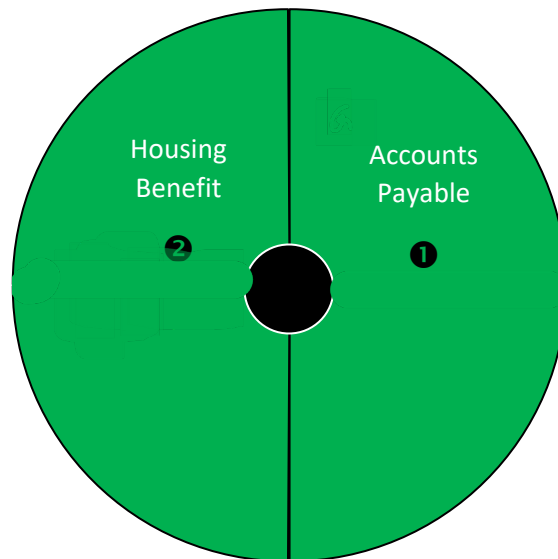
4.1. High Priority Findings

Report Title	Key Issues Arising
Officer and Member Conflict of Interest <i>(Limited Assurance)</i>	<p>The assessment of the framework around officer conflicts of interests identified high priority findings in relation to staff awareness, assessing and mitigating the risks arising from declarations, and improving Council policy. A further medium priority recommendation was made regarding simplifying declaration routes. Due to the level of inherent risk associated with the potential for bribery and corruption involving staff with more significant financial or other decision-making powers, a limited assurance opinion was provided although it should be noted that no concerns relating to actual or perceived conflicts were identified during the audit.</p> <p>Management actions have already been taken including the launch of the Officer online declaration of interest form and the roll out of anti-bribery and corruption training across the Council which should support improvements in the control framework in this area.</p>

Report Title	Key Issues Arising
Corporate Approach to Additional Hours (Overtime) <i>(Management Letter)</i>	Three high priority findings were identified. While it is understood that services have different requirements for the use of additional hours and therefore manage this locally accordingly, some areas of risk have been identified including policy and procedures, management of hours and management information. Management have already taken pro-active action in the areas identified.
Use of Off-Payroll Workers <i>(Limited Assurance)</i>	A high priority finding was identified relating to Procurement Regulations and Contract Procedure Rules. Medium priority findings were also identified relating to oversight and authorisation of agency workers, off payroll worker status and check forms and Agency Workers Code of Conduct.
Key Financial Systems – Debtors <i>(Management Letter)</i>	Three recommendations (one high and two medium priority) were made. Internal Audit noted that swift positive actions were being taken by management and based on the evidence presented during our follow up audit undertaken in April 2025, Internal Audit confirmed that all three recommendations have been implemented.
Internal/External Comms <i>(Moderate Assurance)</i>	One high priority finding was identified relating to the monitoring and management of social media accounts. One medium priority finding was identified relating to the internal agreement of communications.
Building Control <i>(Management Letter)</i>	<p>Due to severe staffing shortages faced by the service, it was not possible to complete the full scope of the review and therefore providing an assurance opinion was not appropriate. The findings from the reduced scope were however still presented to management which included the associated risks relating to staffing shortages and compliance with statutory functions.</p> <p>Management are exploring various options to improve the situation and a detailed report has been provided to Management Team. It is recommended that once staffing levels have improved, an extended audit follow up is completed.</p>

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 2024/25, this included a key control review of Housing Benefit and Accounts Payable, the overall opinion for which was substantial assurance. For Housing Benefit, there were two low priority findings relating to processing and reconciliations. For Accounts Payable, there was one low priority finding relating to retrospective ordering. The wheel below summarises the number and priority of findings:



Debtors

Three recommendations (one high and two medium priority) were made. Internal Audit noted that swift positive actions were being taken by management and based on the evidence presented during our follow up audit undertaken in April 2025, Internal Audit confirmed that all three recommendations have been implemented.

Data Analytics (Payroll)

Internal Audit reviewed Payroll, as part of the 2024/25 Audit Plan, by partnering with PWC to enable the use of Data Analytics. The aim of this review was to identify the key Payroll controls within the Council's iTrent System and devise an overarching programme of Data Analytics to allow testing 100% of the data across the processes to give assurance on the effectiveness of these controls, with a specific focus on anti-fraud controls. No exceptions were identified in any of the tests apart from duplicate bank accounts and leavers paid after 60 days. Following the analysis by PWC, the Internal Audit team followed up with the Payroll Manager on the risk-based exceptions identified. However, it was confirmed through discussion with the Payroll Manager and review of iTrent data that these payments were genuine, and no issues were identified.

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

Report Title	Assurance Rating	High	Med	Low
Officer and Member Conflict of Interest	Limited	3	3	0
Corporate Approach to Additional Hours (Overtime)	Management Letter	3	0	0
Use of Off-Payroll Workers	Limited	1	3	0
Key Financial Systems - Debtors	Management letter	1	2	0
Internal/External Comms	Moderate	1	1	1
Volunteers	Moderate	0	3	0
Licensing	Moderate	0	2	1
Cyber Security & Data Breaches	Moderate	0	2	1
Corporate Property & Asset Management	Moderate	0	2	0
Hylands House	Substantial	0	3	1
Key Financial Systems - Accounts Payable and Housing Benefit	Substantial	0	0	3
Payroll (Data Analytics)	Management letter	0	0	0
Garden Waste Advice	Management letter	n/a	n/a	n/a
Building Control	Management letter	n/a	n/a	n/a
Safety Compliance Monitoring	Information only	n/a	n/a	n/a

Internal Audit have also continued to provide ad hoc advice and guidance during 2024/25.

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 2024/25 is tabled below.

Audit Title	Original Assurance Rating	Key Findings
Museum	Limited	<p>In the original report, seven recommendations (three high and four medium priority) were made. Our initial follow up audit in December 2024 confirmed that two high priority recommendations had been implemented. However, due to staff turnover, the remaining high priority recommendation (relating to the Museum catalogue) was still outstanding, and the four medium priority recommendations (relating to insurance, acquisitions, policies and procedures and security of assets) had been partially implemented with a revised target date of January 2025.</p> <p>It was agreed with management that Internal Audit would complete a final follow up review in April 2025 to determine the status of the remaining recommendations. Based on the evidence presented, our follow up audit revealed that all of the outstanding recommendations have now been implemented.</p>
Key Financial Systems – Debtors	Management Letter	<p>In the previous report (issued January 2025), three recommendations (one high and two medium priority) were made. Internal Audit noted that swift positive actions were being taken by management and based on the evidence presented, our follow up audit in April 2025 confirmed that all three recommendations have been implemented.</p>
Theatres - Box Office and Food & Beverages	Moderate	<p>In the previous reports, four medium priority and one low priority recommendations were made. Based on the evidence presented, our follow up audit confirmed that all five recommendations have been implemented.</p>
Members Allowances and Expenses	Moderate	<p>In the previous report, three recommendations (two medium and one low priority) were made. Based on the evidence presented, our follow up audit confirmed that two medium recommendations have been implemented and one low priority recommendation relating to coding was due to be implemented with immediate effect.</p>
Safer Recruitment	Moderate	<p>In the previous report, two medium priority recommendations were made. Based on the evidence presented, our follow up audit confirmed that both recommendations have been implemented.</p>
Council Surveillance	Substantial	<p>In the previous report, one medium priority and two low priority recommendations were made. Based on the evidence presented, our follow up audit confirmed that two</p>

Audit Title	Original Assurance Rating	Key Findings
		recommendations have been implemented, and one medium priority recommendation relating to non-RIPA actions (which are best practice, rather than a requirement) have not yet been implemented; a revised implementation date of November 2025 has been agreed.
UK Shared Prosperity Fund (Economic Development)	Substantial	In the previous report, one medium recommendation relating to monitoring and reporting was made. Based on the evidence presented, our follow up audit revealed that this has been implemented.
Parks and Open Spaces	Substantial	In the previous report, one medium priority recommendation was made. Based on the evidence presented, our follow up audit confirmed that this recommendation has been implemented.
KFS - Council Tax and Business Rates	Substantial	In the previous report, one low priority recommendation was made. Based on the evidence presented, our follow up audit confirmed that this has been implemented.

The recommendation of including awareness of the Bribery Act in staff training and awareness made in previous audit reviews of Planning, Waste and Recycling, Environmental Health and On Street Parking was implemented when wider corporate anti-bribery training was rolled out during 2024/25.

Follow up reviews of Project Management and Housing Rents have been deferred to 2025 due to policy implementation timing. The outcome of these will be reported to future Audit and Risk Committee meetings.

5. Review of the Effectiveness of Internal Audit

5.1. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2024/25 is shown in the table below.

KPI	Target	Result 2024/25
Audit Plan delivered to Draft Report Stage by 31st March	90%	93%
Audit Plan delivered to final report stage by 31st May	100%	100%

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%
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6. Progress of Internal Audit Strategy

- 6.1. The Internal Audit Strategy 2025-27 was approved by Audit and Risk Committee in January 2025 and is effective from 1st April 2025. Progress will be documented in future annual reports alongside the revised suite of KPI's and Internal Quality Assessment reports.

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

Audit and Risk Committee

11th June 2025

Counter Fraud Annual Report 2024/25

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 2024/25.

Recommendations

Committee are requested to note the content of the 2024/25 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 work the Counter Fraud work undertaken by Internal Audit during 2024/25 to deliver this strategy and manage the Council's risk of fraud.

2. Conclusion

The Counter Fraud Annual Report 2024/25 is attached for Audit & Risk Committee to note.

List of appendices: Counter Fraud Annual Report 2024/25

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 2025.

Relevant Policies and Strategies: None

Internal Audit Counter Fraud Annual Report 2024-25

1. Purpose of this report

1.1. This report summarises the Counter Fraud work undertaken during 2024/25.

2. Delivering the Council's Counter Fraud Strategy

2.1. 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.

2.2. The actions required to deliver and implement the Strategy over the last two years were set out in a corresponding action plan and are shown at Appendix B.

2.3. Main activities undertaken during 2024/25:

a) Guidance, Training and Awareness

A Counter Fraud area is now in place on the Council's intranet, which provides detailed policies and guides, definitions and contacts for staff, managers and Councillors in response to suspicions of theft, fraud, bribery or corruption.

An online training and awareness programme covering Whistleblowing and Anti-bribery and Corruption was rolled out across the Council to all PC based staff. These training modules provide a good basis of understanding and was a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents and remind all staff of their role and responsibility in preventing, detecting and reporting any suspected theft, fraud, bribery or corruption, which forms a key part of the Council's Counter Fraud and Corruption Strategy. As at 31st March 2025, 576 members of staff out of 608 (95%) had completed the training.

Going forward, the programme will be used for all new starters as part of their mandatory induction training.

For Members, an LGA Councillor Workbook on Bribery and Corruption was circulated to help recognise what constitutes bribery and corruption and whistleblowing, understand why it is important that organisations prevent bribery and corruption, understand responsibilities as a Councillor, and how to report concerns through the Council's Whistleblowing process.

For non PC-based staff and for general awareness, a series of posters relating to Whistleblowing and Anti-Bribery and Corruption are now displayed around Council satellite offices/common areas highlighting the actions to take and key contacts if there are any suspicions of wrongdoing and a QR code to the Counter Fraud area on the intranet which contains full details of the procedures to be followed.

In addition, all line managers have been provided with a PDF summary of the action to take if any staff report wrongdoing to them with links to the Counter Fraud area for full details if required.

b) Complying with NFI and Transparency Code

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, 35% of the matches have been reviewed and processed by the relevant services, with no fraud identified.

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 fraud across Essex, which is investigated by Compliance Officers within the Revenue Service.

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.

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).

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 have been used by Internal Audit since 2024 in their reviews of Accounts Payable and Payroll to detect any anomalies, 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.

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 January 2025 which noted that there were no concerns to report.

5. Failure to Prevent Fraud

5.1. The Economic Crime and Corporate Transparency Act (ECCTA) 2023 introduced a new criminal offence of 'Failure to Prevent Fraud' (FTPF) which becomes effective from September 2025, designed to hold organisations to account if they profit from fraud committed by their employees.

5.2. The new offence allows prosecutors (i.e. the Crown Prosecution Service) to hold an organisation criminally liable for fraud committed by an employee or agent of that organisation (known as an 'associated person'). To establish a defence, an organisation will need to demonstrate to the court that it had in place reasonable procedures designed to prevent persons associated with the organisation from committing fraud offences. If found liable, an organisation can receive potentially unlimited financial penalties.

5.3. In summary, a local authority will be liable for the FTPF offence where one of its 'associated persons' commits a specified fraud offence with the intention of benefitting (either directly or indirectly) the Authority. However, an organisation will not be guilty of the offence if it was itself the victim (or intended victim) of the fraud offence.

5.4. The offence can be illustrated by the following example scenarios:

a) A senior official in the finance department of a local authority is responsible for approving payments to contractors. This official diverts funds intended for public projects to a personal account but records them as legitimate payments to contractors.

- The official is an associated person and the offence is fraud by abuse of position. However, the authority would not be liable as there is no intention by the individual to benefit the authority.

b) A local authority is seeking additional government funding for community projects. An employee in the planning department manipulates project reports to overstate the expected benefits and outcomes. The intent is to make the projects appear more attractive to secure additional funding.

- The employee is an associated person and the offence is fraud by false representation. The intention behind the fraud is expressly to the authority's benefit. Therefore, the authority could potentially be liable under the FTPF offence.

5.5. Where the elements of the offence are met, the authority can avoid any liability if they can demonstrate that they had reasonable fraud prevention procedures in place at the time of the offence designed to prevent an associate from committing the fraud.

5.6. Government guidance provides the types of measures that they would expect to be in place, and it is these principles that the courts will consider when determining whether an organisation had reasonable fraud prevention processes in place:

- **Top level commitment** – senior management should lead by example and cultivate a culture in which fraud is never deemed acceptable and be able to demonstrate ability to, and knowledge of how to, report fraud.

- **Risk assessment** – all local authorities should evaluate their exposure to the real and present risk of fraud, focussing on employees, agents and other associated persons. These assessments should be dynamic and remain under review.
- **Proportionate risk-based prevention procedures** – organisations should devise fraud preventions plans, with procedures being proportionate to the risk identified in the risk assessment.
- **Due diligence** – organisations should routinely conduct risk-based due diligence. These procedures should be examined to ensure that they appropriately address risks.
- **Communication (including training)** – organisations should educate employees and other associated persons on fraud risks. Prevention measures (such as whistleblowing procedures) should also be implemented.
- **Monitoring and review** – organisations should establish systems to ensure regular monitoring and review of fraud prevention measures.

5.7. The actions undertaken by the Council to deliver the Council's Counter Fraud Strategy have provided a good basis for meeting the requirements of the new offence. These will continue to be reviewed and monitored in line with the new legislation, and the Council's new Counter Fraud Strategy (from December 2025) will further underpin the key principles required.

6. Number and Types of Investigations 2024/25

	No.	Notes
New allegations to IA:		
2022/23	4	
2023/24	10	
2024/25	5	
No. of cases subsequently closed	12	10 related to Housing allegations – all closed with no further action required. 1 alerted via NFI – investigation identified no fraud. 1 alerted via Police DPA Request – no further action required by the Council.
Current Investigations	3	Two allegations relating to Housing. Investigations opened by Basildon Council through our investigation partnership arrangement. Remaining allegation was alerted via a DPA request from a London Borough. Awaiting outcomes as to whether the allegations are substantiated and whether the Council has suffered any loss as a result.
Fraud/Irregularity identified	4	As previously reported in detail to Committee, incidents related to Phishing and Housing (combined monetary loss <£35k), Theft and False Representation (no monetary loss).

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

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 identity 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
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

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
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

Counter Fraud Strategy Action Plan

Area	Action Ref	Actions	Status
GOVERN	G1	Develop a Counter Fraud and Corruption Strategy which will be communicated throughout the Council and acknowledged by those charged with governance.	Done
GOVERN	G2	Assess the Council's fraud and corruption risks, have an action plan to deal with them and regularly report to Management Team and Members.	Done/ Ongoing
GOVERN	G3	Present a regular report to Management Team and Audit & Risk Committee to compare the Council's progress against FFCL and Counter Fraud and Corruption Strategy	Done
GOVERN	G4	Management Team and Audit & Risk Committee review regular reports to ensure that the Counter Fraud and Corruption Strategy is appropriate in terms of its fraud risk and resources	Done
GOVERN	G5	Scrutinise weaknesses revealed by instances of proven fraud and corruption and feed back to departments to fraud proof systems.	Done/ Ongoing
ACKNOWLEDGE	A1	Undertake an assessment against the internal and external risks and horizon scan future potential fraud and corruption risks. Specifically consider the risks of fraud and corruption in the Council's overall risk management process.	Done/ Ongoing
PREVENT	PRE1	<p>Put in place arrangements to promote and ensure probity and propriety in the conduct of activities and prevention and detection of fraud. Monitor compliance with standards of conduct across the Council, ensuring that this is effective and reported to Management Team and Audit & Risk Committee.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - Reminding all staff and Councillors of their role and responsibility in preventing and detecting fraud. - The roles within the Council most at risk of bribery and corruption were identified and risk assessed - Training and awareness activities were developed and rolled out across the Council. - Independent assurance of the effectiveness of the governance, risk management and control environment relating to fraud has been provided by Internal Audit. 	Done
PREVENT	PRE2	<p>Undertake recruitment vetting of staff prior to appointment by risk assessing posts and undertaking the checks recommended.</p> <p>Actions included</p> <ul style="list-style-type: none"> - Internal Audit independent review of Safer Recruitment procedures - Terms and conditions and legal requirements for undertaking business with the Council include references to compliance with the Bribery Act. 	Done
PREVENT	PRE3	<p>Ensure that there is a zero-tolerance approach to fraud and corruption and an independent whistle-blowing policy</p> <p>Actions included:</p> <ul style="list-style-type: none"> - Review of the Council's Whistleblowing Policy and providing whistleblowing training and awareness across the Council. - Provision of full details of the whistleblowing policy now available on Counter Fraud area on intranet. 	Done
PREVENT	PRE4	Remind service managers that new policies, procedures, strategies etc that may be connected to a fraud and/or corruption risk should be	Done

Area	Action Ref	Actions	Status
		reviewed by the CGG for comments/amendments and to inform the Counter Fraud Risk Register.	
PREVENT	PRE5	<p>Ensure the fraud response plan covers all areas of counter fraud work, is linked to the audit plan and communicated to Management Team and Audit & Risk Committee.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - New Fraud Response Plan produced and aligned to new Counter Fraud and Corruption Strategy and including specialist fraud areas i.e., Tenancy Fraud, Council Tax. Prevention of Money Laundering. - Full details of the fraud response plan now available on Counter Fraud area on intranet and awareness posters and manager's PDF summaries produced. - Internal Audit align their Internal Audit Plan with Fraud Risk Assessment - Individual audit scopes consider the Fraud Risk assessment and consider the prevention and detection of fraud 	Done
PREVENT	PRE6	<p>Ensure that the Council actively takes part in mandatory NFI exercises and promptly takes action arising from it.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - The latest major exercise took place in October 2024 with results released from January 2025. To date, 35% of the matches have been reviewed and processed by the relevant services, with no fraud identified - 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 fraud across Essex, which is investigated by Compliance Officers within the Revenue Service. 	Done/ Ongoing
PREVENT	PRE7	Successful cases of proven fraud/corruption to raise awareness will be publicised as and when appropriate to do so in agreement with Management Team and Members.	Done
PURSUE	PU1	<p>Transparency Code and NFI statistics collated annually and reported to Management Team and Audit & Risk Committee</p> <p>Actions included:</p> <ul style="list-style-type: none"> - The latest major exercise took place in October 2024 with results released from January 2025. To date, 35% of the matches have been reviewed and processed by the relevant services, with no fraud identified - 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 	Done/ Ongoing
PURSUE	PU2	<p>Developing a programme of proactive counter fraud work which covers risks identified in the fraud risk assessment.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - Internal Audit align their Internal Audit Plan with Fraud Risk Assessment - Individual audit scopes consider the Fraud Risk assessment and consider the prevention and detection of fraud 	Done/ Ongoing
PURSUE	PU3	Collaborating with other Council services and external enforcement agencies, encouraging a corporate approach and co-location of enforcement activity.	Done

Area	Action Ref	Actions	Status
		<p>Actions included:</p> <ul style="list-style-type: none"> - Corporate Governance Group meet quarterly in line with its terms of reference and programme of work - Counter Fraud activity is included in the Counter Fraud Report to Management Team and Audit and Risk Committee. - Arrangement in place with Basildon Council to provide investigation and specialist support and advice - Audit Services Manager is member of Eastern Counter Fraud Group - Respond to NFI matches and DPA requests from other authorities and Police as required. 	
PURSUE	PU4	Data Analytics have been used by Internal Audit since 2024 in their reviews of Accounts Payable and Payroll to detect any anomalies, with a specific focus on anti-fraud tests	Done
PURSUE	PU5	<p>Ensure that there are professionally trained and accredited staff for counter fraud work, with adequate knowledge in all areas of the Council and the counter fraud team has access to specialist staff for surveillance, computer forensics, asset recovery and financial investigations where required.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - All Internal Audit staff are now Accredited Counter Fraud Technicians - Arrangement in place with Basildon Council to provide investigation and specialist support and advice - Arrangement with PWC who can undertake specialist investigations and Data Analytics as/when required. 	Done
PROTECTION	PRO1	<p>Assess fraud resources proportionately to the risk the Council faces and are adequately resourced.</p> <p>Actions included:</p> <ul style="list-style-type: none"> - All Internal Audit staff are now Accredited Counter Fraud Technicians - Arrangement in place with Basildon Council to provide investigation and specialist support and advice - Arrangement with PWC who can undertake specialist investigations and Data Analytics as/when required. 	Done
PROTECTION	PRO2	<p>Develop a fraud plan which is agreed by Management Team and Audit & Risk Committee, reflecting resources mapped to risks and arrangements for reporting outcomes.</p> <ul style="list-style-type: none"> - Internal Audit align their Internal Audit Plan with Fraud Risk Assessment - Individual audit scopes consider the Fraud Risk assessment and consider the prevention and detection of fraud - Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity 	Done

Audit and Risk Committee

11th June 2025

Audit and Risk Committee Annual Report 2024/25

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 2024/25 in line with CIPFA's Position Statement for Audit Committees.

Recommendations

The Council is requested to note the content of the 2024/25 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 2024/25 is attached for Council to note.

List of appendices: Audit and Risk Committee Annual Report 2024/25

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 2024-25

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 2024/25.

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 2024/25 by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager, as well as service representatives on request.

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 2025

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 2024/25 (July 2024 – joint with Governance Committee, September 2024, December 2024, January 2025 and February 2025). Membership of the Committee for 2024/25 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 2024/25 is attached at Appendix B to the report.

2.3. The Committee was supported by the Audit Services Manager, the Accountancy Services Manager (S151 Officer), the Procurement Manager, and the Public Health and Protection Services Manager.

2.4. In 2024/25, the LGA 'Introduction to Audit Committees' e-learning module was rolled out to all Audit and Risk Committee members, with all Committee Members, including independent Members, encouraged to complete it.

2.5. In line with CIPFA Guidance, a self-assessment was also issued to Audit and Risk Committee Members in March 2025. The survey was primarily based on the following good practice principles, where Audit Committees can add value and support improvement i.e.:

- Promoting the principles of good governance and their application to decision making.
- Contributing to the development of an effective control environment.
- Supporting the establishment of arrangements for the governance of risk.
- Advising on the adequacy of the assurance framework.
- Supporting effective external audit
- Supporting the quality of the internal audit activity.
- Aiding the achievement of the Council's goals and objectives.
- Supporting the development of robust arrangements for ensuring value for money.
- Helping the Council implement effective arrangements for countering fraud.
- Promoting effective public reporting to the Council's stakeholders and local community.

- 2.6. The self-assessment was designed to provide a high-level overview of the effectiveness of the Committee, then explore in detail how the Committee meets each of the above principles. There was also a focus on CIPFA's recommended Knowledge and Skills framework and in these questions, Members were asked to consider their own individual skills, knowledge and experience that contribute to the overall effectiveness of the Committee. Of the self-assessments completed, the results received were largely positive with feedback reflecting a well-run and organised Committee, which adds value to the Council, but with some additional training and awareness being beneficial. Officers will now consider the most appropriate method of delivery and arrange training accordingly.
- 2.7. 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 January 2025, the Committee received a Risk Management Report, which summarised the current position for the Council's Principal Risks and outlined proposed risk management activity for 2025/26. Members were given an overview of the work in the last year, including the review of the Council's Principal Risk Register to ensure it is up to date.

Countering Fraud and Corruption

- 3.2. In September 2024, the Committee received an annual Counter Fraud report updating them on the Counter Fraud Action Plan with the work undertaken since the last update in September 2023 including:
- The update of the Council's Fraud Risk Register and undertaking of a role-based Bribery and Corruption risk assessment to identify the roles in the Council most at risk of bribery and corruption.
 - Production of a revised Fraud Response Plan aligned to the new Counter Fraud and Corruption Strategy, which outlines how allegations of fraud/wrongdoing should be handled and sets out the framework for escalation, investigation and reporting outcomes to ensure that issues raised are handled consistently.
 - Review of the Council's Whistleblowing Policy.
 - The development and roll out of training and awareness activities for staff and Members to underpin an understanding of anti-fraud and corruption responsibilities.
 - Compliance with NFI and Transparency Code requirements.

4. Financial and Governance Reporting

- 4.1. The Audit and Risk Committee received a report from the Accountancy Services Manager in September 2024 for the Council's revenue outturn position for 2023/24, outlining the Council's expenditure and income against the approved budgets for 2023/24. 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 2023/24 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 2023/24 and 2024/25 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 2023/24 jointly with Governance Committee in July 2024. The Statement highlighted those areas of governance regarded as important in 2023/24, how they were addressed, and the progress made.
- 4.4. In February 2025, Committee approved the Accounting Policies which would be used in the preparation of the 2024/25 Statement of Accounts. It was advised that there were two significant changes in 2024/25 relating to 'Valuations of Council's property and land values' and 'Accounting for leases (IFRS16)'.

5. Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

- 5.1. The original audit plan for 2024/25 was approved by Audit and Risk Committee in March 2024.
- 5.2. During 2024/25, 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 2023/24 which provided an overall annual opinion of "moderate" assurance (September 2024)
 - Internal Audit Interim Report 2024/25 (January 2025)
- 5.3. In line with Internal Audit Standards, the Audit and Risk Committee approved the Internal Audit Strategy 2025 in January 2025 and Internal Audit Charter in February 2025.
- 5.4. In January 2025, the Committee were advised that new Global Internal Audit Standards would take effect from 1st April 2025 and that they enforce 15 key principles, with some relating to the role of the Audit Committee's role and functions. In February 2025, the Committee received an update on Internal Audit's readiness for the new standards.
- 5.5. In February 2025, the Committee also received the outcome of the External Quality Assessment for Internal Audit which was positive and that out of the 130+ standard categories there were only four low-priority recommendations.

External Audit

- 5.6. In September 2024, the Committee received an update from the Council's External Auditors, Ernst and Young, in which they detailed the overview of their 2023/24 audit strategy, significant audit risks, and a proposed timeline for the 2023/24 audit cycle.
- 5.7. In September 2024, the Committee also received the draft Statement of Accounts 2023/24 which had been published on the Council's website in May 2024. Members were advised that due to the ongoing delays in audits and changes to the deadlines for their completion, the statements were also brought to the Committee to provide an opportunity for timely consideration and review of the accounts.
- 5.8. Committee then received the Audit Results Report from the Council's External Auditors (EY) in February 2025 and were made aware of the areas of the accounts which had been reviewed, and that there had been no significant weaknesses identified. The auditors gave a disclaimed audit opinion, reflecting their lack of resource to complete the full audit. The draft Audit Results Report was noted by Committee and the Statement of Accounts 2023/24 was approved, following training provided prior to the meeting.
- 5.9. In December 2024, the Committee were asked to formally approve the Council's Statement of Accounts for 2021/22 and 2022/23. The Committee were reminded that the Council had published the accounts on time within their relevant years, but as part of the national audit backlog they had not been audited due to a lack of External Auditor resources therefore in effect, the Committee were not being provided with any assurance from the external auditors, regarding the quality or content. However, the s151 officer obtained confirmation from External Audit that the lack of assurance was in no way due to the Council.

Additional Governance and Assurance Reports to Committee

- 5.10. **Corporate Health and Safety Annual Report** – In September 2024, the Committee received a report updating them on Health and Safety in 2023/24. Members were informed about progress with training, accidents, performance in comparison to other years and the recent audits.
- 5.11. **Procurement Update** – In January 2025, the Committee received the annual procurement report summarising recent procurement activity and planned workloads. The report also provided an update on changes to Team structure and the wider legal procurement framework.

Membership of Audit and Risk Committee 2024/25

Councillor Nora Walsh (Chair)

Councillor Gillian Bonnett (From January 2025)

Councillor Nicola Bugbee

Councillor Hazel Clark

Councillor Natacha Dudley

Councillor Kieron Franks

Councillor James Raven

Councillor Malcolm Sismey

Councillor Andrew Sosin

Councillor Roy Whitehead (Until January 2025)

Independent Persons

Chris Groves

Jeannine Hoeckx

July 2024

- **Joint with Governance Committee**
 - Review of the Local Code of Corporate Governance and Annual Governance Statement 2023/24

September 2024

- External Audit Update from Ernst and Young
- Draft Statement of Accounts 2023/24
- Provisional Revenue Outturn Report 2023/24
- Capital Programme Update and Provisional Outturn 2023-24
- Health and Safety Annual Report 2023/24
- Internal Audit Annual Report 2023/24
- Counter Fraud Report 2023/24
- Audit and Risk Committee Annual Report 2023/24
- Audit and Risk Work Programme

December 2024

- Report on External Audit Completion 2021/22 and 2022/23

January 2025

- Procurement Update
- Risk Management Report
- Internal Audit Interim Report 2024/25 and Update on Global Internal Audit Standards
- Internal Audit Strategy 2025-27
- Audit and Risk Work Programme

February 2025

- Audit Results Report 2023/24
- Internal Audit Plan 2025 and Internal Audit Charter
- Internal Audit External Quality Assessment and Global Internal Audit Standards Readiness Assessment Update
- Account Policies for the 2024/25 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.



Audit and Risk Committee

11th June 2025

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.

17th September 2025

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Health and Safety Annual Report	Public Health and Protection Services Manager
Internal Audit Plan to March 2026	Audit Services Manager
Risk Management Report	Audit Services Manager
Audit & Risk Committee Work Programme	Audit Services Manager

10th December 2025

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Internal Audit Interim Report	Audit Services Manager
Counter Fraud Strategy 2026	Audit Services Manager
Procurement Update	Procurement Manager
Audit & Risk Committee Work Programme	Audit Services Manager

18th March 2026

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Internal Audit Plan 2026 + Internal Audit Charter	Audit Services Manager
Risk Management Report	Audit Services Manager
Accounting Policies	Accountancy Services Manager (S151)
Audit & Risk Committee Work Programme	Audit Services Manager

TBC June 2026

(Joint meeting with Governance Committee)

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

(Audit & Risk Committee)

Agenda Item	Report Owner
External Audit Update	Accountancy Services Manager (S151)
Revenue (Outturn)	Accountancy 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
