

CHELMSFORD CITY COUNCIL

STATEMENT OF ACCOUNTS

2020/21



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2-INTRODUCTION TO THE ACCOUNTS

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

Introduction by the Leader of the Council

We have all been through an extraordinary and terrible 15 months. So many of our residents and businesses have been affected economically, emotionally, mentally and physically by Covid-19. These Accounts, for the year up to 31st March 2021, reflect the impacts of the pandemic on Chelmsford City Council's finances, which led to the largest ever drop in income to the Council in the year past.

This impacted on the budget for this year (2021/22), when we had a budget shortfall of £7.5 million to cover. For the next year (2022/23) we project there is a £1.7 million budget gap due to lost income and increased costs resulting from these impacts, which will have to be closed in the medium term and we are exploring actions to achieve this.

Services were maintained and new ones created

These Accounts show the financial support provided to the local community by Chelmsford City Council up till the end of March 2021. This totals £96.1 million and included:

- £17.4 million in Small Business Grants
- £13.9 million in Retail, Leisure and Hospitality Grants
- £1.6 million in Discretionary Business Grants
- £9.4 million in Local Restrictions Grants (Closed)
- £0.8 million in Local Restrictions Grants (Open)
- £6.1 million in One-off Lockdown Grants
- £4.5 million in Additional Restrictions Grants
- £0.1 million in Christmas Support Payments for Pubs
- Processing of £41.1 million of Business Rate Relief to retail, leisure and hospitality businesses during the year, meaning they didn't have to pay any business rates in 2020/21

In addition to this support, we kept every single essential service running during the pandemic by swiftly adapting to Covid-19 safety measures. Many of our staff worked round the clock to look after our community, bringing food and medication to vulnerable people, helping those threatened with homelessness, providing accommodation and offering long-term help to every person sleeping rough, arranging testing centres, and getting vital information out to every household in Chelmsford. Our customer service centre was the only one in Essex to remain open throughout 2020.

Delivering a greener, safer, fairer and better-connected Chelmsford

Despite these additional challenges, we also managed to make great strides towards meeting our four strategic priorities: as promised in "Our Chelmsford, Our Plan", that is to create a greener, safer, fairer and better-connected Chelmsford than existed at the start of 2020/21.

Greener Chelmsford: 15,563 trees were planted in one year across the area as part of our pledge to reach net-zero carbon by 2030.

Fairer Chelmsford: More homes are being provided, including the planned development at Chelmer Waterside with a high proportion of genuinely affordable housing, thirteen temporary accommodation units for homeless families already purchased and another seven which are in the process of being purchased.

Safer Chelmsford: Facilities like Hylands Disabled Access toilets and South Woodham Ferrers Leisure Centre's changing rooms have been upgraded to make them accessible for all. A series of workshops around knife crime and gangs has been carried out with local schools, and taxi drivers have been trained in spotting and reporting child exploitation.

Better-connected Chelmsford: Progress has been made on the new railway station at Beaulieu. A live-streamed VE Day commemoration was viewed by thousands, bringing the city together during the first lockdown.

Our priorities for 2021/22

Firstly, we will be at the forefront of helping Chelmsford to recover from the pandemic. We are continuing our support for local businesses, to help local people to find jobs and to provide opportunities for SMEs to promote themselves as the economy unlocks.

Secondly, we will continue to uphold our promise to respond to the Climate and Ecological Emergency as just that – an emergency. Reducing our carbon footprint, caring for our environment and strongly encouraging others to do the same is at the heart of everything that we do.

Thirdly, we will do more to address the housing crisis. Property and rental prices in this area are still rising sharply as more people move to areas rich in countryside like Chelmsford. They are out of reach for many, at the same time as the national eviction ban comes to an end. We will fight for our residents' right to a safe, enjoyable place to live by providing more affordable housing to meet demand, helping those who contact us with fears of homelessness, and making sure that developments built in Chelmsford are to a high standard that will give people sustainable, beautiful homes for generations to come.

It has been a difficult financial year and our national economy has not yet reached stability. I am proud of the way that our residents, Members and staff have adapted in extremely challenging circumstances. Although there is a gap, it is smaller than it would have been had our finances not been carefully managed and adapted throughout the past year, and it is this that has enabled our vital services to continue supporting everyone in the city throughout the pandemic.



Councillor Stephen Robinson, Leader of the Council

Views from the Chief Executive

The accounts present the financial position of the Council as well as the difficulties faced and the successes achieved during 2020/21.

Our Covid-19 response kicked into action as soon as the pandemic, and lockdown, were declared.

Leaflets were sent out to every household in Chelmsford with important information about how residents could get help, from food deliveries for those who were shielding to mental health support for anyone who needed it.

I am extremely proud of how our staff have responded throughout the pandemic. Some had to adjust quickly to homeworking and our investment in technology made this transition relatively seamless, while many others continued their jobs on the frontline to keep the city running smoothly. Essential services like waste and recycling collections continued with no loss of provision to the public at any point.

Our leisure centres, museums, wedding venue and theatres were particularly hard-hit. Like many public and private sector venues, they endured round after round of lockdown changes, delays and cancellations. These are an important income source for the Council, which only receives a very small proportion of its funding from Government grants, and the disruption – while necessary to keep people safe – had a serious impact on the funds available for other services.

Similarly, the Council's car parks – another important source of funding for vital services like homelessness relief and street cleaning – were partly or fully empty for much of the year as shops, workplaces and restaurants were closed.

Financially, we will continue to face some of these challenges for years yet to come. Although the economy is beginning to unlock, income for Chelmsford City Council is projected to remain lower than pre-Covid levels for some time. However, we are confident that vital services will be maintained with the right adjustments to our financial planning. We know how important local public services are to our residents and will do our utmost to continue providing the high-quality, cost-effective provision that you are used to from us, while also providing what is needed for the local economy to recover, for the climate and ecological crisis to be averted and for local housing and jobs to meet demand.

We will be dealing with the consequences of Covid-19 for some time, as will many local people. We are here to support the local community and we will get through this difficult period together.



Nick Eveleigh, Chief Executive

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

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

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

The Accountancy Services Manager
Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE

We have detailed below which council provides which services.

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

3 – ENVIRONMENTAL ISSUES

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

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

The Declaration is accompanied by a Climate and Ecological Emergency Action Plan which was approved at Cabinet on 28 January 2020. The priorities for the initial plan were:

- i. Establishing a 'carbon baseline' position
- ii. Updating planning guidance on how on-site renewable energy measures can be integrated into new developments and for all new dwellings to incorporate sustainable design features to reduce CO₂ and NO₂ emissions and the use of natural resources [including putting in place a low carbon infrastructure in strategic growth areas]
- iii. Working with Essex County Council to improve movement around the City, including improvements to the cycling and walking infrastructure, to reduce traffic congestion and journey times and encourage more sustainable travel choices
- iv. Implementing further measures to reduce the amount of waste generated and ensure that as much as possible of any waste that is generated is reused, recycled or composted
- v. Implementing measures to lower energy consumption, ensure the most efficient use of water resources, reduce pollution and improve air quality
- vi. Undertaking a greening programme to significantly increase the amount of woodland and the proportion of tree cover in Chelmsford
- vii. Implementing measures to improve the 'green infrastructure' of Chelmsford, protecting and expanding natural habitats and increasing biodiversity
- viii. Improving the environmental quality, attractiveness and recreational potential of public spaces, rivers and waterways and associated green corridors in the City Centre and surrounding areas

- ix. Upgrading the Council's vehicle fleet to embrace the latest low emission technology, including ultra-low emission electric powered vehicles as they become operationally and commercially viable
- x. Supporting the Environment Agency to implement the Margaretting flood alleviation scheme and other flood mitigation measures to reduce the risk of flooding to residential and commercial properties in the City
- xi. Establishing a 'green investment fund' to support the Council's environment plan
- xii. Reviewing the Council's investment strategy in light of the Climate and Ecological Emergency Declaration
- xiii. Reviewing the Council's procurement policies and practices in light of the Climate and Ecological Emergency Declaration
- xiv. Creating opportunities for people, local organisations and businesses to get involved, to influence and to inspire innovation and cooperation in response to the key challenges identified in the Climate and Ecological Emergency
- xv. Reviewing the Council's human resources and employment policies and practices in light of the Climate and Ecological Emergency Declaration

An update on the progress that has been made in implementing the initial action plan was considered by the Overview and Scrutiny Committee on 1 February 2021.

This report highlighted that 2020, unsurprisingly, was a very challenging year due to the impact of the coronavirus pandemic. Many of the Council's activities and operations were disrupted, planned engagement with communities thwarted and the Council's finances severely undermined. Recovery is expected to be slow.

However, some positive progression was made; most notably the mass tree planting programme which continued apace despite community involvement being more limited than planned; planning policies including the Local Plan and supplementary planning guidance being agreed that establish a framework for more sustainable growth and development in the future and the Council's procurement policies and practices have been refreshed to reflect the ambitions set out in the Declaration.

The baseline carbon emissions from the Council's activities and operations during the financial year 2019/20 were calculated as being 5,370 tonnes CO₂e. This will be used as a reference point to monitor progress towards achieving a net-zero carbon position.

During 2020 the 'Love Your Chelmsford' programme was revitalised as point of reference for 'all things green' and community engagement supported and facilitated by a new, easily accessible, dedicated website. This programme provides inspiration, advice and 'green living' options to encourage people to choose to live and work in a more environmentally responsible and sustainable way; for people to take personal responsibility for their actions and activities.

4 – NARRATIVE REPORT

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

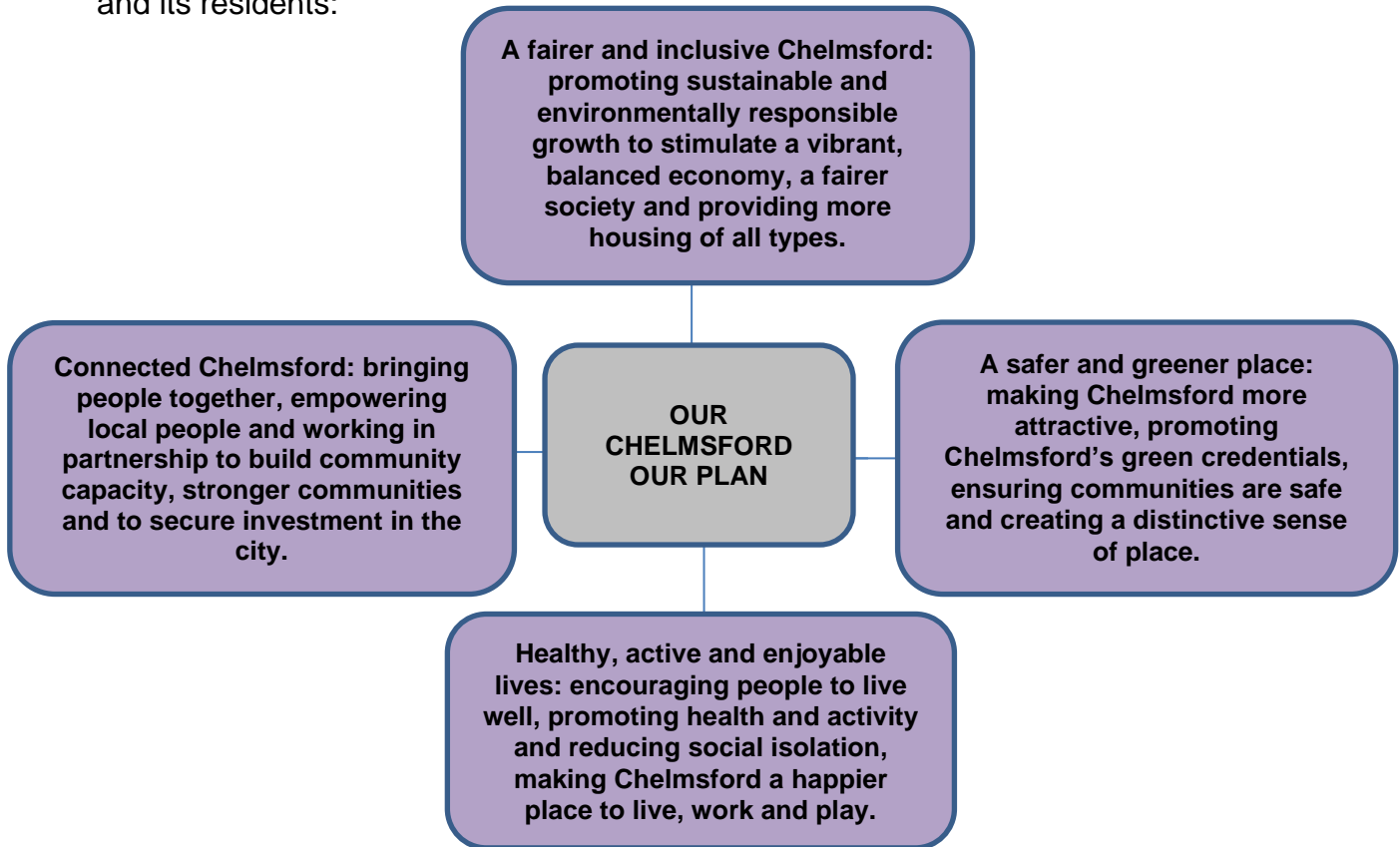
Background

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

Chelmsford has a population of around 179,500 and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with significant housing developments under way within the City Centre as well as north of Chelmsford.

During 2020/21, the economy in Chelmsford remained strong with 88,000 jobs and 9,485 businesses in the heart of the City. However, Covid-19 has adversely affected the unemployment rate and as of June 2021 the unemployment rate is 4.2%. Chelmsford has particular strengths in the financial and business services sectors, research and development, and advanced manufacturing.

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



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

Guide to the Statement of Accounts

Our annual statement of accounts summarises our financial affairs for 2020/21 and shows our financial position on 31 March 2021. It includes the following:

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

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

- **Notes to the main financial statements** - These explain our accounting policies and some of the figures in the main financial statements.

The notes include the '**Expenditure and funding analysis**' which demonstrates how the funding available to the authority for the year has been used in providing services in comparison with the resources used or earned in accordance with generally accepted accounting practices. This supporting statement reconciles the net expenditure as presented in the Comprehensive income and expenditure statement to the net expenditure chargeable to the General fund as presented in our outturn reports.

- **Collection fund** - A statement meeting the statutory obligation for us to keep a separate Collection fund. The statement shows all transactions in relation to the collection of money from taxpayers and the distribution of money to other local authorities and the Government of Council tax and Non-domestic rates.
- **Independent auditors' report** - A report that says whether our Statement of accounts presents a true and fair view of our financial position and financial performance for the year.
- **Glossary** - An explanation of the technical terms used in this Statement of accounts.
- **Our structure chart** - How we are organised.

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

Summary tables

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2020 to 31 March 2021	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	112,609	(73,250)	39,359
Other Income and Expenditure	43,914	(73,791)	(29,877)
Total spending on services as presented in the Comprehensive Income and Expenditure account			9,482
add Adjustments between the Funding and Accounting bases			(29,765)
Increase in General fund (including Earmarked Reserves)			(20,283)

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

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

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

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

Due to COVID 19, qualifying businesses were given additional business rate relief in 2021. This meant that we did not receive business rates from those businesses awarded additional relief, however we have received grant from the government to fund the relief given.

Simplified Balance sheet statement

A simplified Balance Sheet	31 March 2021
	£ 000
What we own	
Assets	271,024
Stocks	289
Investments	14,469
	285,782
What we are owed	
Amounts due before 31 March 2022	48,640
Amounts due after 31 March 2022	1,275
	49,915
What we owe	
Amounts due before 31 March 2022	(35,266)
Amounts due after 31 March 2022	(11,151)
Provisions	(5,280)
Pension deficit	(108,916)
	(160,613)
Cash and equivalents in hand or (overdrawn)	32,512
Net assets	207,596
Our reserves	31 March 2021
	£ 000
Usable reserves	75,952
Unusable reserves	131,644
Total reserves	207,596

The complete Balance sheet is shown in section 6.

Pensions

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

Changes in accounting policies

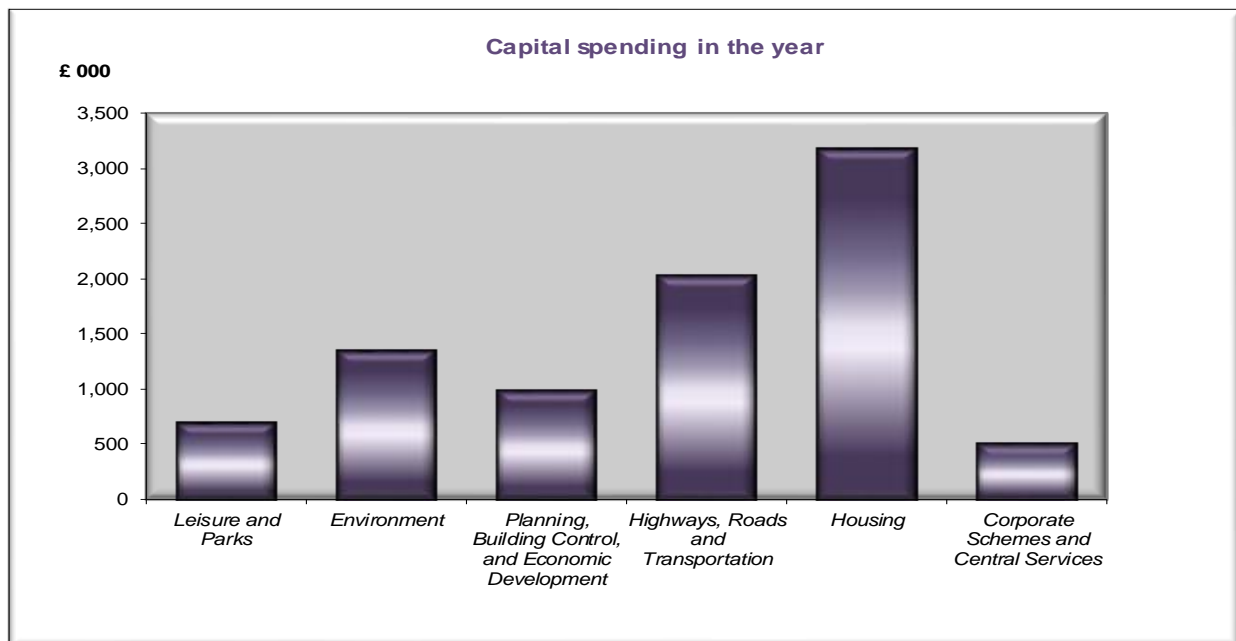
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

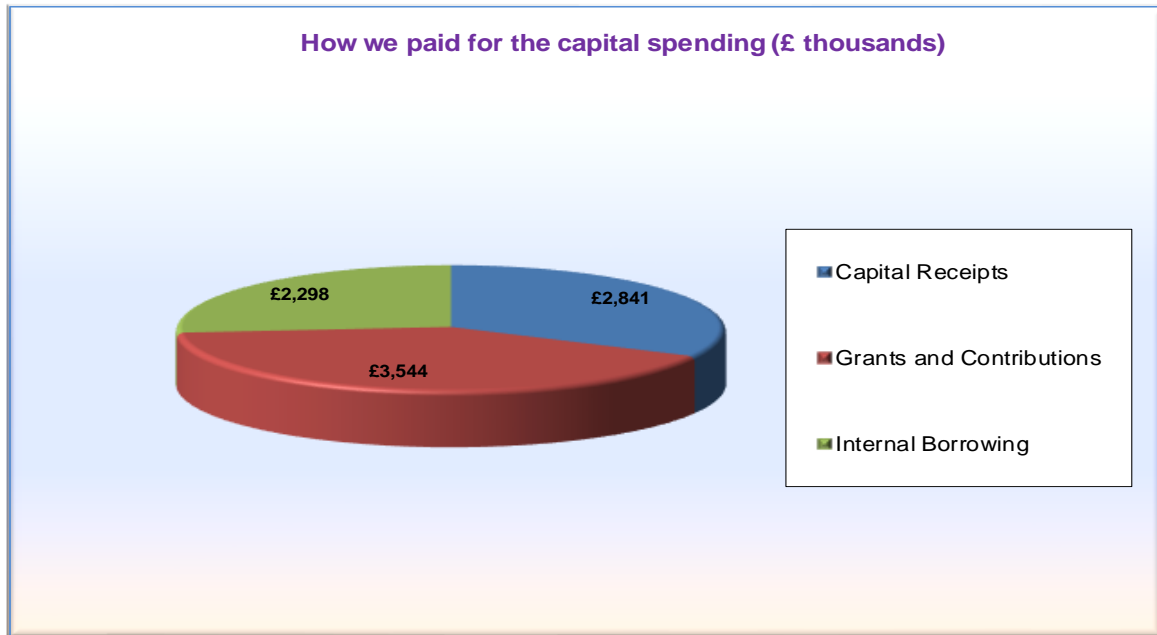
Borrowing

We have a finance lease with an outstanding balance of £0.635m at the end of the year. We do not have any external loans. The Council has undertaken additional internal borrowing of £2.3m during the year; this is the practice of using cash that would be invested in lieu of undertaking external borrowing. The outstanding balance on internal borrowing is £13.8m at the end of the year.

Capital spending

During the year we spent £8.683m on capital schemes. Our asset values in the Balance sheet have not necessarily increased by the amount of our capital spending as the Balance sheet shows the asset's change in value, after any impairments, and not simply the amount spent in creating that asset. The following tables show the capital spending and how the spending was paid for (capital financing).





Significant provisions or contingencies or material write-offs

The Council has a provision of £5.280m, for our share of the cost repayable for any successful appeals made by businesses against their business rates valuations.

Effects of the current economic climate

It is not surprising there are many large variations between year-end spending and budgets due to Covid. This does make it difficult to report explanations of 2020/21 finances and identify ongoing trends.

The main financial impact of Covid-19 is considerably less income for 2020/21. There was a loss of income of some £17m as Council facilities such as theatres and leisure centres temporarily closed. Cost savings were made where possible.

In the short term, the Government has provided additional grants to local government to mitigate the income losses and contribute towards the additional costs of the pandemic. The Government has also brought in measures to support local business and residents.

It is thought that structural changes in the economy have been accelerated by the pandemic. Without alleviating measures these structural changes will reduce the Council's income on an ongoing basis. An example being increased home working will lower car parking income permanently. As less commuters means less car parking customers. More details on the impact of Covid-19 on the Council finances are in the commentary of the Medium-Term Financial Strategy.

Auditor

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

Monitoring our performance during 2020/21

During 2020/21 the Overview and Scrutiny Committee has continued to monitor the Council's performance, in line with the new processes put in place during 2019/20. The new approach has focused on having a wider insight into specific areas, whilst key performance indicators have instead been monitored internally within each service.

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

In September 2020, the Committee considered an extensive report on the Council's Recycling and Waste Services. This was a key example of the new approach adopted by the Committee, and the session was very insightful and appreciated by the Committee. The Committee also reviewed the Council's financial performance against the agreed budget. Mid-year revenue and capital monitoring identifying the main under/over spends in the revenue budgets and capital schemes were presented at the November 2020 meeting, explaining the reasons for the variations and setting out the planned actions to remedy them. The Committee also received an update from the Leisure and Heritage Services team at the November 2020 meeting. This proved to be a very useful report which allowed the Committee to ask questions about the re-opening of leisure centres and other areas after the lockdowns. In February 2021, the Committee were updated on the Council's progress with their Climate and Ecological Emergency Action Plan. This provided the Committee with the latest information and allowed them to ask questions on specific areas of the plan.

The Committee will continue to monitor performance and receive updates on specific services during 2021/22, along with receiving updates from each Cabinet member on their directorate.

Financial Monitoring and Reporting

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

- The medium term financial strategy.
- Setting the Council Tax.
- Revenue estimates.
- Revenue and capital monitoring.
- The outturn and the accounts.
- Treasury management activity.

- Various auditors' reports on the accounts and other matters.

Revenue and Budget Process

The Council has a revenue and capital monitoring process. During 2020/21 senior managers were given a detailed monthly report, Management Team and Cabinet Members received an informal quarterly report and in November a report was presented for Cabinet, identifying actions to address any overspends where possible.

Audit and Risk Committee received the provisional Revenue Outturn report in June 2021 to review the key variances and actions identified.

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

Revenue Outturn position

The provisional controllable service net revenue expenditure for 2020/21 reported to June Audit and Risk Committee was £3.8m overspent. This was mainly due to significant income losses as a consequence of service provision disruptions and reduction in demand following implementation of the Government imposed measures aimed to tackle the Covid19 pandemic, such as national lock-downs and social distancing safety measures designed to reduce the spread. The table below shows key service variations as presented to the Audit and Risk Committee.

Reason for variation	Outturn +over/ under £m
Income Losses caused by Covid-19	17.0
Furlough and Grants to services from Government for Covid-19 costs	-2.6
Grant to Cover Sales Fees and Charges Net Losses	-7.8
Additional Covid-19 expenditure	1.5
Less activity due to Covid-19, resulting in less expenditure	-2.4
Staffing Costs – vacant posts in part caused by Covid reducing demand	-0.9
Other reduced costs	-1.0
Total service Variations	£3.8m

Following the report publication, few additional minor adjustments to income were identified, reducing the net service expenditure overspend by £0.1m to £3.7m.

During 2020/21, the Government recognised that the local authorities would not be able to respond to the unprecedented financial pressures from the catastrophic loss of income and additional costs incurred whilst providing support to public and business and enforcing necessary safety measures during the pandemic. Chelmsford City Council received several grants from the Government to mitigate the effect of these losses.

The following table shows grants recognised in the Income and Expenditure statement that we received towards or are expecting to receive for the loss of income and additional expenditure caused by the Covid19 pandemic during 2020/21. The conditions attached to the grant dictate whether we can recognise the whole grant or only grant amount that was used by 31 March. General unringfenced grants that can not be allocated to specific services are shown through the Income and Taxation line in the Comprehensive Income and Expenditure statement, all other services specific grants are shown in the service lines of the statement.

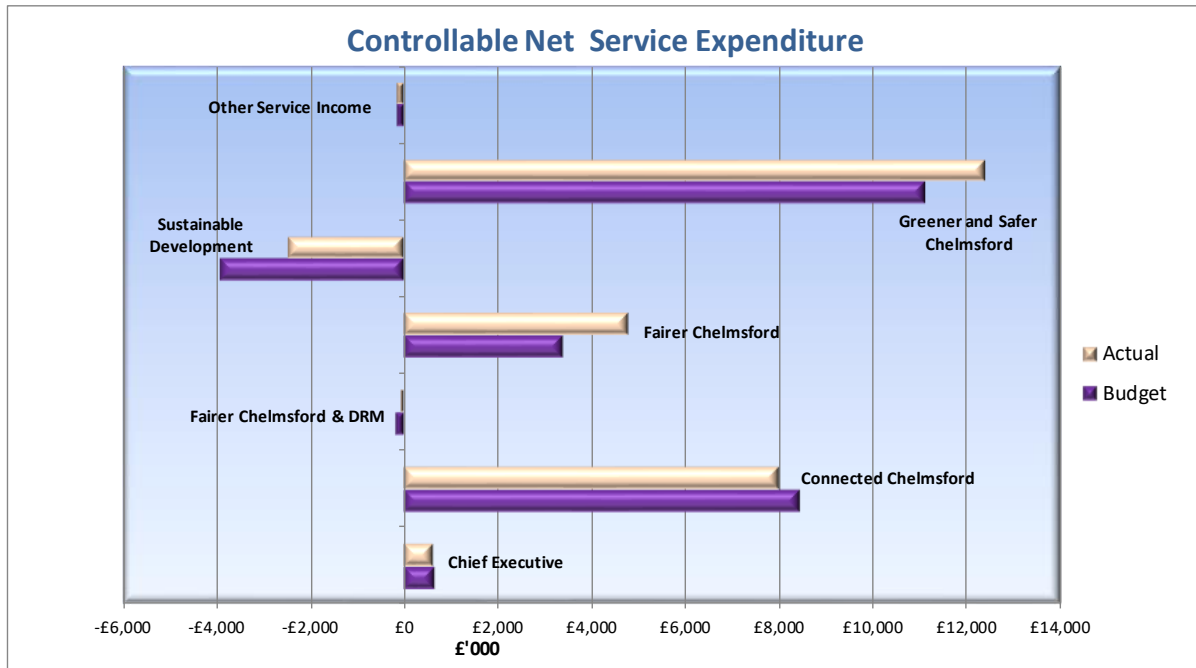
Grant	Service Specific £'000	Un-ringfenced £'000
Local Authorities Support Grant		2,240
Sales Fees & Charges Support Grant	7,786	
Grant towards cost of furloughed staff	1,519	
Various New Burdens grants	246	
Cultural Recovery Fund	226	
Various other service specific grants to fund Covid19 expenditure or loss of income	433	
Total	10,210	2,240

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

Grant	Grant Received (for reconciled closed schemes grant utilised)		Outstanding grant to be returned or redistributed in 2021/22
	Principal £'000	Agent £'000	£'000
Grants to support businesses (closed)	1,628	31,300	
Local Restrictions grant - closed		11,829	2,437
Local Restrictions grant - open		843	1
Additional Local Restrictions grant	5,152		703
Business Adaptation grant		286	130
Winter Support Payments		83	
One-off Lockdown grants		7,515	1,468
Hardship fund	867		
Track and Trace / Self-isolation support grant	482	116	399
Total	8,129	51,972	5,138

All above grants, where the Council is deemed to be principal were ringfenced for a specific purpose of providing support to businesses and council tax payers and are therefore reflected in the Financial services line of the Comprehensive Income and Expenditure statement. If conditions of the grant required us to return any unused grant, we created a creditor on our balance sheet to the Government for the money outstanding.

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



The Council is a member of the Essex Business Rates pool which enables us to retain some of the levy that we would otherwise pay over to the Government. During 20/21, as part of the measures introduced by the Government to aid businesses during the pandemic, the Council applied additional reliefs of £38m to rates collectable from businesses, reducing our income. These were however fully compensated by the Government through S31 grants. The outturn report presented to the Audit and Risk Committee identified retained business rates income of £2.7m. Since the Committee date, we received an updated position for the Essex Business Rates pool and the Government issued further guidance for the calculation of the compensation grant due to us for the lost income from business rates. Consequently, bringing the retained income for 2020/21 including S31 grants to £3.2m above the Government baseline. The business rates income retained is however volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The Council remains a member of the Essex Pool in 2021/22.

The impact of Covid-19 and the 2020/21 overspend on reserves and future budgets is discussed below.

Medium Term Financial Strategy (MTFS) for 2020/21 to 2024/25

The strategy is how we manage our finances, aligning them with the objectives as set out by the Corporate priorities within the Our Chelmsford, Our Plan.

Council's Medium-Term Financial Strategy covering 2020/21 and approved in July 2020 and updated in November 2020 was intended to:

- Set out an approach to manage the finances in a constantly shifting environment of the pandemic.

- Increase the Council's financial resilience by ensuring unearmarked reserves are sufficiently robust to manage short- and medium-term financial pressures which include income losses from Covid 19. Principally this will be achieved by not making for the financial years 2019/20 and 2020/21 some £10.8m of revenue contributions to capital expenditure.
- To continue to support the Council's aims in the delivery of a safer, greener, fairer and better-connected Chelmsford through the appropriate allocation of available resources, even during the pandemic.

The Strategy was supported by five key principles.

1. Revenue Expenditure – The Council recognises that it must optimise its limited resources and target them to where they are most needed, in order to provide value for money services in the face of increasing financial pressures.
2. Capital Expenditure – The Council will only undertake capital investment in support of its priorities and where it supports asset maintenance, invest-to-save schemes or strategic intent (such as the provision of affordable housing). Capital spending plans, whether funded from internal resources or through borrowing, will be affordable, prudent and sustainable.
3. Reserves – the Council will maintain a reasonable level of usable reserves to enable it to weather the volatility of its funding position, support capital spending plans, mitigate known risks and support invest-to-save schemes and service transformation.
4. Partnership Working – the Council will seek out opportunities to work with partners to maximise outcomes for the residents of Chelmsford and other stakeholders, explore access to funding and maximise the shared benefits of joint working.
5. Governance and Performance – the Council will monitor the delivery of its financial strategy and performance against the savings requirement, adjusting the plans to meet changing demands or emerging risk.

Council's principal risks and opportunities

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

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

The Principal Risk Register is central to the Council's risk management framework. Principal Risks (which may include strategic, operational, project or compliance risks) are those risks which, due to their nature or severity, require regular oversight at senior level. The consequences of the ongoing pandemic continue to be considered throughout the register, rather than creating a separate Covid-19 entry.

Please find below the Council's Top 5 Principal Risks, as moderated by Management Team on 7 April 2021, along with an assessment of their likelihood of occurrence and measures in place to mitigate them:

Risk event	Likelihood	Mitigation
<p>Income and Financial Position If the sustainability of the Council's financial position is challenged, major projects may be delayed, discretionary services may be rationalised and, ultimately, statutory duties may not be met, to the detriment of service users.</p>	Very Likely (>70%)	The most significant challenge to the sustainability of the Council's finances remains the uncertainty over future income and funding levels as the UK recovers from Covid-19. However, the Council has a long history of balancing its budget and the Medium-Term Financial Strategy for 2021/22-2025/26 has a supporting action plan in place designed to return the Council's finances to a sustainable position over the medium term.
<p>Homelessness Where the Council is unable to meet its statutory obligations to the homeless (and/or use its statutory powers to assist the homeless), further hardship may be caused to service users, with associated financial, legal and reputational consequences.</p>	Very Likely (>70%)	With support from the Ministry of Housing, Community and Local Government (MHCLG), the Council has made significant progress on rough sleeping. However, as the socio-economic impact of Covid-19 continues to be felt, an acute shortage of family-sized accommodation is expected in the Chelmsford Area. While the Council has increased its work on prevention, and will seek to implement a revised Housing Strategy – due to capacity constraints on the former and the medium-to-long term nature of the latter – meeting demand will remain a significant challenge for the Council.
<p>Fraud Successful fraud attempts may result in financial losses which individually, or cumulatively, could impact on service delivery, as well as cause reputational damage to the Council.</p>	Likely (50-70%)	It is acknowledged across the sector that fraud has been much more likely to occur since the onset of Covid-19 due to increased motivation and increased opportunity e.g. urgent distribution of central government grants. Under government guidance issued in June 2020, the Council has undertaken a specific grant fraud risk assessment, strengthened its due diligence process, and developed a post-event assurance process to check high risk grants awarded for fraud, invoke clawback arrangements and pursue recovery.

Risk event	Likelihood	Mitigation
Cyber Security A successful cyberattack could result in severe disruption to core services and/or data theft, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents.	Possible (30-50%)	In response to increased cyber activity targeting the public sector and the Council's change in exposure due to increased remote working, the Council has commissioned an independent Cyber Security Posture Review from specialist cyber consultants (reporting Feb 2021). The Council is now working on the resulting action plan, which will further strengthen its cyber defences.
Health & Safety A serious health and safety incident could result in death or serious injury, regulatory investigation and associated financial, legal and reputational consequences.	Possible (30-50%)	The Council retains independent advice from specialist health and safety consultants, who also carry out an annual programme of compliance audits on high risk areas. In respect of Covid-19, the Council is closely following Public Health England and Health and Safety Executive guidance, ensuring that hazards are identified and appropriate control measures adopted as the workforce and the general public return to Council premises.

Workforce

We understand that the Council's employees play an important role in delivering our objectives. Our People strategy which aims to ensure that we employ people with the right skills and support their development, is currently under review and will be updated during 2021/22. In 2020/21 we continued to invest in our workforce by employing several apprentices within various departments of the Council.

The Council was awarded an Investor in People Gold (IiP) award, indicating the high level of achievement in developing staff.

Our workforce consists of 46% females and 54% males.

The Covid-19 pandemic had a great impact on the way our workforce was able to continue with their everyday duties. Some departments have adapted to temporary measures of working from home and were able to continue mostly unaffected. The greatest impact was felt in the frontline service, with several public facing services, mainly in Leisure and Cultural provision, having to cease their operation due to national measures adopted by the Government. During the early months of the pandemic many staff were redeployed, mainly to support the operational running of the Chelmsford Community Hub jointly set up by the Council and the Chelmsford Voluntary Services. Under the Government scheme, the Council was able to furlough staff that were not

able to work during the pandemic. During 2020/21, we furloughed 417 employees or casual workers, as a result of service disruptions.

Other significant items

We did not have any material or unusual charges to the accounts or any major changes in statutory functions during 2020/21.

5 - Statement of responsibilities for the Statement of accounts

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

Our responsibilities

We must:

- Make arrangements for our financial affairs to be managed properly and for one of our officers to be responsible for managing those affairs, that officer is Accountancy services manager.
- Manage our affairs to use our resources economically, efficiently and effectively, and to protect our assets.
- Approve the Statement of accounts.

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

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

.....
Date

The Accountancy Services Manager's responsibilities

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

In preparing this Statement of accounts, the Accountancy Services Manager has:

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

The Accountancy Services Manager has also:

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

I certify that the accounts set out in the Statement of accounts present a true and fair view of our financial position at 31 March 2021 and the income and spending for the year ended 31 March 2021.

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

.....
Date

6 - The main financial statements

Comprehensive income and expenditure statement

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

2019/20			Money spent on services direct to the public	Notes	2020/21		
Gross spending	Income	Net spending			Gross spending	Income	Net spending
£ 000	£ 000	£ 000			£ 000	£ 000	£ 000
383	-	383	Chief Executive		708	(62)	646
14,886	(2,194)	12,692	Connected Chelmsford		11,522	(1,518)	10,004
130	(432)	(302)	Fairer Chelmsford & DRM		116	(175)	(59)
52,371	(44,068)	8,303	Fairer Chelmsford		53,915	(47,509)	6,406
8,642	(10,977)	(2,335)	Sustainable Development		9,252	(8,755)	497
52,052	(23,649)	28,403	Greener and Safer Chelmsford		37,096	(15,064)	22,032
-	(152)	(152)	Other Service Income		-	(167)	(167)
128,464	(81,472)	46,992	Spending on current services		112,609	(73,250)	39,359
6,142	(6,204)	(62)	Other operating expenditure	11	3,887	(399)	3,488
7,075	(6,730)	345	Financing and investment	12	11,689	(8,580)	3,109
-	-	-	Spending on discontinued operations		-	-	-
27,169	(61,275)	(34,106)	Taxation and general grants	13	28,338	(64,812)	(36,474)
168,850	(155,681)	13,169	(Surplus) or deficit on Provision of Services		156,523	(147,041)	9,482
			Items that will not be reclassified to the Total spending on services				
		(55,586)	(Surplus) or loss from our assets being revalued	22			29,213
		(12,044)	Remeasurement of the assets of the pension fund	33			14,689
			Items that may be reclassified to the Total spending on services				
		-	(Surplus) or loss from financial assets				-
		(54,461)	Total income and expenditure	24			53,384

Movement in reserves statement

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

Movement in Reserves	General fund	Capital receipts reserve	Capital grants unapplied (note 38)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2019	11,137	342	27,814	39,293	167,226	206,519
Total comprehensive income and expenditure	(13,169)	-	-	(13,169)	67,630	54,461
Adjustments from council tax levied and accounting regulations (note 9)	20,430	859	6,133	27,422	(27,422)	-
Net increase or (decrease)	7,261	859	6,133	14,253	40,208	54,461
Balance at 31 March 2020	18,398	1,201	33,947	53,546	207,434	260,980

Movement in Reserves	General fund	Capital receipts reserve	Capital grants unapplied (note 38)	Total usable reserves	Unusable reserves (note 22)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2020	18,398	1,201	33,947	53,546	207,434	260,980
Total comprehensive income and expenditure	(9,482)	-	-	(9,482)	(43,902)	(53,384)
Adjustments from council tax levied and accounting regulations (note 9)	29,765	(1,201)	3,324	31,888	(31,888)	-
Net increase or (decrease)	20,283	(1,201)	3,324	22,406	(75,790)	(53,384)
Balance at 31 March 2021	38,681	-	37,271	75,952	131,644	207,596

The General fund balance includes Earmarked reserves, which are set aside for specific purposes. The detail of these can be found in note 9.

Balance sheet

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

31 March 2020	Balance Sheet		31 March 2021
£ 000		Notes	£ 000
	Long-term assets		
227,777	Property, plant and equipment	14	194,157
79,272	Investment property	14	72,276
315	Intangible assets		362
4,040	Heritage assets	15	4,229
6,482	Long-term investments	16	6,436
1,792	Long-term debtors		1,275
319,678			278,735
	Current assets		
292	Stocks		289
17,078	Short-term investments	16	8,033
24,115	Short-term debtors	18	48,640
27,378	Cash in hand and cash equivalents	19	32,674
68,863			89,636
	Current liabilities		
(22,662)	Short-term creditors	20	(35,266)
(5,090)	Short-term provisions	21	(1,029)
-	Cash overdrawn	19	(162)
(27,752)			(36,457)
	Long-term liabilities		
(4,860)	Long-term creditors	38	(8,242)
-	Long-term provisions	21	(4,251)
(3,152)	Capital grants received in advance	30	(2,909)
(91,797)	Liability relating to our pensions	33	(108,916)
(99,809)			(124,318)
260,980	Net assets		207,596

31 March 2020	Reserves		31 March 2021
£ 000		Notes	£ 000
	Reserves		
53,546	Usable reserves (see Movement in Reserves Statement)		75,952
207,434	Unusable reserves	22	131,644
260,980	Total reserves		207,596

Cashflow statement

This section shows what cash we spend and receive.

2019/20 £ 000	Cash Flow	Notes	2020/21 £ 000
	Operating activities		
	Spending		
(27,587)	Cash paid to and for employees		(30,156)
(39,139)	Housing benefit paid out		(36,040)
(217)	NDR payments to the national pool		(219)
(2,540)	Precepts		(2,632)
(27,169)	Tariff & Levy/ Safety Net		(28,337)
(14)	Interest paid		(24)
(28,316)	Other costs		(17,712)
	Income		
8,941	Rents (after rebates)		7,548
15,570	Council tax		16,184
31,589	NDR we received		15,950
37,438	DWP grants for rebates		34,851
6,992	Other government grants		45,092
23,930	Cash we received for goods and services		11,621
765	Interest we received		458
6,817	Other revenue cash payments or income		5,236
7,060	Net cash inflow or (outflow) from operating activities	23	21,820
	Investing activities		
	Spending		
(16,411)	Buying non-current assets		(6,642)
	Income		
3,577	Selling non-current assets		406
9,708	Capital grants and contributions we received		6,684
2,686	Other contributions		(1,041)
51,555	Investment Inflows		53,045
(50,014)	Investment Outflows		(44,000)
1,101	Net cash inflow (outflow) from Investing activities		8,452
8,161	Net cash inflow or (outflow) before financing		30,272
	Management of liquid resources		
	Financing activities		
(3,329)	Other liquid resources		(25,138)
(3,329)	Cash flow from financing activities		(25,138)
4,832	Increase or (decrease) in cash		5,134
22,546	Cash balance at the beginning of the year		27,378
27,378	Cash balance at the end of the year		32,512

7 - Notes to the main financial statements

1 Expenditure and Funding Analysis

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

2019/20			Expenditure and Funding Analysis	2020/21		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting bases	Net Expenditure in Comprehensive Income and Expenditure Statement
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
345	38	383	Chief Executive	608	38	646
8,601	4,091	12,692	Connected Chelmsford	7,974	2,030	10,004
(302)	-	(302)	Fairer Chelmsford & DRM	(59)	-	(59)
310	7,993	8,303	Fairer Chelmsford	4,760	1,646	6,406
(3,131)	796	(2,335)	Sustainable Development	(2,487)	2,984	497
11,932	16,471	28,403	Greener and Safer Chelmsford	12,342	9,690	22,032
66	(218)	(152)	Other Service Costs	(53)	(114)	(167)
17,821	29,171	46,992	Spending on current services	23,085	16,274	39,359
2,540	(2,602)	(62)	Other operating expenditure	2,632	856	3,488
(709)	1,054	345	Financing and investment	(159)	3,268	3,109
-	-	-	Spending on discontinued operations	-	-	-
(26,913)	(7,193)	(34,106)	Taxation and general grants	(45,841)	9,367	(36,474)
(7,261)	20,430	13,169	Total spending on services	(20,283)	29,765	9,482

2019/20	Movement on General fund Balance (including Earmarked reserves)	2020/21
£ 000		£ 000
11,137	Opening Balance	18,398
7,261	Surplus/(Deficit)	20,283
18,398	Closing Balance at 31 March	38,681

2 General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2020/21 and our position at the year-end, 31 March 2021. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

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

Fair value

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

Going concern

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

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

We have based the valuations and financial data on the assumption that the business will remain in existence for an indefinite period.

An indefinite period means the foreseeable future or long enough for us to meet our objectives and to fulfil our commitments. It is important to note that the 'going concern' concept assumes that the business will remain in existence long enough for all its assets to be fully used.

Overheads

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

Revenue and capital transactions

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

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

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

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

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

Revenue Expenditure Funded from Capital under Statute

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

Value added tax

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

3 Accounting standards issued but not yet adopted

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

The following new standards require additional disclosures:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

We do not expect that these changes will have a material impact on our accounts.

CIPFA have postponed the adoption of the IFRS 16 Leases standard until 2022/23.

4 Critical judgements in applying accounting policies

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

Grant Funding recognition

During 2020/21 we received several grants from the Government to either assist the Council with the additional costs and loss of income during the Covid19 pandemic as well as grants given to us to redistribute to businesses and individual within the Council's area.

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

- Where the Council had a control over the distribution or amounts of grant it is deemed to be acting as a principal and we recognised the grant and expenditure within the Comprehensive Income and Expenditure statement.
- Where the Council was purely intermediary in distributing the grants we acted as an agent and the transactions were not recognised in the Comprehensive Income and Expenditure statement and we only recognise a debtor or a creditor position for any under funding of the grant or unallocated grant.

5 Uncertainty about the future and other assumptions

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

Item	Uncertainties	Effect if assumptions change
Property and Investment Properties	<p>Valuations require significant judgements to be made. The Council employs relevant experts to identify the most appropriate valuation techniques.</p> <p>The valuations provided reflect the best information available at the time of the production of the accounts.</p> <p>Assets are valued at either Market Value, Existing use value or Depreciated Replacement Cost (DRC) for specialised assets.</p> <p>Existing use asset valuations use inputs which can be corroborated as there is reliance on comparable market data.</p> <p>Significant judgement is required in the valuation of specialised assets due to the subjective nature of the valuation process. Valuations are based on the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. It uses factors such as area, location, age and the condition of the asset.</p>	<p>The impact of changes in valuation are on the Council's Balance sheet and do not have a financial impact on service delivery. All Investment, Surplus, Other Land and Building assets includes assets with a value over £2m, all car parks and specialised operational assets (DRC) were valued as at the 31st March 2021.</p> <p>The carrying value of these assets is as follows: - Other Land and Buildings £94m Other Land and Buildings Specialised (DRC) £78m Surplus £7m Investment £72m</p> <p>A 1% change in the valuation of these categories would be £2.4m.</p> <p>Note 14 provides further details on the value of our assets.</p>

Item	Uncertainties	Effect if assumptions change
Pensions liability	The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.	See note 33 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2021 following successful appeals. Our share of this provision is £5.3m (see Note 21). In 2017 Valuation Office Agency (VOA) completed a revaluation exercise for the Business Rates and new appeals are now being lodged for the 2017 list. The estimate for the appeals lodged before the revaluation has been calculated using the VOA ratings list of appeals, and historical data on successful appeals to date. The new check, challenge system of lodging and processing the appeals introduced for the 2017 list means that some lodged appeals will not be published by the VOA until they are validated. Due to lack of data available, we calculated our provision based on appeals lodged to date information and included properties where we think there is high risk of them lodging an appeal based on historical tendencies. It is possible that appeals will be settled at amounts which differ from the estimate made.

Item	Uncertainties	Effect if assumptions change
<p>Fair Value Measurement</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), their fair value is measured using valuation techniques (e.g quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer). The Council uses level 2 inputs (inputs that can be corroborated by observable market data) for valuing its investment properties. The investment property valuations have utilised either the site area of the property based on newly agreed lease rents, or through utilising data on new rents of comparable buildings in the local market. Where this is not possible judgement is required in establishing fair values (level 3). These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions made could affect the value of the Council's assets and liabilities. Information about the Council's fair value assets is disclosed in note 14.</p>	<p>Investment property inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Professional valuers have applied their opinion where observable market data is applied to each individual property. Level 3 inputs are unobservable inputs that are used to measure fair value in circumstances where market data is not available as there is little, if any, market activity at the measurement date. Significant changes in any of the inputs could result in significantly lower or higher fair values. The value of investment properties measured at Fair Value is £72m.</p>

Item	Uncertainties	Effect if assumptions change
Bad Debt	The provision for bad debts is uncertain due to the unknown future impact of COVID-19. The provision provided is based on the best information available at the time of the production of the accounts.	We have created a provision for our estimate of the amount of debt that we might not be able to collect to the 31 March 2021 for general, NDR and Council Tax debtors. Our share of this provision is £3.2m. This provision reflects assumptions regarding the effect COVID-19 on businesses and individuals and their future ability to repay the money owed to us. Changes to these assumptions will result in a change to the provision.

6 Note to the Expenditure and funding analysis

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

2019/20						Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	2020/21					
Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases		Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Adjustments between the Funding and Accounting bases
(Note 1)	(Note 2)	(Note 3)		(Note 4)			(Note 1)	(Note 2)	(Note 3)		(Note 4)	
£ 000	£ 000	£ 000	£ 000	£ 000	£ 000		£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
	39		39	(1)	38	Chief Executive		38		38		38
3,247	849		4,096	(5)	4,091	Connected Chelmsford	1,476	553	2,029	1	2,030	
			-		-	Fairer Chelmsford & DRM			-		-	
3,459	513	73	4,045	3,948	7,993	Fairer Chelmsford	420	(2,294)	(36)	(1,910)	3,556	1,646
39	719		758	38	796	Sustainable Development	2,442	459	2,901	83	2,984	
14,424	2,140		16,564	(93)	16,471	Greener and Safer Chelmsford	8,039	1,606	9,645	45	9,690	
			-	(218)	(218)	Other Service Costs			-	(114)	(114)	
21,169	4,260	73	25,502	3,669	29,171	Spending on current services	12,377	362	(36)	12,703	3,571	16,274
(2,884)			(2,884)	282	(2,602)	Other operating expenditure	856		856	-	856	
2,477	2,288	240	5,005	(3,951)	1,054	Financing and investment	4,725	2,068	46	6,839	(3,571)	3,268
(9,850)		2,657	(7,193)		(7,193)	Taxation and general grants	(6,868)		16,235	9,367	9,367	
10,912	6,548	2,970	20,430	-	20,430	Total spending on services	11,090	2,430	16,245	29,765	-	29,765

1. Adjustments for Capital Purposes

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

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

2. Net Change for the Pension Adjustments

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

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

3. Other Statutory Adjustments

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

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

4. Other Non-Statutory Adjustments

This represents:

- a removal of transactions between segments of the income and expenditure account,
- reallocation of insurance costs to other services costs as presented in the management reporting, and
- removal of Trading accounts income and expenditure and Investment properties income so that they are shown in the Other operating expenditure and Financing and investment line of the Comprehensive income and expenditure account.

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

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

- Housing benefit payments £36.0m
- Government grant received in respect of housing benefit paid to the Council £34.9m
- Income from sales, fees and charges and rents £19.1m
- Government grant received in respect of sales, fees and charges £7.7m
- Employee costs £30.1m

8 Events after the Balance sheet date

If anything happens after the end of the year and before we issue the Statement of accounts, we will either amend the accounts if it affects anything we reported on in the year or add a note to say how it will affect future years.

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

Accounting Policy

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

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

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

Revaluation reserve

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

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

Movements in 2019/20	General fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)						
Depreciation and impairment of non-current assets	(5,454)			(5,454)	5,454	-
Revaluation losses on property, plant and equipment	(12,963)			(12,963)	12,963	-
Change in the market value of investment properties (+gain/-loss)	(2,519)			(2,519)	2,519	-
Amortisation of intangible assets	(134)			(134)	134	-
Capital grants and contributions applied to capital financing	1,036			1,036	(1,036)	-
Revenue expenditure funded from capital under statute	(2,618)			(2,618)	2,618	-
Gain or loss on the disposal of non-current assets	1,726	(3,576)		(1,850)	1,850	-
Statutory Account for Unrealised Gain & Losses on Investments	(240)			(240)	240	-
Inclusion of items not included in the CI&ES						
Capital expenditure charged to the general fund	42			42	(42)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	1,158	(1,202)		(44)	44	-
Use of capital receipts to fund new capital spending		3,919		3,919	(3,919)	-
Transfers to the housing capital receipts pool						-
Transfers from deferred capital receipts on receipt of cash						-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	5,095		(5,095)			-
CIL grant	3,719		(3,719)			-
Grants applied to capital financing			2,681	2,681	(2,681)	-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(10,599)			(10,599)	10,599	-
Employer's pension contributions paid in the year	4,051			4,051	(4,051)	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	104			104	(104)	-
Adjustment for Non-domestic rates collection fund income	(2,761)			(2,761)	2,761	-
Adjustments involving the accumulating compensated absences adjustment account						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(73)			(73)	73	-
Total adjustments	(20,430)	(859)	(6,133)	(27,422)	27,422	-

Movements in 2020/21	General fund	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Reversal of items included in the Comprehensive income and expenditure account (CI&ES)						
Depreciation and impairment of non-current assets	(7,487)			(7,487)	7,487	-
Revaluation losses on property, plant and equipment	(2,799)			(2,799)	2,799	-
Change in the market value of investment properties (+gain/-loss)	(5,000)			(5,000)	5,000	-
Amortisation of intangible assets	(94)			(94)	94	-
Capital grants and contributions applied to capital financing	789			789	(789)	-
Revenue expenditure funded from capital under statute	(1,996)			(1,996)	1,996	-
Gain or loss on the disposal of non-current assets	(1,255)	(1,174)		(2,429)	2,429	-
Unrealised gain or loss on Investments	(46)			(46)	46	-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment	275			275	(275)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	399	(466)		(67)	67	-
Use of capital receipts to fund new capital spending		2,841		2,841	(2,841)	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	5,057		(5,057)			-
CIL grant	1,022		(1,022)			-
Grants applied to capital financing			2,755	2,755	(2,755)	-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(10,078)			(10,078)	10,078	-
Employer's pension contributions paid in the year	7,648			7,648	(7,648)	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	(177)			(177)	177	-
Adjustment for Non-domestic rates collection fund income	(16,059)			(16,059)	16,059	-
Adjustments involving the accumulating compensated absences adjustment						
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	36			36	(36)	-
Total adjustments	(29,765)	1,201	(3,324)	(31,888)	31,888	-

10 A detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Contingency	Business Rates Reserve	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2019	1,163	3,492	37	1,603	6,295
Transfers in	2,399		1,954	1,488	5,841
Transfers out	(192)	(450)	(37)	(711)	(1,390)
Balance at 31 March 2020	3,370	3,042	1,954	2,380	10,746
Transfers in	542		16,797	1,045	18,384
Transfers out	(2,796)		(894)	(534)	(4,224)
Balance at 31 March 2021	1,116	3,042	17,857	2,891	24,906

a Pensions

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

b Contingency reserve

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

c Business Rates Reserve

To manage timing differences from payments and income from Business Rates Retention scheme. Due to various reliefs introduced by the Government to help businesses during the pandemic, the income collected was significantly lower than what we estimated and booked based on our NNDR1 return. The deficit will need to be repaid in future years, and the amount that we expect to repay was transferred for this purpose from our General fund to the Business rates reserve.

11 Other operating expenditure

2019/20			Other operating expenditure	2020/21		
Gross spending	Income	Net spending		Gross spending	Income	Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
2,540	-	2,540	Parish council precepts	2,632	-	2,632
3,602	(3,320)	282	(Gains) or losses on trading operations (note 25)*	-	-	-
-	(1,726)	(1,726)	(Gain) or losses on disposal of non-current assets	1,255	-	1,255
-	(1,158)	(1,158)	(Gain) or losses on disposal of unattached assets	-	(399)	(399)
6,142	(6,204)	(62)		3,887	(399)	3,488

12 Financing and investments

2019/20			Financing and investments	2020/21		
Gross spending	Income	Net spending		Gross spending	Income	Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
-	(765)	(765)	Interest and investment income (note 16)	-	(458)	(458)
14	-	14	Interest we have to pay (note 16)	24	-	24
240	-	240	Other unrealised investment income or loss	46	-	46
2,288	-	2,288	Pensions interest (note 33)	2,068	-	2,068
-	-	-	(Gains) or losses on trading operations (note 25)*	3,556	(3,535)	21
2,519	-	2,519	Revaluation of investment properties	5,000	-	5,000
2,014	(5,965)	(3,951)	Investment properties (note 25)	995	(4,587)	(3,592)
7,075	(6,730)	345		11,689	(8,580)	3,109

13 Taxation and non-specific grants

2019/20			Taxation & general grants	2020/21		
Gross spending	Income	Net spending		Gross spending	Income	Net spending
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
-	(29,461)	(29,461)	National non-domestic rates	-	(15,063)	(15,063)
27,068	(2,583)	24,485	Government tariff and s31 grants	27,509	(19,973)	7,536
-	(15,526)	(15,526)	Demand on the collection fund	-	(16,137)	(16,137)
101	(13,705)	(13,604)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	829	(13,639)	(12,810)
27,169	(61,275)	(34,106)		28,338	(64,812)	(36,474)

* From 2020/21 we report any gains or losses on trading operation within Financing and Investment section of the Comprehensive Income and Expenditure account.

14 Movements on our assets

Independent external valuers are used to revalue our properties. The valuations were undertaken by Montagu Evans on the 31st March 2021. In 2019/20 the valuations were prepared on the basis of 'material uncertainty' which resulted in a higher degree of caution being attached to the valuations by the valuer. Given the unknown future impact that Covid-19 might have on assets, they recommended that the valuations were kept under frequent review. With reference to this recommendation the following assets were valued in 2020/21:-

All Investment Properties

All Surplus Assets

Other Land and Buildings – Car Parks, Specialised Operational Assets and those assets with a value in excess of £2m

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

The new valuation of Council's car parks has identified a significant fall in values compared to last year. In 2019/20 the value of the car parks was £83m. The valuation at the 31/3/2021 was £51m, a reduction of £32m or £39%. This is as a direct result of Covid 19 and a reduction in the income from the car parks.

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

Accounting policies

Charges to Revenue for Assets

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

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not

depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Property, Plant and Equipment (PPE)

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

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

Different types of asset are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.*
- Community assets such as parks are valued at historic cost, unless the external valuers identify a more appropriate value.*
- Infrastructure such as bridges are valued at depreciated historical cost.*
- Other assets such as land and buildings are valued at price that would be paid for the asset in its existing use. Where there is no market-based evidence because the asset is so specialist, they are valued at depreciated replacement cost.*
- Assets Held for Sale, when it becomes highly likely that an asset will be sold then the asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell.*
- Surplus assets are those not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

All Investment, Surplus and large assets with a value in excess of £2m are revalued every year. All other assets will be revalued at least once every three years. However, if there is evidence of a big change in an asset's value in any year, we will revalue that asset immediately.

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

We charge decreases in valuations as follows:

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

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

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

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

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

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

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

- | | |
|--------------------------------|--------------------|
| <i>•Buildings</i> | <i>5 -39 years</i> |
| <i>•Vehicles and equipment</i> | <i>2-25 years</i> |

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

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

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

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2019 (after depreciation)	125,225	7,795	-	4,910	34,319	5,564	177,813
Total book value on 1 April 2019	135,020	17,222	-	4,910	34,319	5,571	197,042
Assets we have transferred	41,175	8	133	35	(42,466)	1,689	574
Assets we have bought or improved	1,181	2,457		70	9,727	45	13,480
Assets that were donated				29			29
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(10,545)	(420)					(10,965)
Assets no longer required		(494)					(494)
Assets we have impaired							-
Assets revalued	40,007			(452)		(1,051)	38,504
Total book value on 31 March 2020	206,838	18,773	133	4,592	1,580	6,254	238,170
Depreciation and impairment on 1 April 2019	9,795	9,427	-	-	-	7	19,229
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have sold or disposed of	(9,464)	(846)					(10,310)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(3,960)					(19)	(3,979)
Depreciation for the year	3,666	1,770	4			13	5,453
Depreciation on 31 March 2020	37	10,351	4	-	-	1	10,393
Net book value on 31 March 2020 (after depreciation)	206,801	8,422	129	4,592	1,580	6,253	227,777

We have restated some of the amounts for 'Other land and Buildings' in 2019/20 in order to write out a gross carrying cost of £9.454m and a depreciation charge of 9.454m for an asset disposed of during the year. The overall net book value as at the 31st March 2020 has not changed as the net value of the asset was NIL.

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Net book value on 1 April 2020 (after depreciation)	206,801	8,422	129	4,592	1,580	6,253	227,777
Total book value on 1 April 2020	206,838	18,773	133	4,592	1,580	6,254	238,170
Assets we have transferred	1,000	197	-	141	(1,338)	680	680
Assets we have bought or improved	3,064	1,839	66	4	954	393	6,320
Assets that were donated							-
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(713)	(286)				(221)	(1,220)
Assets no longer required		(618)					(618)
Assets we have impaired							-
Assets revalued	(37,439)					29	(37,410)
Total book value on 31 March 2021	172,750	19,905	199	4,737	1,196	7,135	205,922
Depreciation on 1 April 2020	37	10,351	4	-	-	1	10,393
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(16)	(885)				(5)	(906)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Impairments written out							-
Depreciation written out	(5,197)					(13)	(5,210)
Depreciation for the year	5,525	1,939	7			17	7,488
Depreciation on 31 March 2021	349	11,405	11	-	-	-	11,765
Net book value on 31 March 2021 (after depreciation)	172,401	8,500	188	4,737	1,196	7,135	194,157

FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT	Other land and buildings	Vehicles and equipment	Infra-structure	Community assets	Assets being built	Surplus	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Historic cost	3,815	19,905	199	4,715	1,196	-	29,830
Carrying fair value at:							
31 March 2021 (valuation date 31/03/2021)	159,404					7,135	166,539
31 March 2020 (valuation date 31/03/2020)	9,531			22			9,553
31 March 2019 (valuation date 30/11/2018 & 31/03/2019)							-
31 March 2018 (valuation date 31/12/2017 & 31/03/2018)							-
31 March 2017 (valuation date 31/12/2016)							-
Total	172,750	19,905	199	4,737	1,196	7,135	205,922

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2019/20			2020/21		
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	-	79,324	79,324	20	79,252	79,272
Additions						
Properties we bought		3,570	3,570			-
Properties we built			-			-
Properties we improved	(56)	211	155	4	172	176
Disposals		(685)	(685)		(1,492)	(1,492)
Net gain or (loss) from fair value adjustments		(2,519)	(2,519)		(5,000)	(5,000)
Transfers (to) or from						
Stocks			-			-
Property, plant and equipment	76	(649)	(573)		(680)	(680)
Other changes			-			-
Balance on 31 March	20	79,252	79,272	24	72,252	72,276

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

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£ 000	£ 000	£ 000
Commercial Site	22,506		22,506
Development site	6,171	809	6,980
Pending Sale			-
Residential (market rental) properties	296		296
Retail Sites	49,470		49,470
Balance on 31 March 2020	78,443	809	79,252

Recurring fair value measurements using:	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£ 000	£ 000	£ 000
Commercial Site	21,761		21,761
Development site	4,494	891	5,385
Pending Sale			-
Residential (market rental) properties	296		296
Retail Sites	44,810		44,810
Balance on 31 March 2021	71,361	891	72,252

The categorisation of assets involves the valuers making a judgement based on the latest available information. There have not been any changes to the categorisation of assets this year.

Funding our capital expenditure

We incurred the following amounts of capital expenditure in the year, including assets acquired through finance leases. We have shown these, together with a statement of the resources used to finance the expenditure below. The balance on the capital financing requirement is £14.409m, At the end of the year we have an external debt of £0.635m (finance lease) and £13.774m internal borrowing against reserves.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2019/20	2020/21
	£ 000	£ 000
Opening capital finance requirement at 1 April	-	12,387
Expenditure on		
Property plant and equipment	13,509	6,320
Investment properties	3,725	176
Heritage assets		
Intangible assets	212	146
Revenue expenditure funded from capital under statute and Renovation Loans	2,618	2,041
Less sources of finance		
Capital receipts	(3,919)	(2,841)
Government grants and other contributions	(3,716)	(3,544)
Revenue funding		
Minimum revenue provision	(42)	(275)
Capital financing requirement at 31 March	12,387	14,410

15 Heritage assets

Accounting Policies

Heritage assets

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

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

The Council records its heritage assets under the following headings:

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

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

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

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

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

Heritage Valuers

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

- David S. Moulson, MBE, BSc (pewter valuations)*

- *Sotheby's the auction house, Seabys (international coin sellers) and J & S Rogers (silversmiths)*
- *Robert Dalgety*

Heritage assets by category

Heritage Assets	Archaeology and Numismatics	Natural History taxidermy, botanical and geological specimens	Pottery, drinking glasses and pewter	Social, agricultural & industrial history, including costume	Statues	Mayor's Office	Works of Art	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
1st April 2019	229	235	498	1,183	500	149	1,107	3,901
Additions								-
Revaluations	8	8	20	48	15	4	36	139
31 March 2020	237	243	518	1,231	515	153	1,143	4,040
Additions								-
Revaluations	11	11	23	55	23	7	58	188
31 March 2021	247	254	541	1,287	538	160	1,201	4,229

Commentary on movements

The revaluations for Heritage Assets reflect indexing of all assets in line with insurance estimates plus one revaluation of an item based on a similar item being sold for the same amount.

Overview of our collection

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

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

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

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

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

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

16 Categories of financial assets and liabilities

Accounting policy

We record our investments and borrowings in the following ways:

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

Impairment provisions for financial assets

Investments

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

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

Should the risk of loss increase significantly for a specific asset or category of assets then the provision will be increased to represent lifetime credit losses. This provision is charged to the Comprehensive income and expenditure statement and reduces the carrying value of the financial assets on the balance sheet. Loss provisions are not required for assets held at Fair Value through Profit and Loss (FVPL) because current market prices as recorded in the accounts reflects market expectations of credit risk.

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

Trade receivables, lease receivables and contract assets

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

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

2019/20			SHORT-TERM	2020/21		
Investments	Cash & cash equivalents	Receivables & payables (Restated)		Investments	Cash & cash equivalents	Receivables & payables
£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	
			Financial assets			
	12,973		Fair value through profit or loss		22,470	
17,078	14,405	12,051	Amortised cost	8,033	10,204	9,526
17,078	27,378	12,051	Total financial assets	8,033	32,674	9,526
17,078	27,378	12,051	Total assets	8,033	32,674	9,526
			Financial liabilities			
		(4,784)	Amortised cost		(162)	(5,648)
-	-	(4,784)	Total financial liabilities	-	(162)	(5,648)
-	-	(4,784)	Total liabilities	-	(162)	(5,648)

The 2019/20 amortised costs for Receivables was restated following a further analysis of categorisation of year end balances reflected in the 2020/21 figures to comply with IFRS9 requirements.

2019/20		LONG-TERM	2020/21	
Investments	Receivables & payables		Investments	Receivables & payables
£ 000	£ 000		£ 000	£ 000
6,482		Financial assets		
		Fair value through profit or loss	6,436	
	1,792	Amortised cost		1,275
6,482	1,792	Total financial assets	6,436	1,275
6,482	1,792	Total assets	6,436	1,275
		Financial liabilities		
	(4,860)	Amortised cost		(3,926)
-	(4,860)	Total financial liabilities	-	(3,926)
-	(4,860)	Total liabilities	-	(3,926)

Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2021 for new investments that would end at the same time. The difference in value is because different market interest rates than would be available at the year-end date.

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

Fair Value	31 March 2020		31 March 2021	
	Reporting £ 000	Fair value £ 000	Reporting £ 000	Fair value £ 000
Financial assets				
Investments and cash equivalents	50,879	50,929	47,107	47,092
Cash	59	59	37	37
Leasing debtor				
Long-term receivables	1,792	1,792	1,275	1,275
Financial liabilities				
Cash	-	-	(162)	(162)

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

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique to measure fair value	31st March 2020 £ 000	31st March 2021 £ 000
Local Authority Property Fund	Level 1	Unit Prices	6,482	6,436
Total			6,482	6,436

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

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

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

Credit risk: Treasury Investments

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

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

We present reports to Council meetings at the beginning of every year and half way through it to agree who we can lend money to. The type of investment we choose can help to reduce the risk of failure. The table below gives the types and the maximum amounts that can be invested, as set out in the Council's Treasury Management Strategy (limits approved at February 2020 Full Council meeting).

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

2019/20		Credit Rating	2020/21	
Short term	Long term		Short term	Long term
£ 000	£ 000		£ 000	£ 000
3,007		AAA		
		AA+		
		AA		
6,023		AA-	3,018	
3,004		A+	2,148	
1,324		A		
		A-		
		BBB+		
18,067		Unrated local authorities	13,034	
		Unrated Building Societies		
		Unrated Housing Associations		
12,972	6,482	funds)	22,470	6,436
44,397	6,482	Total	40,670	6,436

The table below details the counterparties approved in the Council's Treasury Management Strategy for 2020/21:

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
Money Market Funds (per fund)	AAA	£6m each fund	Instant access
Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	5 years
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m for each authority	5 years
UK Banks	A-	£3m each group	364 days
Building Societies	A-	£3m each group	364 days
Non-UK Banks	AA-	£3m each group	364 days
Non-UK Banks	A-	£3m each group	100 days
Registered Social Landlord Loans (these deposits would be guaranteed on RSL assets or similar)	A-	£3m each	364 days
Covered Bonds (per bond)	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	364 days
Supranational Bonds (per institution)	AAA	£6m	3 years
Multi asset or bond funds	Unrated	£5m per fund	n/a
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m	

The Council calculates expected credit losses with reference to historic default data, credit ratings and any collateral protecting an investment. 12 month expected credit losses are not material for the Council's investment portfolio. Losses will be allowed for against an investment that suffers a significant increase in credit risk, but none have been experienced in the year ending 31/03/2021.

Credit risk: trade receivables

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

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

2019/20 £ 000	Age of debt	2020/21 £ 000
11,336	Less than three months	9,417
2,098	Three to six months	784
678	Six months to a year	858
3,566	More than a year	4,110
17,678		15,169

We monitor repayment of all debts rigorously.

Liquidity risk

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

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

2019/20 £ 000	Financial assets returned to the Council	2020/21 £ 000
44,397	Less than three months, including cash equivalents	35,670
-	Three to six months	-
-	Six months to a year	5,001
6,482	More than a year	6,436
50,879		47,107

Market risk: interest rates

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

As a significant proportion of our investments are in bank and local authority deposits, their value does not change in our accounts. We must note in our accounts the effect, if there had been one, of a 1% change in interest rates on our variable investments in 2020/21. The effect of a 1% increase in interest rates would have resulted in an extra income of £193,000 on variable rate investments. If interest rates had fallen by 1%, the loss of interest would have been the same amount.

Market risk: price risk

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

However, the Council's CCLA property fund investment is subject to price changes arising from a change in the value of commercial property, although any losses would be unrealised unless the Council elected to sell the asset.

A 5% fall in commercial property prices at 31st March 2021 would result in a £314k (2020: £315k) charge to the Comprehensive income and expenditure statement, which would be reversed out unless the asset was sold.

The original CCLA investment of £5m means that an unrealised gain is currently held of £1.4m which helps protect capital values against future losses.

17 Major commitments under capital contracts

We were legally committed to the following scheme on the 31st March 2021;

- Housing Infrastructure Fund (HIF) Access Road and Bridge £3.2m

18 Debtors

2019/20	Debtors	2020/21
£ 000		£ 000
390	Government departments	3,838
1,895	Other local authorities	2,925
14,218	Sundry debts owed by other organisations and individuals	11,986
2,705	HB overpayments	2,585
7,319	Other debtors ***	30,549
(2,412)	Debts we may not be able to collect	(3,243)
24,115		48,640

*** Other debtors include money owed to us by Council tax and NNDR ratepayers and by the Collection Fund Preceptors.

The significant year on year increase in other debtors is mainly due to large deficit on the collection fund resulting in money owed to us by the preceptors. The table below provides more detailed breakdown for the other debtors.

2019/20	Other debtors	2020/21
£ 000		£ 000
	NNDR Preceptors	19,016
4,251	CT Preceptors	7,268
1,175	NNDR ratepayers	2,143
1,868	Council Tax ratepayers	2,116
25	Money owed by Council's employees	6
7,319		30,549

19 Cash and cash equivalents

Accounting Policy

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

2019/20	Cash & cash equivalents	2020/21
£ 000		£ 000
38	Cash held by officers	37
21	Bank current accounts	(162)
27,319	Cash equivalents (short-term deposits)	32,637
27,378		32,512

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20 Creditors

2019/20	Creditors	2020/21
£ 000		£ 000
4,418	Government departments	23,173
5,374	Other local authorities	5,919
3,924	Sundry creditors with other organisations and individuals	2,495
1,798	Receipts in advance from sundry creditors	2,176
7,148	Other creditors ***	1,503
22,662		35,266

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

To help billing authorities with their cash position, the Government paid on account S31 grants to the billing authorities for the whole collection fund, not just the billing authority's share. We therefore have a large creditor, £21.4m, we owe to the Government and will have to repay once the final reconciliation of the S31 grants takes place. The Government's creditors also include £5m non-distributed grant funding for Covid19 support to qualifying businesses that will either be returned to the Government or redistributed to the Businesses in 2020/21, depending on the grant conditions.

21 Provisions

Accounting policy

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

Provisions	NDR appeals
	£ 000
Balance at 1 April 2019	3,688
Transfers in	1,402
Transfers out	
Balance at 31 March 2020	5,090
Transfers in	190
Transfers out	-
Balance at 31 March 2021	5,280
Explanation	The amount that may be repayable if appeals against NDR valuations are successful

22 Unusable reserves

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

Unusable Reserves	Revaluation reserve	Capital adjustment account	Pension reserve (note 33)	Collection fund adjustment account	Other unusable reserves	Total unusable reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2019	59,452	202,883	(97,293)	951	1,233	167,226
Change on the reserve during the year	54,552	(16,870)	5,496	(2,657)	(313)	40,208
Balance at 31 March 2020	114,004	186,013	(91,797)	(1,706)	920	207,434
Change on the reserve during the year	(32,078)	(10,347)	(17,119)	(16,236)	(10)	(75,790)
Balance at 31 March 2021	81,926	175,666	(108,916)	(17,942)	910	131,644
Explanation	The gains on revaluing our assets since 1 April 2007. See table below for details of movements	Capital spending to be financed from future resources. See table below for details of movements	Our liability to pay future pensions	Adjusting for paid and accrued council tax and NDR		

Revaluation reserve

2019/20	Revaluation Reserve	2020/21
£ 000		£ 000
59,452	Opening balance	114,004
55,586	Revaluation of assets	(29,213)
	Impairment losses	
(145)	Write-out of revaluations of assets we have sold	(67)
(889)	Difference between fair value and historic cost depreciation	(2,798)
114,004	Closing Balance	81,926

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

Capital adjustment account

2019/20	Capital Adjustment Account	2020/21
£ 000		£ 000
202,883	Opening balance	186,013
(5,588)	Allowance for depreciation and amortisation	(7,581)
889	Less depreciation and amortisation charged to the revaluation reserve	2,798
(2,618)	Revenue expenditure funded from capital under statute	(1,996)
-	Transfer from revaluation reserve on disposals	67
(12,963)	Impairments and amortisation charged to revenue	(2,799)
42	Minimum Revenue Provision	275
(43)	Repaid Capital loan receipts	(67)
7,635	Application of receipts and contributions	6,385
(1,705)	Assets disposed of	(2,429)
(2,519)	Movements in the value of investment properties in the CI&ES	(5,000)
186,013	Closing balance	175,666

23 Cashflow

2019/20	I&E to cash flow	2020/21
£ 000		£ 000
	Revenue shortfall or (surplus)	
(2,809)	Movement on the General fund	(6,124)
(488)	Provision for bad debts	(831)
2,618	Revenue funded by capital under statute	1,996
(42)	Minimum revenue provision	(275)
-	Other costs	6
-	Housing Capital Receipts pool	-
(1,157)	Proceeds from asset disposals	(1,174)
(4,451)	GF - contribution (to)/from reserves	(14,159)
(6,329)		(20,561)
2,657	Our part of the collection fund	16,236
(3,672)		(4,325)
	Non-cash transactions	
(1,329)	Transfers to reserves	(226)
(3,329)	Net throughput on the collection fund	(25,138)
(4,658)		(25,364)
	Change in	
12	Stock	(3)
(3,140)	Debtors	24,839
4,398	Creditors	(16,967)
1,270		7,869
(7,060)	Net cash inflow or (outflow) from revenue activities	(21,820)

24 Expenditure and Income analysed by nature

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

2019/20	Expenditure and Income Analysed by Nature	2020/21
£ 000		£ 000
	Expenditure	
37,596	Employee benefits expenses	37,433
65,162	Other services expenses	59,728
	Covid19 discretionary grants paid out to businesses and individuals	6,947
21,169	Depreciation, amortisation, impairment	12,377
14	Interest payments	24
2,540	Precepts and levies	2,632
2,288	Pension interest and return on investment	2,068
(12,044)	Remeasurement of the assets of the pension fund	14,689
(55,711)	Gain or loss on the disposal and revaluation of Assets	35,115
61,014	Total Expenditure	171,013
	Income	
(38,263)	Fees, charges and other services income	(23,353)
(765)	Interest and investment income	(458)
(15,526)	Income from Council Tax	(16,137)
(51,071)	Government grants and other contributions incl Business Rate income, Housing Benefits grants and Covid19 grants	(63,725)
	Covid19 Grants and contributions for redistribution to support businesses and individual	(7,088)
(9,850)	Capital Grants and contributions	(6,868)
(115,475)	Total Income	(117,629)
(54,461)	Total expenditure and income	53,384

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

2019/20	Revenues from contracts with service recipients	2020/21
£ 000		£ 000
(35,430)	Revenues from contracts with service recipients	(21,940)
218	Impairments of receivable or contract assets	244
(35,212)	Total included in Comprehensive Income and Expenditure Statement	(21,696)

25 Trading operations

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

2019/20			Trading accounts not shown in Spending on current services	2020/21		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			Other operating expenditure			
3,035	(2,783)	252	Grounds maintenance	2,976	(2,974)	2
567	(537)	30	Vehicle maintenance	580	(561)	19
3,602	(3,320)	282		3,556	(3,535)	21
			Financing and investment			
2,014	(5,965)	(3,951)	Investment properties	995	(4,587)	(3,592)
2,014	(5,965)	(3,951)		995	(4,587)	(3,592)
5,616	(9,285)	(3,669)	Total trading activity	4,551	(8,122)	(3,571)

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

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

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

26 South Essex Parking Partnership (SEPP)

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

2019/20		Revenue expenditure	2020/21	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
2,206	523	Expenditure	2,232	493
(2,450)	(908)	Income	(1,941)	(574)
(244)	(385)	Net position	291	(81)

27 Councillors' allowances

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

2019/20	Councillors allowances	2020/21
£ 000		£ 000
340	Basic allowance	342
154	Special responsibility allowance	160
3	Other expenses	-
16	Mayor and Deputy Mayor allowance	14
513	Total we paid in the year	516

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

28 Employee pay

Accounting policy

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

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

Employee pay band	Number of employees		Number who left in the year	
	2019/20	2020/21	2019/20	2020/21
£50,000–54,999	9	9	1	2
£55,000–59,999	9	10	-	-
£60,000–64,999	2	6	-	1
£65,000–69,999	4	4	1	-
£70,000–74,999	5	4	-	-
£75,000–79,999	6	5	-	-
£80,000-84,999	3	6	1	1
£85,000-89,999	-	1	-	-
£90,000-94,999	1	1	-	-
£95,000 – 99,999	1	-	1	-
£100,000 - 104,999	-	-	-	-
£105,000 – 109,999	-	-	-	-
£110,000 - 114,999	-	-	-	-
£115,000 – 119,999	-	-	-	-
£120,000 - 124,999	-	-	-	-

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

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

Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind	Employer pension contributions ****	TOTAL
2019/20	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh)	176,109				2,425	26,037	204,571
Directors of:							
Connected Chelmsford	127,104				2,425	18,771	148,300
Financial Services	118,037				970	17,358	136,365
Public Places	125,328				1,940	18,411	145,679
Sustainable Communities	91,328				15,054	14,078	120,460
Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind ***	Employer pension contributions ****	TOTAL
2020/21	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh)	185,025				1,924	33,977	220,926
Directors of:							
Connected Chelmsford	129,525				1,924	23,717	155,166
Financial Services	123,996				769	22,652	147,417
Public Places	129,741				1,539	23,717	154,997
Sustainable Communities	98,644				3,693	17,788	120,125

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £156,936.

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

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

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

2019/20 £ 000	Termination benefits	2020/21 £ 000
172	Termination benefits	
56	Redundancy costs	252
	Additional pension costs	114
228	Total spending	366
7	No of employees whose employment was terminated	24

2019/20		Exit packages	2020/21	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
2	5	£0 - £20,000	19	112
3	105	£20,001 - £50,000	3	110
2	118	£50,001 - £250,000	2	144
7	228	Total	24	366

We made nineteen employees compulsorily redundant in 2020/21, and one in the previous year.

29 External audit costs

The table below gives details of the amounts we paid to our external auditors during the year. The figure for 19/20 includes an adjustment relating to the previous year's audit of (£22k).

2019/20 £ 000	External audit costs	2020/21 £ 000
	Fees we paid to the auditor	
47	Statutory Audit Fee	47
13	Non Statutory Audit Fee	19
4	Non Statutory Additional Audit Fee	-
(22)	Non Statutory Audit Fee relating to previous years	13
(5)	Income	-
37	Total we paid in the year	79

30 Grants

Accounting policy

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

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

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

2019/20	Grants and contributions	2020/21
£ 000		£ 000
37,439	Housing benefits grants	34,851
-	Sales, Fees & Charges grant	7,786
-	Furlough / Job retention scheme grant	1,519
-	COVID 19 grants and contributions for redistribution to support business and individuals	7,088
4,900	Other grants and contributions	6,101
42,339		57,345

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

2019/20	Capital grants received in advance	2020/21
£ 000		£ 000
2,849	Opening balance	3,152
303	In-year movements	(243)
3,152		2,909

31 Related party transactions

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

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

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

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

During 2020/21 we paid Event sound and Light Limited £5,583, a Member's son is a partner in this company.

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

Galleywood Parish Council £701.47
South Hanningfield Parish Council £4,801.42
Runwell Parish Council £10,026.88
South Woodham Ferrers Town Council £518.22
Boreham Parish Council £179,914.02

Additional amounts can be paid over to parishes when Parish spending has been agreed to be funded from CIL receipts. In 2020/21 no additional payments were made to Parishes or Essex County Council from CIL. We paid Essex County Council £509,039 from S106 grants.

We made the following grants and payments during 2020/21 to the following organisations and some of our members sit on their boards or are trustees, but do not have a controlling interest.

Birketts £11,695

Chelmsford Age Concern £5,000
Chelmsford Citizens Advice Bureau (CAB) £113,000
Chelmsford Council for Voluntary Services (CVS) £54,000
Chelmsford MENCAP £2,450
Colchester Arts Centre, £600
Essex County Council £2,098,099
Helping Hands Essex £6,450
Moulsham Lodge Community Trust £36,931
Museum Association £638
North Avenue Youth Centre £11,750
Runwell Parish Council £167.92
Rural Community Council of Essex £1,000
South Woodham Ferrers Town Council £2,500
Writtle Parish Council £602
YMCA £25,000

In addition, the following organisations made payments to us.

Chelmsford CAB £30,151
Chelmsford CVS £11,814

32 Leases

Accounting policies

Leases we get from other organisations

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

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

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

Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are handing over ownership of that asset, so we remove the asset's value from our Balance sheet. The value of the lease payments are then split using a calculation into interest paid to the Council and payment for the sale of the asset. A long-term

debtor is created in our Balance sheet and when we receive a payment for the lease it reduces the value of the debtor and recognises a capital receipt. Interest income is then credited to the Comprehensive income and expenditure statement.

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

Leases we Give to Other Organisations.

The Council's other rental agreements are operational leases. Information about them is shown in the table below. Most of the income shown comes from shopping centres or other Commercial Property (High Chelmer). The significant change from 19/20 to 20/21 is due to a change to the minimum rent receivable at the Meadows Shopping Centre for future years. The figures are based on the minimum future lease payments.

2019/20	Operational Leases Minimum Income Due	2020/21
£ 000		£ 000
1,498	Lease payments due in less than a year	1,995
4,369	Lease payments due from 1 to 5 years	5,127
46,866	Lease payments due in more than 5 years	20,547
52,733		27,669

33 Pensions

Accounting Policy

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

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

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

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

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

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

2019/20	Charges to the Comprehensive income and expenditure account	2020/21
£ 000		£ 000
	Spending on services	
	Service cost	
8,175	Current service cost	7,894
76	Previous service cost	1
60	Administration expenses	115
	Other spending	
2,288	Net interest on the defined liability	2,068
10,599	Charge to the spending on current services in the comprehensive income and expenditure statement	10,078
	Other charges	
(26,722)	Remeasurement of the pension liability	63,351
14,678	Return on scheme assets (excluding interest)	(48,662)
(12,044)	Other charges to the comprehensive income and expenditure statement	14,689
(1,445)	Total charges to the comprehensive income and expenditure statement	24,767
4,051	Employer's contributions charged to the General fund	7,648

In addition to the gains and losses we have included in the Comprehensive income and expenditure statement, we have included a remeasurement surplus identified by the actuaries of £14.7m in 20/21 (a surplus of £12m in 2019/20).

31 March 2020	Movements on pension fund assets and liabilities	31 March 2021
£ 000		£ 000
	Scheme liabilities	
(292,570)	Value at 1 April	(275,255)
(8,175)	Current service cost	(7,894)
(1,488)	Member contributions	(1,546)
(6,938)	Interest costs	(6,395)
	Remeasurement	
25,361	Financial returns	(63,351)
(76)	Past service (gains) or costs	(1)
8,631	Benefits paid	7,828
(275,255)	Value at 31 March	(346,614)
	Scheme assets	
195,277	Value at 1 April	183,458
4,650	Interest	4,327
	Remeasurement	
(14,678)	Return on assets (excluding interest)	48,662
1,361	Other actuarial gains/(losses)	-
(60)	Administration expenses	(115)
4,051	Employer contributions	7,648
1,488	Employee contributions	1,546
(8,631)	Benefits paid	(7,828)
183,458	Value at 31 March	237,698
(91,797)	Net pension liability	(108,916)

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

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

Pension fund balances	2015/16 £ 000	2016/17 £ 000	2017/18 £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000
Present value of scheme liabilities	(235,624)	(290,267)	(288,871)	(292,570)	(275,255)	(346,614)
Fair value of assets	145,063	169,858	183,693	195,277	183,458	237,698
Deficit on the pension fund	(90,561)	(120,409)	(105,178)	(97,293)	(91,797)	(108,916)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £108.9 m has a large effect on our net worth, resulting in an overall balance of £208 m. However, the formal rules for funding the pension-fund deficit mean the Council's financial position remains healthy. The fund tries to keep employers' contribution rate as constant as possible. The pension fund deficit will be met by contributions over 19 years. We expect to pay £4.5m to the fund next year.

The actuaries have made an estimate of the pensions that will have to be paid in future years based on their assumptions, for example, about life expectancy and salary levels. The pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation in 2019. The next full valuation will be in 2022.

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

2019/20 %	Assumptions used in the valuations of the fund	2020/21 %
	Years we expect to pay current pensioners	
21.8	Men	21.6
23.7	Women	23.6
	Years we expect to pay pensioners retiring in 20 years	
23.2	Men	22.9
25.2	Women	25.1
2.7	Rate of inflation – RPI	3.2
1.9	– CPI	2.8
2.9	Rate of increase in salaries	3.8
1.9	Rate of increase in pensions	2.8
2.4	Discount rate	2.0
50	Percentage of employees choosing to take a lump-sum payment	50
10	Percentage of employees paying a 50% contribution for 50% pension	10

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

	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	17,393	(16,515)
Rate of increase in salaries (increase or decrease by 0.1%)	605	(599)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	6,052	(5,938)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6,581)	6,716

The weighted average duration of the pension obligation for scheme members is 20 years in 2020/21 (20 years 2019/20).

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

31 March 2020	Scheme assets	31 March 2021
£ 000		£ 000
7,626	Cash and cash equivalents	11,216
	Stocks and shares (by type)	
7,709	UK investments	10,695
90,313	Overseas investments	126,198
98,022		136,893
	Bonds (by sector)	
11,116	UK Corporate	11,924
7,907	UK Government	6,133
19,023		18,057
	Property (by type)	
4,583	Listed	5,005
11,914	Unlisted	11,918
16,497		16,923
9,362	Private equity	9,982
	Other investment funds	
10,842	Infrastructure	16,476
6,615	Timber	6,925
3,675	Illiquid and Private Debt	4,060
11,796	Other Managed Funds	17,166
32,928		44,627
183,458	Total	237,698

31 March 2020	Stocks and Shares	31 March 2021
£ 000		£ 000
	Stocks and shares (by company size)	
98,022	Listed	136,893
-	Unlisted	-
98,022		136,893

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

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

34 Contingent liabilities

Accounting Policy

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

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

35 Contingent assets

Accounting Policy

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

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

Since 31.3.2021, we received communication from HMRC suggesting in principle that we will be paid refund for one of the outstanding appeals. There is still uncertainty over timing and amount of the payment while the claim is being reviewed by HMRC. The amount the Council claimed up to 31.3.2021 is £4.5m.

36 Community Infrastructure Levy (CIL)

We started receiving CIL payments from 1 April 2014. We have billed £1,022k in 2020/21 (£3,719k in 2019/20) which was credited to the Capital Grants Unapplied account. The levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area.

37 Government and non-government grants

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

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

2019/20	Grants and contributions	2020/21
£ 000		£ 000
	Grant received in advance	
3,152	Money received as part of planning agreements	2,909
	Capital grants unapplied	
6,743	Money received as part of planning agreements	5,420
1,126	Government grants	5,033
2,541	Empty Homes grant	2,568
23,303	Community Infrastructure Levy	24,066
234	Other	184
33,947		37,271
37,099	Total	40,180

38 Long term Creditors

2019/20	Long-term Creditors	2020/21
£ 000		£ 000
3,814	Section 106 contributions	2,936
660	Leases	557
386	Property transaction creditor	323
-	Recreational Avoidance Mitigation Strategy	110
-	Business Grants repayable to Central Government	4,215
-	Other Long-term Creditors	101
4,860		8,242

8 - Collection fund

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

2019/20			Collection Fund	Notes	2020/21		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000			Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
(118,598)		(118,598)	Income				
			Council tax	1	(124,753)	(124,753)	
	(80,043)	(80,043)	Transfers from the General fund				
	1,071	1,071	Non-domestic rates	2		(40,471)	
			Transitional protection			596	
(118,598)	(78,972)	(197,570)			(124,753)	(164,628)	
			Spending				
			Council Tax precepts and demands				
84,703		84,703	Essex County Council		90,168	90,168	
15,476		15,476	Chelmsford City Council		16,214	16,214	
12,865		12,865	Essex Police Authority		13,557	13,557	
4,830		4,830	Essex Fire Authority		5,043	5,043	
			Non-domestic rates precepts and demands				
	39,269	39,269	Central Government			39,825	
	31,415	31,415	Chelmsford City Council			31,860	
	7,069	7,069	Essex County Council			7,168	
	785	785	Essex Fire Authority			797	
			Subsidy paid towards the costs of collecting National non-domestic rates			219	
	217	217					
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
156		156	Council tax		292	292	
	742	742	Non-domestic rates			1,465	
			Amounts written off				
184		184	Council tax		74	74	
	855	855	Non-domestic rates			56	
	3,505	3,505	Provision for appeals			476	
			Distribution of previous year's Council Tax surplus or (shortfall)				
(291)		(291)	Essex County Council		549	549	
(54)		(54)	Chelmsford City Council		100	100	
(40)		(40)	Essex Police Authority		84	84	
(17)		(17)	Essex Fire Authority		31	31	
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
	1,009	1,009	Central Government			(922)	
	807	807	Chelmsford City Council			(738)	
	181	181	Essex County Council			(166)	
	20	20	Essex Fire Authority			(18)	
117,812	85,874	203,686			126,112	80,022	
			Movements on the Collection Fund				
(786)	6,902	6,116	(Surplus) or shortfall for the year		1,359	40,147	
83	(2,408)	(2,325)	(Surplus) or shortfall at start of the year	3	(703)	4,494	
(703)	4,494	3,791	(Surplus) or shortfall at end of the year	3	656	44,641	

Accounting Policy

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

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

Notes to the collection fund

1 Council tax

Council tax income comes from charges we make depending on the value of homes. Each home is put into one of eight valuation bands using their value on 1 April 1991. We work out each charge by estimating the amount of income each of the preceptors on the collection fund needs for the coming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion of the band D charge. In 2020/21, the council tax base was 68,252 (in 2019/20 it was 66,672). The basic amount of council tax for a property in band D was £1,831 (£1,768 in 2019/20). This is multiplied by the appropriate proportion for the particular band to give the actual amount due for that band.

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

Council tax band	Total number of properties	Number of chargeable properties	Proportion of Band D charge	Number of Band D equivalent properties
A	4,564	3,633	6 / 9	2,422
B	10,434	8,826	7 / 9	6,865
C	23,242	21,073	8 / 9	18,731
D	17,436	12,196	9 / 9	12,196
E	10,643	10,162	11 / 9	12,420
F	5,933	5,790	13 / 9	8,363
G	4,071	3,921	15 / 9	6,535
H	389	360	18 / 9	720
Total	76,712	65,961		68,252

2 Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – 49.9p in 2020/21 (49.1p in 2019/20). Depending on the effects of any changes, local businesses pay rates that are worked out by multiplying their rateable value by that amount. We are responsible for collecting the rates due in our area and pay these into the Collection fund. We share the money collected between the Government, Essex County Council and the Essex Fire Authority.

On 31 March 2021, our NDR income after relief totalled £40,471,018 based on the total non-domestic rateable value for our area of £194,606,246. The income is lower than in previous years due to extended rate relief given to Retail and Nursery businesses. However, the government provided grant for the extended relief.

3 Contributions to the collection fund – surpluses and shortfalls

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

2019/20			Contributions to the collection fund - surpluses and shortfalls	2020/21		
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
	2,247	2,247	Central Government		22,321	22,321
(92)	1,798	1,706	Chelmsford City Council	85	17,856	17,941
(505)	404	(101)	Essex County Council	475	4,018	4,493
(77)		(77)	Essex Police Authority	70		70
(29)	45	16	Essex Fire Authority	26	446	472
(703)	4,494	3,791		656	44,641	45,297

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

4 Non-domestic rate appeals

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

Non-domestic rate appeals	Share	Provision
	%	£ 000
Central Government	50	238
Chelmsford City Council	40	190
Essex County Council	9	43
Essex Fire Authority	1	5
	100	476

5 Non-domestic rate pooling

On 1 April 2020, Chelmsford continued in a Non-domestic rating pool with 14 other authorities for the 2020/21 financial year. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool. We benefited by reducing the levy that we need to pay to the Government on our business income, for 2020/21 the reduction was £1.1m.

6 Business Improvement District

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

9 - Independent auditors' report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELMSFORD CITY COUNCIL

Opinion on the financial statements

We have audited the financial statements of Chelmsford City Council (“the Council”) for the year ended 31 March 2021 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2020 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Accountancy Services Manager’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the

responsibilities of the Accountancy Services Manager with respect to going concern are described in the relevant sections of this report.

Other information

The Accountancy Services Manager is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We are required by the Code of Practice to report to you if we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is not misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;

- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Accountancy Services Manager and the Council

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Accountancy Services Manager is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view and for such internal control as the Accountancy Services Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountancy Services Manager is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our procedures included the following:

- enquiring of officers, the Council’s head of internal audit, and those charged with governance, including obtaining and reviewing supporting documentation in respect of the Council’s policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Council’s controls relating to Managing Public Money requirements;
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue recognition, expenditure cut off and posting of unusual journals;
- obtaining an understanding of the Council’s framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council. The key laws and regulations we considered in this context include:
 - Local Government Acts of 1972 and 2003;
 - Local Government Finance Acts of 1988, 1992 and 2012;
 - International accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21;
 - Local Audit and Accountability Act 2014;
 - Accounts and Audit Regulations 2015;
 - VAT legislation;
 - PAYE legislation;

In addition to the above, our procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Cabinet;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Substantively testing a sample of income and expenditure around the year end; and
- Substantively testing a sample of grant income recognised during the year to check that all recognition criteria had been met.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Auditor's other responsibilities

As set out in the Matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate - delay in completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Chelmsford City Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- completed our work on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of Chelmsford City Council as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rachel Brittain, Key Audit Partner
For and on behalf of BDO LLP, Local Auditor
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

10 - Glossary

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

Actuary

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

Amortisation

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

Audit and Risk Committee

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

Balance sheet

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

Cabinet

The Cabinet is made up of five members of the Council (including the Leader) and five deputies that are not members of the Cabinet but support Cabinet members with specific areas of responsibility. The five members of the Cabinet are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for a specific service.

Capital receipt

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

Capital spending

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

Cash-flow statement

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

Collection fund

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

Community assets

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

Comprehensive income and expenditure statement

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

Corporate governance

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

Councillor

An elected Member of the Council.

Creditors

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

Current assets

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

Current liabilities

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

Debtors

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

Depreciation

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

Earmarked reserves

Money we set aside for a specific purpose.

Fair value

The value of the asset on the open market.

Gross spending

The total cost of providing a service.

IAS19

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

Impairment

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

Infrastructure

Assets we cannot sell and do not have an alternative use. Valued at historical depreciated cost.

Intangible assets

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

Leases

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

LGPS (Local Government Pension Scheme)

The fund that pays and manages our staff pensions.

Liabilities

Our debts and responsibilities.

Liquid resources

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

Management Team

A meeting of the Chief Executive and the Directors.

Member

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

MRP (Minimum revenue provision)

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

NDR – Non-domestic rates

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

Net book value

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

Net spending

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

Parish Council

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

Performance indicators

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

Precept

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

Provision

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

Registered social landlord

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

Reserve

Savings we have built up from surpluses.

Restatement

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

Surplus

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

Tax base

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

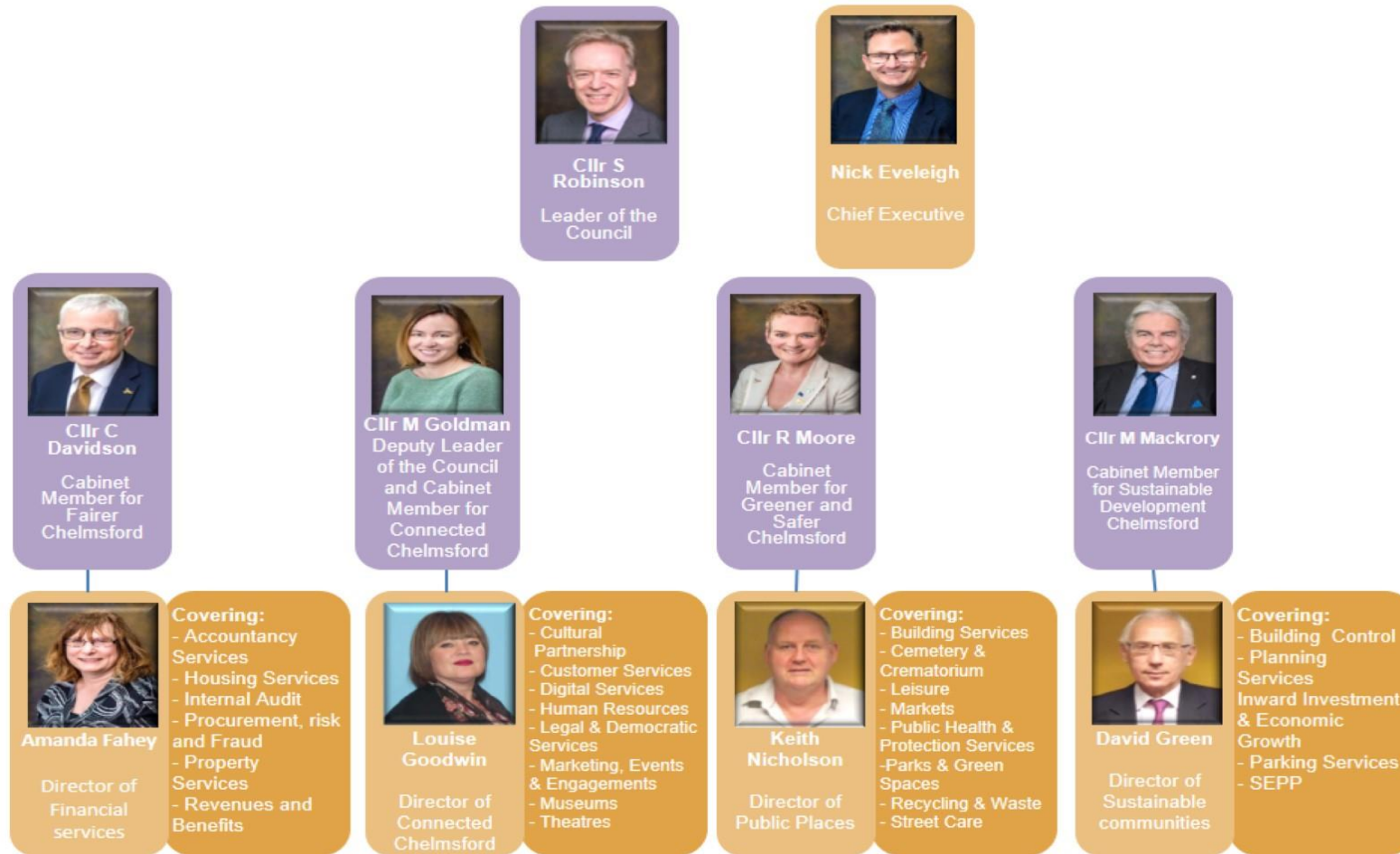
Trading undertakings

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

Unrealised Gain

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

II - Our structure chart as at 31 March 2021



Following a restructure, the Director of Financial services left the Council in May 2021. The Accountancy Services Manager is the current S151 officer for the Council.



Chelmsford City Council

Auditor's Annual Report: Year ended 31
March 2021

Report to the Audit and Risk Committee

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Welcome

Executive Summary

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Chelmsford City Council for the year ended 31 March 2021.

Financial statements

We issued an unqualified opinion on the Authority's financial statements on 10 March 2023.

This means that we considered that the financial statements give a true and fair view of the Council's position and its expenditure and income for the year.

Value for money

We have not identified any significant weaknesses in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.



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Purpose and responsibilities

Executive summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2021.

It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Council is also responsible for preparing and publishing its financial statements, annual report and governance statement.

Responsibilities of auditors

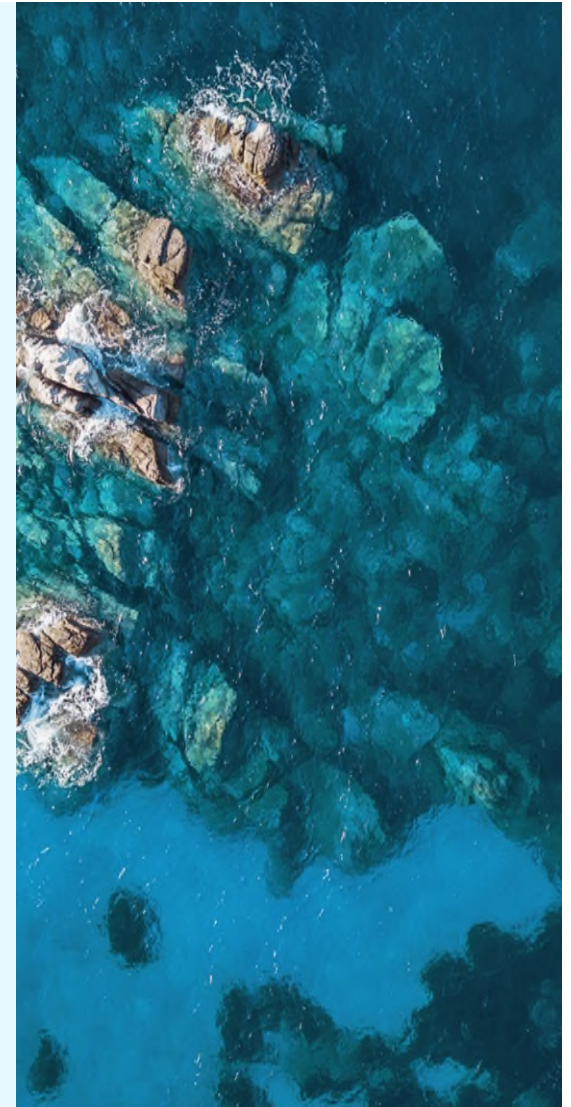
Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - April 2020 (the 'Code').

Under the Code, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the Authority and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation;
- Whether the other information published together with the financial statements is

consistent with the financial statements;

- Whether the governance statement complies with the guidance issued;
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Where appropriate, make statutory recommendations, or issue a Public Interest Report.



Financial statements

Financial statements

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Audit conclusion

We issued an unqualified opinion on the Authority's financial statements on 10 March 2023.

This means that we considered that the financial statements give a true and fair view of the Council's position and its expenditure and income for the year.

Significant deficiencies in controls

We did not identify any significant control deficiencies during the audit of the financial statements.

Audit differences

We identified one material prior period misstatement that impacted the line classifications in the property, plant and equipment note only.

We have identified two further material misclassifications. These were amended in the financial statements.

There are ten unadjusted audit differences identified by our audit work to date which would reduce the deficit on the provision of services for the year of £9.482 million by £1.427 million. £1.472 million of these adjustments would be reversed from the General Fund through the Movement in Reserves Statement. If posted, the impact on the general fund would be £46,000.





Value for Money

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Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement in the Auditor's Annual Report.

Specified criteria

The NAO has issued guidance for auditors to report against three specified 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 managing risks
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way the it manages and delivers its services.

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

Risk assessment and response

Our risk assessment included in the 15 December 2021 Audit Planning report presented to the Audit and Risk Committee identified one area of potential significant weaknesses, as follows:

- Financial sustainability

The medium term financial strategy, presented to the Council in the February 2021 budget report, and covering the period 2021/22 to 2025/26, forecast a cumulative budget gap of £2.792 million. This is primarily due to covid-19 income changes affecting the budget in 2022/23 and creating a £2.178 million budget gap in that year.

The council were able to identify savings, receive additional funding and make use of reserves to close the 2021/22 budget gap. However, remedies to the 2022/23 budget shortfall remain unidentified. It is likely that the council will need to, in part, rely on reserves in the medium term to balance the budget, alongside a savings plan.

Additionally, the medium term plan makes assumptions about the level of borrowing and the costs of carrying debt, associated with supporting the capital programme. As the councils capital receipts have now largely been deployed, there is a requirement to borrow. Delays in project delivery or any changes in the level of capital receipts received going forward, can affect the level of borrowing required and the impact on the councils financial position.





Value for Money

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Risk and response

There is a risk that any overspends over the medium term will further diminish reserves to unacceptable levels, or that there may not be sufficient reserves to rely on. Additionally, any unidentified savings in the financial plan could substantially threaten the delivery of the plan. The uncertainty associated with the current climate further contributes to the risk.

In order to understand the arrangements in place we have:

- Evaluated the Councils in year budget monitoring processes, and the completeness and accuracy of management information reported for decision making purposes.
- Assessed the Councils medium term financial plan and annual budgets, including the reasonableness of the underlying assumptions made by management and the consideration of risks to sustainable finances.
- Evaluated the process by which the Council monitors its savings, and considering progress against savings targets, to determine if future targets are realistic and achievable.

The findings of this are included in the detail starting on page 9

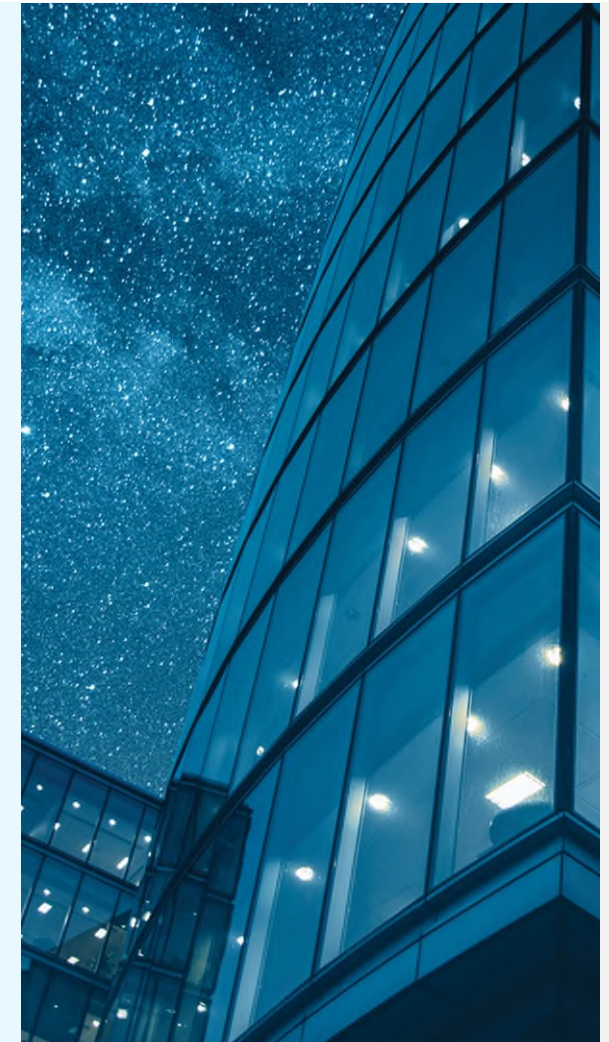
Context of Covid-19

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

Audit conclusion

We have not identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the 2020/21 Financial year.

We had no matters to report by exception in the audit report on the financial statements.





Financial Sustainability

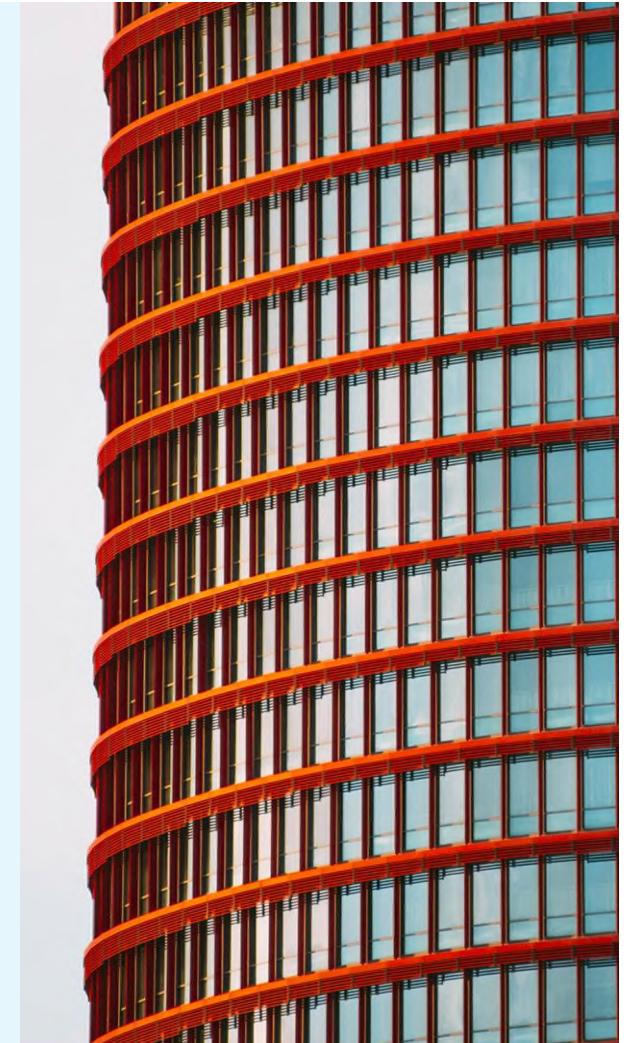
Planning and managing resources

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Auditor's commentary on arrangements

Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans identified and built into plans*
- *Plans to bridge funding gaps and to identify achievable savings*
- *Whether financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities*
- *The consistency of financial plans 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*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*





Financial Sustainability

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Auditor's commentary on arrangements

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

Due to the Covid-19 pandemic, nationwide local authorities experienced loss of income and increased costs resulting in unprecedented financial pressures. As stated in the Statement of Accounts, impacts from the pandemic resulted in the Council's lowest ever drop in income. In recognition of the financial pressures, the Council received several grants from the Government.

Essential to the Council's financial management process is the development, review, updating and reporting of the Medium Term Financial Strategy (MTFS). The MTFS is intended to provide the framework for delivering a stable and sustainable financial basis for the achievement of the Council's strategic objectives and supports the preparation of the following year's budget. As the Council moves into each new budget-setting cycle the MTFS is reviewed and updated to take into account internal and external factors, such as changing corporate priorities, economic conditions, government policy and funding. The Strategy is supported by five key principles, two of which we note are directly related to the identification of significant financial pressures and building them into the medium-term plans namely:

- *Revenue Expenditure - The Council recognises that it must optimise its limited resources and target them to where they are most needed, in order to provide value for money services in the face of increasing financial pressures*
- *Governance and Performance - the Council will monitor the delivery of its financial strategy and performance against the savings requirement, adjusting the plans to meet changing demands or emerging risk.*

Following the MTFS 2020/21-2024/25 discussed at the Cabinet meeting in October 2019, through review of meeting minutes we have seen that the MTFS 2021/22-2024/26 was then reviewed by the Cabinet in July 2020 and November 2020, as well as by the Council in July 2020 and December 2020.

The Budget Report 2020/21 presented to the Full Council at the Feb 2020 meeting included a detailed section on Cost Pressures, thereby also addressing identification of financial pressures.

The Council obtained Internal Audit (IA) input on the MTFS through an Advisory review performed in October 2020. The objective of IA input was to review the Council's progress against the MTFS, including a review of reporting and monitoring actions. Due to the nature of the review an opinion is not issued. IA raised areas for consideration. IA also identified good practices which included:-

- the MTFS provides a structured and appropriate framework, including agreed timetable and governance, to focus on the Council's forecast financial position and opportunity to recognise the financial and emerging risks it faces;
- the timetable implemented by the Director of Financial Services, including approval and timely, formal, review of the Strategy, enables the Council to demonstrate responsiveness to the challenging and changing operating circumstances, assurance that decisions are based on up to date information, and opportunity to reduce the potential impact on delivery of agreed Council priorities.

For 2020/21 the Council reported a provisional outturn of £3.8m overspend against its balanced budget. A balanced budget was set for 2021/22 against which the Council reported a provisional outturn of £718k underspend. Balanced budgets have been set for 2022/23 and 2023/24. The provisional outturn for 2022/23 is unavailable. However, budget forecasts reflect growing cumulative shortfalls with a significant shortfall of £8.3m in 2027/28. Therefore, financial sustainability remains a challenge for the Council in medium term and will need to remain a priority.



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How the body plans to bridge its funding gaps and identifies achievable savings

From our review of meeting minutes it is evident that the Council is focused on, and has arrangements in place for closing the funding gap and identifying achievable savings as listed below:-

- Early in the budget-setting cycle for 2020/21, where the MTFs 2021/22-2024/25 (which informs the budget), was presented at the Council meeting in January 2020, it was noted in the minutes that during the debate on the report the view was expressed that the strategy lacked any detail on the savings necessary to bridge the budget deficit; incurring debt charges would be unsustainable in the long term and an increase in borrowing would not be financially responsible. In response to those points, the Council was informed that the projections in the report had been updated since the Cabinet meeting and would be reported in the budget report to be considered by the Cabinet and Council in the coming weeks.
- The Budget Report 2020/21 presented to the Full Council at the February 2020 meeting included a section on Cost Pressures, Income Assumptions and Efficiencies. The report stated that the increased costs identified and enhancement to services gave rise to a budget gap and to fund some of this shortfall Directors and Cabinet Members had identified cost reductions and income generation plans totalling £562.4k (2020/21), £682k (2021/22) and £762.8k (2022/23). These savings are supported by detailed savings plans categorised by directorate and service. We understand that the savings exercise is an annual event which commences after the production of the MTFs reported to the Council and Cabinet. It involves Officers and Directors' proposals presented to the Management Team prior to Cabinet member agreement.
- In the Statement from the CFO under S25 of the Local Government Act 2003, the CFO stated that while the 2020/21 budget preparation successfully identified sufficient savings to balance the budget in-year, further work needed to be undertaken to identify net savings for the years ahead. It was also stated that work will commence early in the new financial year to agree a process for the identification and delivery of a savings and efficiency plan, which will build on the work already being piloted under the Digital Portfolio office and which will take forward learning points from that process. This will then be embedded into the next Medium-Term Financial Strategy review
- Per the Council meeting December 2020, update to the MTFs 2021/22-2025/26, the July 2020 report set out key actions to be taken in support of preparing a balanced budget for 2021/22. Progress on the actions included an action to *"Put in place a programme of monitoring sessions and financial updates with Cabinet to ensure sufficient progress is made in developing a robust level of potential savings."* The progress was noted as:-
 - Meetings have been scheduled with Cabinet Members, Chief Executive and Directors throughout the budget timeline, to ensure progress is made.
 - September's meeting concentrated on the revenue budget assumptions and proposals to close the budget gap,
 - October's meeting reviewed the Capital programme and associated funding requirements,
 - November's meeting will pull this together and review the first cut of the budget after detailed submissions have been received from services.



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How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Arrangements surrounding the MTFS are key to ensuring the Council's financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities. **We understand that services' financial needs are identified through the revenue and capital planning processes and are built into financial forecasts for the MTFS.** The Director of Finance produces regular forecasts of the Council's finances and an annual Medium-Term Financial Strategy which uses these forecasts to set out a financial strategy to manage the financial challenges faced. As stated in the MTFS 2020/21-2024/25 report presented to the Council at the 22 January 2020 meeting, "The Medium-Term Financial Strategy (MTFS) complements the Council's corporate plan by providing a framework for financial decision-making. While "Our Chelmsford - Our Plan" sets out the Council's priorities and how it intends to meet the needs of its residents, customers, businesses and visitors, the financial strategy describes how the financial management process will contribute to delivering these priorities". The fundamental aims included in the MTFS are to:

- maintain a sustainable financial position against a backdrop of continuing financial uncertainty and reduced government funding;
- support the Council's aims in the delivery of a safer, greener, fairer and better connected Chelmsford through the appropriate allocation of available resources; and to
- maximise opportunities to increase resources, or use resources more effectively, whilst taking appropriate action to mitigate financial risk

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

The Revenue and Capital Estimates Report 2020/21 prepared by the Director of Financial Services and presented to the Council in February 2020, includes a specific section within the 2020/21 Budget report on the impact of Capital expenditure on the Revenue Budget. The 2020/21 Budget report:

- supports the aims of Our Chelmsford, Our Plan in that Revenue estimates are also prepared by themes i.e. Connected Chelmsford, Fairer Chelmsford, Greener Chelmsford, Safer Chelmsford;
- includes new Capital and Revenue Service Investment as a key element of the budget proposal; and
- identifies precepts for other bodies and special expenses and their effect on the overall Council Tax levels

It is also understood that consultation on the budget is carried out with internal stakeholders when constructing the budgets for service areas and that regular meetings are held by Directors and Members with key local bodies such as ECC, Police, NHS and local registered housing providers.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

In addition to the arrangements surrounding MTFS and budget monitoring, arrangements also include managing risk through the Principle Risk Register (PRR) which includes the risk "Income and Financial Position - The sustainability of the Council's financial position is challenged" (PRR 019) with a risk rating of "Very High". This rating defines the management response as "Critical", meaning immediate action is required.



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How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

At the Audit and Risk Committee (ARC) December 2020 meeting the Risk Management Autumn/Winter 2020 Report by the Director of Financial Services reported that one of the most significant changes included Risk PRR 019 where due to the net budget shortfall for 2020/21, expected to be at least £3m at the time, occurrence was raised from 'Likely' to 'Very Likely', and the consequence rating from 'Major' to 'Severe'. It was noted that:-

- this scoring also reflected the significant change of diverting capital resources to revenue, which can only be done in the short term and also increases ongoing revenue costs via higher debt charges; and
- the Council continues to lobby for additional government support commensurate with the losses expected to be incurred during the pandemic and for a sustainable financial settlement moving forward.

As part of the Revenue and Capital Estimates Report 2020/21, within the Budget Report 2020/21, presented to the Council in February 2020, the Director of Financial Services, provided an analysis of the major risks contained within the budget, and an opinion on the robustness of the estimates and the adequacy of reserves for consideration by the Council.

Presentation of the Provisional Revenue Outturn Report to the ARC is an element of the financial management process. The ARC receive the provisional Revenue Outturn report to review the key variances and actions identified. This then provides information on financial risks going forward.

Financial sustainability - Conclusion

We have not identified any significant weaknesses in this area. Whilst the Authority demonstrated above that arrangements are in place to enable planning and managing of resources, we would highlight that the Revenue Budget Forecast for 2027-2028, reflected in the Budget Report 2023/24 to the Cabinet in January 2023 is showing a significant cumulative shortfall of £8.3m. We will continue to monitor the Authority's financial position and financial sustainability to ensure it remains able to set a balanced budget, manage its financial resources and deliver services as expected.

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Auditor's commentary on arrangements

Areas reviewed

- *Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.*
- *The annual budget setting process is appropriate*
- *Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information (including non-financial information where appropriate), support statutory financial reporting requirements and ensure corrective action is taken where needed*
- *The Council makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency*
- *The Council 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) .*





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Auditor's commentary on arrangements

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

The Council's governance framework is outlined in the Annual Governance Statement (AGS). One of the seven Good Governance Principles is "Managing risks and performance through robust internal control and strong financial management" (Principle F). As expected, the ARC's key purpose and functions, as described in the TOR include:-

- provide an independent assurance to the members of the adequacy of the risk management framework and the internal control environment;
- provide an independent review of Chelmsford City Council's governance, risk management and control frameworks;
- review the assessment of fraud risks and potential harm to the Council from fraud and corruption; and
- monitor the counter-fraud strategy, actions and resources.

In terms of the risk management arrangements, the Council has a Risk Management Strategy 2019/20, approved by the ARC in September 2019. The strategy is part of the work that commenced in early 2019 to refresh the risk management framework. During 2020/21, the ARC has received a progress update on the implementation of the new framework. However due to the impact of Covid-19, a full Risk Management Strategy for 2020/21 was not issued as originally intended. Instead, three Risk Management priorities during Covid-19 Response and Recovery phases were proposed. Progress on these priorities was then reported to the ARC later in the year.

Central to the risk management framework is the identification and management of the Council's Principal Risks. These risks are recorded in the Principle Risk Register (PRR). Our review of the PRR summary presented to the ARC, confirmed that due to the pervasive nature of the Covid-19 threat, instead of listing Covid-19 as a separate risk, the Council considered the "On-going Covid-19 Impact" throughout the PRR. We also noted that linked to the Climate and Ecological Emergency declared by the Council in July 2019, there is a corresponding risk in the PRR namely "Climate and Ecological Emergency" (PRR 021) demonstrating an example of a clear link to the Council's strategic objectives and priorities. As identified by Internal Audit (IA) in their Managing the Risk of Fraud internal audit review, the PRR is updated quarterly for the Management Team and bi-annually for ARC with direction of travel regularly considered. In their IA Annual Report 2020/21, IA noted that the responsibility for risk management and the position of Risk Manager, is under the remit of the Procurement and Risk Services Manager at the Council. The Audit Services Manager and Procurement and Risk Services Manager work closely with one another to share risk information and align approaches to provide combined assurance to the Council.



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Auditor's commentary on arrangements

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

The IA function is key to the arrangements from which the ARC obtains assurances over the effective operation of internal controls. Similarly, for the Council, the system of internal control is a significant part of the governance framework as stated in the AGS and has an Internal Audit section. As noted in the IA Annual Report 2020/21, the purpose of the 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 risk management processes, control systems, accounting records and governance arrangements.

IA develop an annual Internal Audit Plan which is risk-based as it is informed by the PRR, and other risks identified through the risk management framework. The revised IA Annual Plan for 2020/21 was approved by the ARC in September 2020 (delayed due to Covid 19). In their annual report, IA confirmed that "Internal audit work was performed in accordance with the Council's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards (PSIAS)". IA provided an Overall opinion of "Moderate Assurance" for 2020/21, meaning "*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*". IA attend and provide progress reports to the ARC evidenced through our attendance of ARC meetings and review of ARC Meeting minutes.

IA's work covers a mix of assurance and advisory projects. There is also a prominent focus on implementation of management actions through follow-up projects and the IA Annual Report 2020/21 also highlights management responsiveness for implementing recommendations. During the year, 22 projects were delivered of which 10 were reviews (eight assurance and two advisory) and 12 were follow-ups. All eight of the assurance reviews were issued a Moderate Assurance opinion. Opinions are not given to advisory reviews due to their nature. Demonstrating support to management during the Covid-19 period, one of the Advisory reviews was "Emerging Issues from Covid-19", the purpose of which was to undertake a high-level review, supplemented by discussions with key officers, of the Council's response to Covid-19 beyond its initial incident management phase. This is also discussed in more detail under the "Improving the 3E's" section. Our review of the IA reports did not highlight any control assurance gaps represented by "No Assurance" or "Limited Assurance" type opinions.

Regarding arrangements for the prevention and detection of fraud, we have seen that the Council has a separate counter fraud function, the role of which, is to take steps to minimise the risk of fraud, bribery and corruption occurring within and against the Council. The Council has an Accredited Financial Investigator with a remit to undertake both proactive and reactive counter fraud work. Counter fraud governance arrangements fall within the remit of the Corporate Governance Group (CGG) where the objectives of the CGG includes reviewing relevant governance issues referred to it by Counter Fraud/Whistleblowing.



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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

We have seen that the Counter Fraud Annual report 2020/21 was presented to the ARC at the December 2021 meeting. The meeting minutes evidenced the report was discussed. The purpose of the report was to outline the existing counter fraud arrangements, consider their effectiveness and set priorities for the forthcoming year.

Our review confirmed that Fraud Risk is included in the PPR. In addition, during 2020/21, IA undertook a review of the Council's response to managing fraud, bribery and corruption risks in line with Fighting Fraud and Corruption Locally (FFCL) 2020, the counter fraud and corruption strategy for local government. A "Moderate Assurance" opinion was issued and IA determined that overall, the Council are meeting the principles. IA raised four medium and one low priority area and identified arrangements in place included:-

- an Anti-Fraud and Corruption Strategy updated in 2019, encompassing counter fraud, anti-corruption, anti-bribery and anti-money laundering and outlining responsibilities;
- the Council undertakes the regular mandatory NFI exercise;
- Chelmsford is part of the Pan Essex Data Hub which, similarly to NFI, identifies potential fraud by comparing datasets with other local authorities;
- the Council has a whistleblowing policy publicly available on the Council's website and bribery and Conflicts of Interest are referenced in the Council's terms and conditions of business; and
- a draft Inherent Fraud Risk Assessment had been presented to the ARC and it was understood that the residual risk will be rated once an assessment of the control environment is undertaken.

How the body approaches and carries out its annual budget setting process

Key to the budget setting arrangements are the roles of the Cabinet, Council and the MTFs, all of which are underpinned by the Budget and Policy Framework Procedure Rules included in the Constitution. Each year the Cabinet is required to make a proposal to Council to agree a budget for the next financial year and in accordance with the Terms of Reference (TOR) the Full Council are responsible for approving budgets recommended to it by the Cabinet. The MTFs inform the preparation of the budget.

These arrangements were evidenced in the Full Council meeting on 22 January 2020 where it was noted that at its meeting on 15 October 2019, the Cabinet had considered a proposed financial strategy for 2020/21 to 2024/25, which it was intended would provide the framework for delivering a stable and sustainable financial basis for the achievement of the Council's strategic objectives and supporting the preparation of the budget for 2020/21. At the Council meeting on 26 February 2020 the Council received a report and recommendations from the Cabinet on the Revenue budget 2020/21 and its capital investments for that year. As evidenced in the minutes, the Cabinet Member for Fairer Chelmsford gave a presentation on the budget where the connection between the planned expenditure and the priorities in "Our Chelmsford, Our Plan" were explained. It was noted that:-

- uncertainties arising from the government's failure to set a clear path for local government meant that there could be no guarantees, but based on the available information, the Director of Financial Services was of the opinion that the budget and financial strategy were sound, sustainable and robust.
- in view of the need to make savings in future years, the process for reducing costs and identifying increased income had already started.



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How the body approaches and carries out its annual budget setting process

A key element included in the budget proposal was a review of reserves to ensure that they are sufficiently robust to sustain the Council in the Medium Term. An analysis of the major risks contained within the budget, and an opinion on the robustness of the estimates and the adequacy of reserves (as required by the Local Government Act 2003, Section 25) was also made by the Director of Financial Services.

The report included sections reflecting material matters relevant to the budget setting process for 2020/21 which included, Cost Pressures, Income Assumptions & Efficiencies.

From our review of the meeting minutes it was noted that the 2020/21 budget was debated and comments made with responses provided E.g. The shortfall of £1.1 million was being met from reserves, which were noted as important to maintain in the current uncertain financial climate and mention of the further overspend on the Riverside Project where the response was that a Task and Finish Group had been established to look at the spending on the Riverside Project. The Revenue and Capital budgets were approved by Council.

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

Budgetary control arrangements span across a number of groups within the Council such as the senior management team, Overview and Scrutiny Committee (OSC), Council, Cabinet and the ARC.

From our review of the OSC November 2020 meeting we have seen that the Cabinet Member for Fairer Chelmsford provided a Cabinet Portfolio Update to the Committee. The minutes noted that Finance is included in the Cabinet Member's responsibilities and key priorities include, maintaining an up-to-date understanding of the budget position and managing the setting of the 2021-22 budget. The minutes stated that it was felt officers had managed the finances very well during a period of very difficult circumstances, that they would not be complacent and there was lots more to be done, especially due to the budget gap that would be present in the coming year. The Committee received the annual monitoring report setting out the mid-year position on the Council's revenue and capital budgets. The report identified the main under- and over-spends in the revenue budget and on capital schemes, the causes for them and any action taken to remedy them.

In July 2020, the Council received the MTF5 2021/22 - 2025/26 with the budget forecast for the next 5 years, shortfalls and risks. Review of the Council meeting 21 February 2021 minutes evidenced budget monitoring arrangements in place in that they noted:

- a presentation on the budget 2021/22 was provided, in which the projected spending of the Council in 2020-21 was set out, how it had been envisaged that it would be funded when the budget had been set in 2020 and the shortfall of income caused by the coronavirus pandemic, resulting in the need to undertake a number of measures including the use of reserves to balance the budget in the current financial year;
- the Council received a report and recommendations from the Cabinet on the revenue budget for 2021-22 and its capital investments for that year;

We also noted that the petition on Proposed Car Parking Charges at Hylands Park was also addressed as part of the Budget 2021/22 discussions.



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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

Per the Council December 2020 meeting and update to the MTFS 2021/22-2025/26, the July report set out key actions to be taken in support of preparing a balanced budget for 2021/22. Progress on the actions included an action "to Set up a process to challenge current spending". The progress was noted as:-

- Cabinet Members, Chief Executive and Directors have met twice in the period since the July MTFS to discuss the approach to current-year spending and consider the budget-monitoring process;
- these discussions have led to further sessions being set up to drill down on service delivery and spending in key areas requested by Cabinet Members;
- in addition, Directors update their Cabinet portfolio holders of any potential decisions that would cause additional spend/reduced income, for wider discussion if necessary; the enhanced budget-monitoring process, with reporting both to Cabinet and Overview and Scrutiny Committee.

The Cabinet also monitor the budget during the year. These arrangements take the form of consideration of the MTFS with 5 year budget forecasts as well as in year budget monitoring. In July 2020, the Cabinet received the MTFS for 2021/22 - 2025/26 with the budget forecast for next 5 years, shortfalls and risks (an update on the MTFS 2020/21-2024/25 received in October 2019) . This is discussed further under the Financial Sustainability arrangements.

In year monitoring arrangements include consideration of the Revenue Monitoring Report. Through review of minutes and meeting packs we have seen that at the 17 November 2020 meeting that the Revenue Monitoring Report 2020/21 by the Cabinet Member for a Fairer Chelmsford was presented. Per the report:-

- the purpose is to compare the latest budget forecast by Directors as at October 2020 with the Original budget for 2020/21 and inform members of any actions resulting from the projected variations;
- it identified expected levels of expenditure and income for the year ending 31 March 2021, set out material variations together with the related actions e.g. for overspends and risks;
- £3m deficit (compared to the forecasted balanced budget) was projected which could be funded by not making the budgeted revenue contributions to capital (£4.8m) and any surplus would be kept in unearmarked reserves pending further consideration of the situation at year end.

Per the meeting minutes, the Cabinet was asked to consider the actions relating to the budget variances, the Cabinet Member reported that the further recent Covid-19 restrictions were estimated to result in a net reduction in income to the Council of £100,000 after taking into account anticipated government grant. It was added that the planned steps to balance the budget included additional borrowing, which would increase the Council's debt and interest payments. It was resolved that the report be noted and the actions identified in respect of the budget variations be monitored.

We understand that as part of the financial management process the Cabinet also perform informal monitoring every two months.



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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

As part of the financial management process, the Audit and Risk Committee receive the Provisional Outturn Report to review key variance and actions identified. The purpose of the report is for noting and informing Members of the revenue outturn position. We have seen that at the ARC meeting on 16 June 2021, the Accountancy Services Manager (Section 151 Officer) provided the Provisional Revenue Outturn Report for 2020/21 to the ARC. The Committee received the report which showed a projected overspend of £3.8m (19.85%) for the provisional revenue outturn position for 2020/21. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. Associated risks were also identified for each affected service, action or variance.

It is noted that "Governance of Budgetary Control" is listed in the AGS as an area for improvement or monitoring during 2021/22 with an action to develop a plan to ensure delivery of 2021/22 budget savings and identify options to close the potential budget gap for 2022/23.

As stated in the ARC terms of reference, the ARC also has financial reporting functions which include the review of the annual statement of accounts, considering whether the appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be to the Council's attention. Our attendance at the ARC meetings and interaction with the committee confirm this arrangement is in place.

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 has a Constitution which is available on the website, the purpose of which is to describe to councillors, officers, and citizens how the Council makes decisions and governs itself. As stated in the Constitution, the Council's ability to make decisions falls into two legal categories, those which may be determined by the Council Leader and Cabinet (Executive functions namely most day-to-day decisions), and those reserved to the Full Council (Council functions). The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the policy or budget framework, this must be referred to the Full Council as a whole to decide.

The establishment of various committees demonstrate the Council's decision making arrangements with the OSC's purpose which includes supporting and complementing the activities of the Cabinet, whilst at the same time scrutinising and offering constructive comment or advice where appropriate. Per the TOR, within the general description, this includes reviewing the decisions, decision-making processes and activities of the Executive, and in respect of the Committee's own work to ensure that they comply with the requirements of the Constitution and the policies of the Council. The OSC monitors Cabinet decisions and can "call-in" decisions which have been made but not yet implemented and so enables the Committee to consider whether the decision is appropriate. Our review of the OSC meeting minutes determined "Decisions Called-in" is a standing agenda item and Decisions taken under delegation to the Chief Executive e.g. urgent decisions are also reported.

In addition, a Corporate Governance Group (CGG) was formed during 2020/21. The main purpose of the group is to oversee, co-ordinate and advise on the effective development and consistent operation of corporate governance arrangements in the Council. One of the objectives of the CGG is to undertake a governance stakeholder mapping exercise to highlight any duplications/gaps in the governance monitoring and reporting arrangements within the Council, both at officer and member level. We have seen evidence of the mapping exercise which shows various governance areas such as Constitutional issues and Ethical framework and whistleblowing, the CGG lead, reporting line and any areas under development.

Also in 2020/21, due to the Covid-19 pandemic we saw committee meetings conducted remotely.



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How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interest)

As stated in the Constitution, Councillors have to agree to follow a code of conduct to ensure high standards in the way they carry out their functions. The Code is set out in Part 5.1 of the Constitution. The Governance Committee (GC) is responsible for advising on and overseeing adherence to it. The Articles of the Constitution state the functions of the Monitoring Officer include ensuring lawfulness and fairness of decision-making.

Our review of the Governance Committee minutes evidenced arrangements in place whereby the Monitoring Officer Report is a standing agenda item. The purpose of the report is to update members on recent standards complaints and update on the Model Code of Conduct and includes an statistical information regarding complaints made under the Standards regime. The Governance Committee also received an Annual Report for 2020/21 at the 16 June 2021 meeting where the reported work programme also included consideration of the Complaints to the Local Government and Social Care Ombudsman Annual Review.

The Council's other arrangements include the Gifts and Hospitality requirements addressed in the Councillors Code of Conduct as well as the Employee Code of Conduct, declarations of interests and Registers of Interests. The Council's website has a section titled "Register of councillor interests, gifts and hospitality" where individual "General Notice of Registerable Interests" for Council Members are posted.

At the January 2021 meeting the Governance Committee received a report updating them on offers of Gifts and Hospitality in 2020 for both Members and Officers. Conflicts of interest declaration is a standing item on Committee, Cabinet and full Council meeting agendas as evidenced through our review of meeting minutes. The Governance Committee also received and reviewed a Declarations of Interest Report at the 16 June 2021 meeting. The declarations relate to those made a meetings during the last municipal year and the purpose of this report was to provide an overview as to what interests are being declared by members.

During 2020/21 a remote Regulation of Investigatory Powers Act 2000 (RIPA) inspection had taken place and the inspection and audit had been completed. The minutes of the GC meeting noted that there were no concerns, recommendations had been made on further training and on social media, and that the new policies had been consulted on with the IPCO during the inspection.

Governance - Conclusion

We have not identified any significant weaknesses in this area. The authority has arrangements in place which are sufficient to ensure the effective operation of internal controls and ensuring that budgetary controls are in place and monitored regularly. "Governance of Budgetary Control" is listed in the AGS as an area for improvement or monitoring during 2021/22 with an action to develop a plan to ensure delivery of 2021/22 budget savings and identify options to close the potential budget gap for 2022/23. The Council adapted well to the challenges that came with the Covid-19 pandemic and this was evident through the remote committee meetings and obtaining IA advisory and assurance work during the Council's Covid-19 Response.



Improving economy, efficiency and effectiveness

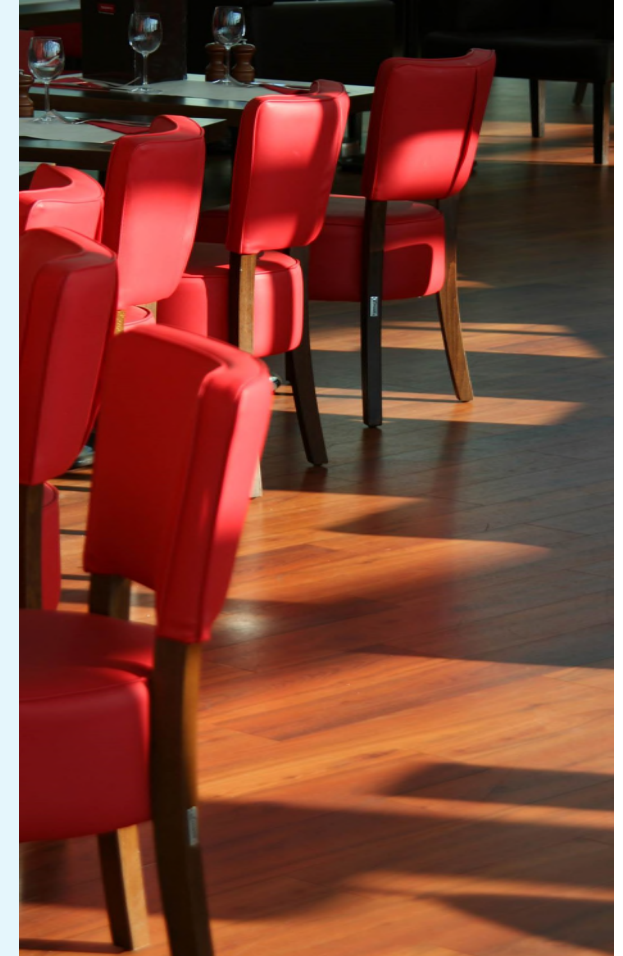
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Auditor's commentary on arrangements

Areas reviewed

- *Financial and performance information has been used to assess performance to identify areas for improvement*
- *Services provided are evaluated to assess performance and identify areas for improvement*
- *The Council 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*
- *Where the Council commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.*





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How financial and performance information has been used to assess performance to identify areas for improvement

Arrangements using financial information to assess performance can be seen in the budget monitoring arrangements already described under the Governance criteria e.g. where the OSC reviews the Council's financial performance against the agreed budget. It is understood that key performance indicators have been monitored internally within each service and per the AGS, the Council's strategic KPIs will evolve as *Our Plan* monitoring develops. We have seen the approach focused on having a wider insight into specific area as described in the services evaluation arrangements below.

As previously mentioned in the Governance section, in the Full Council meeting where the 2020/21 budget was debated, it was stated that there was further overspend on the Riverside Project and that a Task and Finish Group had been established to look at the spending on the Riverside Project. At the OSC July 2021 meeting, the Task and Finish Group presented a Riverside Project Evaluation Report Summary, the purpose being to consider the main findings from the evaluation and any recommendations that may need to be considered when planning or undertaking similar construction projects in the future. Included in the report is a summary of key issues and lessons learnt categorised by several subject areas such as "Programme and timings", "Financial aspects" and "Outcomes, achievements and performance". A summary of recommendations was also provided. The minutes of the meeting noted that while the recommendations would not be relevant for all projects, some had already been applied in the Waterside project planning and all of them would be considered for future projects, as appropriate. This is considered a strong example of the Council using financial and performance information to identify areas of improvement.

Another example we have seen is where IA performed an "Emerging Issues from Covid-19" Advisory review during 2020/21 (referred to in the Governance section). This was requested by the Chief Executive with key focus areas being: *What has gone well/what opportunities have arisen from the crisis? What lessons have been learned? What should we avoid repeating if the same situation were to reoccur? The longer the situation continues, what are the emerging risks/potentially longer-term impacts/issues.* Due to the nature of the review, an opinion is not given. Advice was provided relating to lessons learned and current risks, which included Service Level/Operational Risks. IA advised that it may be useful for the impact of Covid-19 on the Council's service delivery, including on staffing, to be monitored at a local service level to ensure that all the wider risks/effects of the situation are captured and monitored accordingly, and decisions relating to service delivery, especially those which have a financial impact (e.g. resourcing), are recorded for clarity and transparency and shared with relevant managers.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Per the Local Government Act 1999, a best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The OSC is key to Council's performance monitoring arrangements. The purpose of the committee includes review of the effectiveness of the Council's work and services. The TOR state, within the general description, this includes monitoring the performance of the Council's services, carry out detailed reviews of them where considered necessary and report any resulting recommendations to the Cabinet. Our review of the Annual Report of the Scrutiny Function 2020/21 noted that the 2020/21 work programme included performance reviews for Recycling & Waste Collection and Leisure and Heritage.



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How the body evaluates the services it provides to assess performance and identify areas for improvement

Review of the OSC September 2020 meeting papers and minutes confirmed that the "Performance Review - Recycling and Waste Collection" report was presented and discussed by the OSC. The report included trends in performance for Chelmsford over the last 12 years (to 2019/20) against the two headline indicators. The report also highlighted discussions in the waste sector regarding the use of Co2 equivalent savings as an alternative measure. Our review of meeting minutes evidenced that during the year, the OSC also receive Cabinet Portfolio Updates from Cabinet members outlining the work taking place in their directorates as well as annual reports e.g. Cabinet Member for Sustainable Development's Annual Report on Housing Delivery (April 2019- March 2020) presented at the 23 November 2020 meeting. It included the performance against the annual housing requirement number, the amount of affordable housing delivered, national initiatives on housing supply and local initiatives to address housing need.

The Council has a Complaints process in place which we consider key to an organisation's arrangements to assessing performance and identifying areas of improvement. Per the Constitution, Citizens have a right to complain about the Council's services and processes. We have seen that the Council has a "Comments, Compliments and Complaints" policy available on the website which sets out the procedure for dealing with a complaint. The policy also refers to "comments and suggestions" and there is a link on the website to both send a compliment or make a comment.

The Local Government and Social Care Ombudsman can investigate individual complaints about councils. It can investigate most council services even if the service is outsourced and looks at whether there is fault in the way the organisation makes decisions. Each year the ombudsman writes to councils to give a summary of the complaint statistics recorded about them, and their performance in responding to the ombudsman's investigations. We have seen that the GC considers the reviews and annual letters (2019/20 at the October 2020 meeting and 2020/21 at the November 2021 meeting). In comparison with previous years 2019/20 and 2020/21 reflected a general downward trend. The ombudsman made decisions on 13 complaints and 6 complaints for 2019/20 and 2020/21 respectively. For both periods, 0% of complaints investigated in detail were upheld and no recommendations were due for compliance. It is noted that in 2020-21 year, the ombudsman received and decided fewer complaints than normal because they stopped accepting new complaints for three months due to Covid-19.



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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

We understand that the Council has limited partnership agreements. We have seen that the Council has several arrangements surrounding stakeholder engagement supporting the Council's Governance Framework Principle B: "Ensuring openness and comprehensive stakeholder engagement" (Principle B). The arrangements in place include:-

- the Council's Consultation and Engagement Strategy which is available on the Council's website. Per the purpose of the strategy, it helps to further increase the opportunities for residents to have their say about their needs and learn about the decision-making process, whilst ensuring that consultation and engagement activities are inclusive, easy to access and a worthwhile experience for all.
- Council, Cabinet and committee meetings are open to the public and guidance on attending and speaking at public meetings is available online; and
- the "Have your Say" section on the website also includes petitions. The Council welcomes petitions, and they are considered an important way for residents to let the Council know about their concerns and participate in the democratic process. Details of how to start a petition are described on the website, together with information as to how the petition will be handled. Our review of Cabinet and Council meeting minutes identified that a Petition on the Use of the Riverside Gym by Under 16s (Greener and Safer Chelmsford) was considered in June 2020 and a Petition on Proposed Car Parking Charges at Hylands Park was considered in February 2021.

How the body ensures that the commission or procurement of 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

Contract Procedure Rules can be found in the Council's Constitution and are intended to promote good purchasing practice, value for money, public accountability and deter bribery and corruption. The purpose of these Rules is to provide guidance in the award of a contracts for goods, services, works, concessions and Public Sector to Public Sector Trading.

The Council also has a Procurement Strategy 2020-2025 available on the website. Aims of the strategy include ensuring procurement has economic, social and environmental impacts that are as positive as possible, makes efficient use of Council resources and delivers value for money.

The Director of Financial Services provides an Annual Report of Procurement and Sourcing Activities to the ARC. The purpose of the report is to provide details of all formal procurement and sourcing activities undertaken by the Procurement Team, any cross-functional working that has taken place, new processes, policies and practices that have been introduced in the last 12 months and the team's planned activities for the coming 12 months.



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How the body ensures that the commission or procurement of 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

In the Annual Report of Procurement and Sourcing Activities 2019/20 (covering the period October 2019 to October 2020) we noted that achievements highlighted included:

- Social Value Policy: The policy was approved at Cabinet on 17 November 2020 and the team piloted a 10% weighting for social value in three of its largest tenders. In the 2020/21 report it was stated that *“The most notable benefit of this policy change is that local SMEs are more competitive in our processes. Suppliers are rewarded for using local businesses in their supply chain and we have a growing understanding of the policies and practices of our supply partners”*.
- Modern Day Slavery (MDS) Supplier Risk Assessment - The purpose of this exercise was to expose potential areas of risk that may lie within the first tier of the Council's supply chain

Improving economy, efficiency and effectiveness - Conclusion

We have not identified any significant weaknesses in this area. The Council has demonstrated that it has arrangements in place to ensure that it effectively uses information about its costs and performance to improve the way it manages and delivers its services and has shown improvements in arrangements such as at the introduction of the Social Value Policy.

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

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ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31st MARCH 2021

1. Scope of responsibility

- 1.1. Chelmsford City Council ('the Council') has a duty under the Local Government Act 1999 to make arrangements that ensure continuous improvement in the way it works in terms of economy, efficiency and effectiveness. This includes a responsibility to ensure that Council business is conducted in accordance with the law and that public money is safeguarded and properly accounted for.
- 1.2. To fulfil this responsibility, the Council must put in place proper arrangements for the governance of its affairs and carrying out its functions, which includes arrangements for managing risk.
- 1.3. The Council has approved and adopted a Code of Corporate Governance which is consistent with the seven principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government 2016*.
- 1.4. This statement explains how the Council has complied with the Code. It also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. 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.

2. The purpose of the governance framework

- 2.1. The governance framework comprises:
 - the systems, policies, processes, culture and values by which the Council is directed and controlled; and
 - the Council's activities through which it accounts to, engages with and leads the community.
- 2.2. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control, is based on an on-going process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
 - evaluate the likelihood of those risks being realised and the impact should they be realised; and
 - manage those risks efficiently, effectively and economically.
- 2.4. The governance framework outlined in this document has been in place at Chelmsford Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.
- 2.5. It should be noted that from March 2020, the Council was affected by the Covid-19 pandemic and the initial impact of the outbreak of Covid 19 was emerging at the time of the completion of the 2019/20 AGS. Inevitably, the pandemic continued to affect service delivery across the organisation and the subsequent responses, actions and effects on the Council are included throughout this 2020/21 statement.

3. The Governance Framework

- 3.1. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness regarding the seven CIPFA/SOLACE principles of delivering good governance (as updated in 2016).
- 3.2. Key highlights from the Governance Framework in place at Chelmsford City Council are shown against each of the seven principles below. Further evidence of compliance with the principles can be found in the Code of Corporate Governance.

Good Governance Principle	Chelmsford Council Key Elements 2020/21
<p>Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<p>✓ Member and Officer Code of Conduct form part of the Council's Constitution. Officer Code of Conduct was revised in November 2019 to include new sections: Principles of Public Life; Disclosure of Criminal Convictions during employment; Environmental impact; Social Media; Communications and Publication; Working and contact with the media; Safeguarding. New joiners must sign off on the Officer Code as part of their induction. A planned review of the Member Code of Conduct was awaiting the publication of the LGA Model Code of Conduct. The Model Code was published in December 2020 and the review of the Member Code was started during 2020/21 with completion now planned for summer 2021 (see further paragraph 3.10).</p> <p>✓ The Council launched new corporate values and behaviours in 2019: Accountability, Creativity, Learning and Encouraging, Collaboration and Trust. A Values</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>“Pulse Check” survey was carried out with Managers in March 2021 to assess the impact of Covid-19 on how the Council operates and assess what and how the Council can improve to benefit the organisation and the community.</p> <ul style="list-style-type: none"> ✓ The Council embarked on a refresh of its officer performance appraisal process in line with its new corporate values and behaviours although the project was delayed due to Covid-19. The new process named OURconversations was launched in April 2021 and its primary focus is to encourage more frequent forward-thinking dialogue between managers and employees. ✓ Governance Committee continues to monitor complaints and investigations under the standards regime ✓ Refreshed policies and procedures on Member and Officer declarations of interests and of gifts and hospitality were launched on SharePoint during 2019, with interests remaining a standing item on all Committee, Cabinet and full Council meeting agendas. Governance Committee has agreed that gifts and hospitality received by members will be published on the website with quarterly updates. ✓ The Council’s Anti-Fraud and Corruption Strategy (March 2019), brings together anti-bribery, anti-money laundering and the fraud response plan. ✓ The whistleblowing policy is available to staff, key stakeholders and the general public via the Council’s website. Service-related complaints and complaints about a Councillor can also be reported online. ✓ The Council’s Modern Slavery and Human Trafficking Statement sets out the actions to understand all potential modern slavery risks related to our services and puts in place steps to eliminate acts of modern slavery and human trafficking in the Council’s services, businesses and supply chains. ✓ The Council has a responsibility to ensure that all commissioning and procurement supports the Council’s Our Chelmsford Our Plan principles within the legislative framework for public procurement and the Council’s own internal rules and procedures, as well as promoting sustainable and ethical sourcing, procurement, commissioning and contract management wherever possible. This is set out in the Council’s Social Value Procurement Policy and Strategy 2020-25.

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>✓ The Articles of the Constitution, define the Monitoring Officer's role to ensure that all decisions comply with statutory requirements and are lawful.</p> <p>✓ Ethical Awareness Training has been delayed due to Covid-19 but it is intended to be rolled out during 2021/22.</p>
<p>Principle B Ensuring openness and comprehensive stakeholder engagement</p>	<p>✓ The Council has an FOI publication scheme (this was updated January 2021) on its website and also publishes certain information in line with the Local Government Transparency Code 2015. The Council also updates its FOI requests relating to Business Rates quarterly.</p> <p>✓ The Council's Annual Statement of Accounts is published online</p> <p>✓ Comprehensive Council Tax information is available online and was updated in 2020/21 to provide additional explanation of the Special Expenses mechanism, following a review during the year</p> <p>✓ Council, Cabinet and committee meetings are open to the public and guidance on attending and speaking at public meetings is available online. As a result of the Covid-19 Pandemic, local authorities were permitted to hold virtual meetings from 4 April 2020, under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. Remote council meetings have generally worked well and have secured good attendance levels by members during the pandemic to enable democratic decision making to continue and increased public engagement levels. Following the court ruling that the legal power to hold remote meetings had lapsed, the Council has made appropriate Covid – safe arrangements to resume in person committee meetings. Should Parliament re-enable remote meetings the Council will further review its position and consider returning to remote meetings. (see also paragraph 3.10)</p> <p>✓ A calendar of meetings ensures that timely reports are submitted to, published by and distributed by Legal and Democratic Services to ensure Members' information needs, and relevant statutory deadlines, are met.</p> <p>✓ A full record of decisions made in, and supporting material presented to, Committees, Cabinet and full Council is published online.</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<ul style="list-style-type: none"> ✓ Notices of Key Decisions, Executive Decisions and Urgent Decisions are also issued in advance/made available online (as appropriate). ✓ Further detail on stakeholder engagement is available in the Council's Consultation and Engagement Strategy. ✓ The Monitoring Officer continues to provide guidance for Parish Councils on the standards regime.
<p>Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> ✓ The Council's Local Plan was adopted on 27 May 2020. This sets out sustainable development objectives, policies and a Spatial Strategy in the period to 2036. In accordance with the Local Plan, masterplans are being prepared for the strategic development sites. Masterplans for North of Broomfield, West Chelmsford and Land north of South Woodham Ferrers have been prepared, consulted upon and approved in the period up to 31 March 2021. Three Supplementary Planning Documents to implement the policies of the Local Plan have also been adopted in this period. These cover design and sustainability (Making Places SPD), securing infrastructure and affordable housing (Planning Obligations SPD) and a mitigation measures for protected habitat sites (Essex Coast Recreation disturbance and Avoidance Mitigation SPD). ✓ Our Chelmsford, Our Plan (January 2020) is available online setting out the Council's medium-term strategic priorities to improve the lives of residents, focussing on sustainable economic, social and environmental goals, aligned to the Local Plan where appropriate. ✓ The Council's evolving strategic planning framework will ensure that operational activities link directly to Our Chelmsford, Our Plan priorities. The Our Plan Action Plan breaks down strategic actions to measurable economic, social and environmental outcomes for monitoring through T1 (OneCouncil). ✓ In July 2020, the Council in response to a Notice of Motion - Standing Against Racism and Discrimination, resolved to adopt the All-Party Parliamentary Group (APPG) on British Muslims definition of Islamophobia; continue focus groups and meetings to find out more about how we support our diverse communities and expectations of the Council as a whole; improve knowledge and understanding by using our museums, theatres, festivals and outside events to showcase the

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>diversity of our city; monitor the figures relating to hate crimes and action taken via the Community Safety Partnership; support the work of the Working Group on Connectivity and Local Democracy to tackle discrimination, encourage participation and open up community discussion and; report back regularly to all councillors.</p> <p>✓ In line with the Public Sector Equality Duty, the Council's Equalities Impact Assessment regime has been strengthened to ensure fair access to services.</p>
<p>Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>✓ Directors meet regularly with both their Cabinet Members and the Chief Executive to discuss progress in their respective areas of responsibility.</p> <p>✓ The Medium-Term Financial Strategy (MTFS) 2021-26 details a sustainable funding strategy for the Council, taking account of Our Chelmsford, Our Plan objectives and informing annual budget setting. A detailed and comprehensive MTFS was presented to Cabinet and Council in July 2020, which included scenario planning for the impact of Covid-19 on the Council's income, the potential level of Government support and the effect on the Council's level of reserves. This enabled a range of actions to be implemented in response to the pandemic, in order to ensure a robust financial approach to the risks identified. An updated MTFS was considered by Council in December 2020, reporting against the agreed actions and updating the financial forecast, ahead of detailed annual budget setting in February 2021.</p> <p>✓ Financial monitoring arrangements ensure that budget information is readily available to a variety of stakeholders to inform decision-making – including senior managers, Management Team and Cabinet Members, alongside formal reporting to Audit and Risk Committee at outturn, mid-year review to Overview and Scrutiny Committee and regular reporting to Cabinet. During 2020/21, this has been supplemented by external reporting of the financial impact of Covid-19 to MHCLG. In addition, a series of budget review sessions have been implemented to provide Cabinet Members with a detailed review of individual areas of the Council, to provoke challenge and discussion, aid understanding and review the financial aspects of service delivery.</p> <p>✓ In its Medium-Term Financial Strategy, the Council committed to undertaking a self-assessment against</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>Cipfa's new Financial Management Code (FM Code) and producing an action plan to meet any shortfalls. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Whilst there has been a short delay due to pressures of Covid-19, it is intended to update Council as to progress alongside the next iteration of the MTFs.</p> <p>✓ The Council's Performance is monitored as follows:</p> <ul style="list-style-type: none"> • A programme of deep-dive performance reviews is presented to Overview & Scrutiny Committee throughout the year, each review focussing on a specific area of Council activity. • Two key strategic plans identified above, the Climate and Ecological Action Plan and the Health and Wellbeing Strategy are now monitored through T1 (OneCouncil), reported to Members in January and February 2021 respectively. • The first formal progress update to Overview & Scrutiny Committee in respect of Our Plan actions, to be collated via T1 (OneCouncil), is scheduled for September 2021. • Operational PIs continue to be monitored locally, where these are considered to add value. The Council's strategic KPIs will evolve as Our Plan monitoring develops. • Major Income Streams (formerly 'high risk income') PIs continue to be circulated monthly to senior management and Cabinet members <p>✓ In June 2020, the Chelmsford Policy Board resolved to merge two former working groups to form the new Housing Working Group, whose workstreams now include developing the Council's new Housing Strategy and overseeing the delivery of both the Homelessness and Rough Sleeper Strategy (HRSS) and the Housing Strategy. At operational level, HRSS 'Actions and Outcomes' continue to be tracked through departmental meetings.</p> <p>✓ Chelmsford Policy Board (joint Members and Officer) Working Groups oversee implementation of the dedicated strategies and actions plans they have been developing since 2019/20, recommending interventions to Cabinet as necessary. The Board received an annual report on 4 June 2020 which summarised the activities of its Working Groups over the past year and their intended work in</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>2020/21. The Chairs and members of the Working Groups have also provided updates on their work to the Board.</p> <ul style="list-style-type: none"> ✓ Chelmsford Garden Village Delivery Board is in place to oversee specific elements of the new Local Plan. ✓ The Chelmsford Community Response Hub, was run in partnership by Chelmsford City Council and Chelmsford Voluntary Service (CVS), provided assistance to vulnerable and self-isolating Chelmsford residents in need of support during the Covid 19 pandemic in 2020. Hundreds of volunteers helped carry out practical tasks including collecting and delivering food and supplies. The CVS has also supported residents with collecting prescriptions, welfare checks, and befriending.
<p>Principle E Developing the Council's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> ✓ The Council's Constitution is available on the Council's website and subject to ongoing review, as overseen by the Constitution Working Group. ✓ The Council's People Strategy and Workforce Plan 2020-2022/ Organisational Development Strategy 2020 sets out how the Council will develop and utilise its workforce to meet Our Chelmsford, Our Plan objectives. ✓ During Spring 2021 the Council will be embarking on a new Cultural change project. This will explore the lessons learnt during the pandemic and the opportunities presented to ensure we can harness the benefits from new ways of working. It will explore how aspirational we want to be, what our goals are and what that means for the way we need to behave. ✓ The Council's wider training offer is scheduled to be refreshed in April 2021, including full alignment with the new corporate values and behaviours. ✓ A comprehensive member induction and training programme is set out in individual Committee work programmes and refresher sessions ran during Autumn 2020. ✓ The Council works to ensure the physical and mental health and wellbeing of its staff through Workplace Health Champions events and the employee assistance programme. ✓ The Council furloughed staff as a result of the Covid 19 pandemic which had impacted hugely on the Council's everyday operations and services. A number of staff and

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>casual workers in income generating roles from Hylands, Sports centres, Theatres, Museums, Culture, Car Parks and SEPP were furloughed. Of these a number were redeployed to other roles in the Council including the Community Hub. Homeworking Workstation assessment guidance was provided for managers and staff resulting in provision of some equipment to enable home working as needed and PPE was provided for operational staff.</p> <p>✓ Mental health wellbeing support is provided in a number of ways including Employee Assistance programme, Mental Health First Aiders, Wellness action plans and weekly GEM articles.</p> <p>✓ The Council participates in a number of partnerships, including Safer Chelmsford, South Essex Parking, Essex Online, and works closely with Essex County Council on a number of initiatives: Mid Essex Children's Partnership Board, Essex Safeguarding Adults Board, and Chelmsford Youth Strategy Group. The Health Protection Board and Strategic Coordinating Group were invoked in 2020 due to the Covid 19 pandemic.</p>
<p>Principle F Managing risks and performance through robust internal control and strong financial management</p>	<p>✓ The Council responded to the initial Covid-19 emergency in accordance with Public Health England guidance and participated in the pan-Essex Emergency Planning response coordinated through the Essex Resilience Forum.</p> <p>✓ A high-level review, supplemented by discussions with key officers, of the Council's response to Covid-19 (post Incident Management phase) was undertaken by Internal Audit in September 2020 and reported to Management Team.</p> <p>✓ The Council's main Finance System was replaced in November 2020 with T1 (OneCouncil) which is an integrated platform and includes: General Ledger and Budget management; Customer invoicing and debt management; Purchase ordering; Contract and Supplier Management; Risk Management information; and Corporate Plan Action Tracking. Post-implementation review is ongoing and Additional work from External Audit is expected during the audit of the financial statements.</p> <p>✓ The Council's Risk Management Strategy (progress against the strategy reviewed by Audit & Risk Committee in May 2020) recognises that risk management is an integral part of Council activities.</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>✓ Central to the risk framework is the identification and management of the Council's Principal Risks, each assigned to a Directorate lead. Quarterly reporting to Management Team and six-monthly reporting to Audit & Risk Committee ensures arrangements are working effectively. This also now reflects the impact of Covid-19 on the Principal Risks.</p> <p>✓ The Internal Audit Annual Report to Audit & Risk Committee confirms that an effective internal audit service is resourced and maintained</p> <p>✓ The Council Principal Risks and Internal Audit Plan are aligned the Our Chelmsford, Our Plan objectives</p> <p>✓ In response to the increased risk relating to the Council's Cyber Security as a result of Covid 19, the Council commissioned an independent "posture review" in 2021 to assess its current maturity with regards to information and cybersecurity. The subsequent action plan and ongoing cyber risk will be monitored through T1 (OneCouncil).</p> <p>✓ The Chief Financial Officer makes regular reports to Members on the financial position, budget setting and monitoring, medium-term forecasts, the annual statement of accounts and any other financial matters as necessary. Further detail on financial reporting during 2020/21 is set out under Principle D. During 2020/21, review of the actions within the MTFS were incorporated into the internal audit work programme to ensure progress against key strategic outcomes and financial sustainability continues to be assessed in detail as part of the Principal Risk Register.</p> <p>✓ The self-assessment against the FM Code, referred to under Principle D, will further support good financial management. The FM Code establishes six principles of good financial management underpinned by financial management standards. The Code also references other Cipfa codes of practice and the principles of good governance as set out in this Annual Governance Statement, enabling its use as a self-assessment tool to ensure good financial management and good governance in its wider sense. Work is underway on the Council's self-assessment.</p> <p>✓ The Council's approach to counter-fraud is informed by the CIPFA Code of Practice on Managing the Risk of</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>Fraud and Corruption (2014) and was assessed by Internal Audit in 2021 using the 2020 Fighting Fraud & Corruption Locally Checklist. The Council also participates in mandatory NFI exercises.</p> <p>✓ Business rates expanded reliefs and emergency grants provided by the Government to support businesses and organisations during the pandemic were approved under urgency delegation to the Chief Executive following consultation with the Leader. These were subsequently reported to Overview and Scrutiny Committee and enabled officers to distribute the funds to support the local economy in line with Government guidance. To identify and assess the level of fraud and error in Covid 19 Grant schemes the Council have also utilised Spotlight and local checks in line with Government Guidance for pre and post payment assurance.</p> <p>✓ The Audit & Risk Committee is constituted in line with, and operates with regard to, the CIPFA Position Statement on Audit Committees and associated Practical Guidance for Local Authorities (2018). A self-assessment of compliance and training needs analysis was conducted with Audit & Risk Committee Members in March 2021 with the outcomes forming a forward plan of training.</p> <p>✓ During 2019/20, the Council's designated Data Protection Officer has coordinated a review of the Council's Information Governance Policy and Data Breach Policy and Procedure, in conjunction with the new policy framework developed by Digital Services to counter cyber risk. Appropriate action has been taken to protect and mitigate the potential impact to the Council and those whose information is held by it. The Council has established policies for Freedom of Information, Environmental Information and Data Subject requests, and ensures continuous improvement under its GDPR Compliance Action Plan.</p>
<p>Principle G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability</p>	<p>✓ As detailed above, a vast array of information is accessible to the general public via the Council's website in an understandable style appropriate to the intended audience.</p> <p>✓ A Corporate Governance Group was formed in 2020, bringing together relevant staff across the organisation who are accountable for delivery of various governance arrangements. The purpose of the CGG is to oversee, co-</p>

Good Governance Principle	Chelmsford Council Key Elements 2020/21
	<p>ordinate and advise on the effective development and consistent operation of corporate governance arrangements in the Council. The Group's Terms of Reference was approved by Management Team on 15th July 2020, setting out its main objectives, Membership, Accountability and Reporting Arrangements. 2020/21 activities have included: governance stakeholder mapping exercise to highlight any duplications/gaps in the governance monitoring and reporting arrangements and compilation of External Reports and Accreditations that may impact on wider governance, in addition to oversight of the annual review of the Local Code of Corporate Governance and Annual Governance Statement 2020/21.</p> <p>✓ The Annual Governance Statement is subsequently presented to the Leader and Chief Executive, approved by Joint Audit & Risk and Governance Committee and published alongside the Statement of Accounts.</p> <p>✓ Governance Committee, Audit & Risk Committee, and Overview & Scrutiny Committee report annually on their work to full Council.</p> <p>✓ The Annual Internal Audit Report demonstrates that internal audit recommendations inform positive improvement across the Council, as acknowledged on a quarterly basis in the Council's Principal Risk Register.</p>

Review of effectiveness

3.3. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the senior Management Team who have responsibility for the development and maintenance of the governance environment
- the work of Cabinet and the Committees, including the Audit & Risk Committee, Governance Committee and Overview & Scrutiny Committee
- the work of the Corporate Governance Group who provide feedback to Management Team.
- the Internal Audit Annual Report
- comments made by the external auditors and other inspection agencies

3.4. As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- A **robust Internal Audit function** where the planned work is based on identified key risk areas. The Council's Internal Audit Service arrangements conform to Public Sector Internal Audit Standards
 - An **embedded reporting system for internal audit issues** also that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Audit & Risk Committee.
 - A **comprehensive risk management process** which ensures the Principal Risks across the Council are captured and reported to Management Team and Members.
 - A **comprehensive budget monitoring process** including access for senior managers to live financial information and latest budget forecasts, with quarterly reporting to Management Team and biannual reporting to Cabinet.
- 3.5. The outcome of the review is presented in 3.10 below, which detail areas for improvement during 2021/22.

3.6. Effectiveness of Other Organisations

- The Council acts as lead partner in the South Essex Parking Partnership (SEPP which carries out the on-street parking enforcement in Chelmsford, Basildon, Brentwood, Castle Point, Maldon and Rochford, on behalf of Essex County Council (ECC), the highways authority, through delegated responsibilities under a Joint Agreement signed by all partner authorities in 2011. Signs and lines maintenance and new TRO's (Traffic Regulation Orders) are also provided by the Partnership. The Partnership has operated successfully, in accordance with the Traffic Management Act 2004 (TMA 2004), including timely production of an Annual Report and agreed Business Plan, and generation of a surplus during each year of operation.
- The One Chelmsford Board acts as Chelmsford's Responsible Authorities Group under the Crime and Disorder Act 1998, which is a statutory function. There are a number of other statutory partners: Chelmsford City Council, Essex Police, ECC, Essex County Fire and Rescue Services, Probation Services and Health (CCG). The current chair is Chelmsford Council's Chief Executive and our member representative is the Leader of Chelmsford Council. The group has a terms of reference and presents a finance report annually.
- The Council does not currently engage in commercial activities through trading subsidiaries or investment vehicles.

3.7. Internal Audit Opinion

- The annual opinion categories range from No Assurance, Limited Assurance, Moderate Assurance to Substantial Assurance. The annual opinion given for 2019-20 was Moderate Assurance.
- The work undertaken during 2020-21 has enabled the Audit Services Manager to form a reasonable conclusion on the Council's control

framework, risk and governance arrangements. For the year-ended 31st March 2021, the opinion is that the adequacy and effectiveness of the Council’s arrangements is *Moderate Assurance* – overall the Council’s systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-ups in 2021/22. Further detail on audit outputs is provided in the Internal Audit Annual Report.

3.8. External Audit and Inspectorates

- In May 2021, the annual external audit produced an unqualified opinion in 2019/20 on both the Statement of Accounts and the Council’s use of resources.
- RIPA Inspection (March 2020). The Council demonstrated a level of compliance that removed the need for a physical inspection. Some actions were identified which have been completed during 20/21 (see actions noted in 3.9)

3.9. Review of Actions from 2019/20 Annual Governance Statement

2019/20 AGS	Action taken in 2020/21 to address the issue
<p>Monitoring the impact of Covid-19 on Council governance arrangements:</p> <ul style="list-style-type: none"> • Impact of delivering local government response: <ul style="list-style-type: none"> ○ Changes to Council Meetings and decision-making arrangements ○ New collaborative arrangements ○ Funding and cash flow challenges • Impact on business as usual in the delivery of services • Impact of new policies and procedures, and emergency assistance • Impact of longer-term disruption and consequences: <ul style="list-style-type: none"> ○ Delay to existing projects and programmes <p>Identification of new risks/escalation of existing risks</p>	<p>From March 2020, the Council was affected by the Covid-19 pandemic and the initial impact of the outbreak of Covid 19 was emerging at the time of the completion of the 2019/20 AGS. Inevitably, the pandemic continued to affect service delivery across the organisation and the subsequent responses, actions and effects on the Council are included throughout the above 2020/21 statement.</p>
<p>Overview and Scrutiny role – performance management - Continuation</p>	<p>Implemented - arrangements have been made for Cabinet Members to attend O & S</p>

2019/20 AGS	Action taken in 2020/21 to address the issue
from 2019/20. Cabinet Members to attend Overview and Scrutiny meetings as part of their role in reviewing Council activities and local performance measures.	meetings as appropriate.
RIPA (Regulation of Investigatory Powers Act) - Review of Policies and Procedures	A RIPA officer working group was established to support ongoing compliance requirements including monitoring outstanding actions identified by the Council or the inspector. Updated RIPA and RIPA social media policies have both been adopted by the Council, and a review of training needs which has identified ongoing actions. The working group will continue to monitor any ongoing actions that are necessary to maintain the requisite level of compliance.
Capital and Investment Strategy - To review the monitoring approach of the Council's Capital and Investment Strategy (via the Treasury Management Sub Committee).	The Terms of Reference for the Treasury Management Sub Committee were revised in May 2020 following approval by Council, after consideration by the Governance Committee. The revised terms expanded the remit of the Committee (now named the Treasury Management and Investment Sub Committee (TMISC)) to include strategy recommendations for both cash and non-cash investments, and encompassing both the Treasury Management and the Investment Strategies, while the Capital Strategy was separated from the Investment Strategy and continued to be dealt with via Cabinet and Council. Subsequent meetings of the TMISC established the monitoring data required by Members in respect of non-cash or property investment and considered the Investment Strategy before recommendation to Cabinet. A rolling programme of strategy development, mid-year review and outturn report have now been established.
Corporate Governance Group Trial- To trial the development of a Council-wide Corporate Governance Group in order to monitor the effective development and	The purpose of the CGG is to oversee, coordinate and advise on the effective development and consistent operation of corporate governance arrangements in the

2019/20 AGS	Action taken in 2020/21 to address the issue
<p>operation of corporate governance arrangements in the Council and to regularly review and monitor compliance with the council's Local Code of Corporate Governance.</p>	<p>Council. The Group's Terms of Reference was approved by Management Team on 15th July 2020, setting out its main objectives, Membership, Accountability and Reporting Arrangements. 2020/21 activities have included: governance stakeholder mapping exercise to highlight any duplications/gaps in the governance monitoring and reporting arrangements and compilation of External Reports and Accreditations that may impact on wider governance, in addition to oversight of the annual review of the Local Code of Corporate Governance and Annual Governance Statement 2020/21.</p>

3.10. Areas for improvement or monitoring during 2021/22:

Area	Action to be taken in 2021/22	Responsible Officer
<p>Remote Meetings – EIA/DPIA</p>	<p>Draft assessments already undertaken. Given there is currently no power to hold remote meetings the Council will impact assess current arrangements. Should Parliament legislate to re enable remote meetings and the Council resumes remote meetings its arrangements will be further impact assessed.</p>	<p>Monitoring Officer</p>
<p>Member Code of Conduct</p>	<p>Consideration of proposed changes to the Member Code of Conduct to be considered by the Constitutional Working Group and Governance Committee prior to final consideration as to adoption of any changes at Full Council in July 2021.</p>	<p>Monitoring Officer</p>
<p>Governance of Budgetary Control</p>	<p>Develop plan to ensure delivery of 2021/22 budget savings and identify options to close the potential budget gap for 2022/23, taking account of consultation requirements and stakeholder engagement and ensuring Member involvement in developing proposals.</p>	<p>Chief Financial Officer</p>
<p>Procurement and Social</p>	<p>To embed, train and develop the Procurement and Social Value Policy during 2021/22.</p>	<p>Procurement and Risk</p>

Area	Action to be taken in 2021/22	Responsible Officer
Value		Services Manager
Financial Management Code	To complete a self-assessment against standards in the Code, develop action plan for any improvements identified and agree with Management before reporting results to Members.	Chief Financial Officer

4. Certification

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

Signed.....
 Leader of the Council

Signed.....
 Chief Executive

Date: 2021