

CHELMSFORD CITY COUNCIL
AUDIT OF ACCOUNTS 2019/20
NOTICE OF CONCLUSION OF AUDIT

The Audit of the Council's accounts for 2019/20 has been concluded.

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

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

The Statement of Accounts can be inspected at the Civic Centre, Duke Street, Chelmsford, on weekdays (excluding public holidays) between the hours of 10.00 a.m. and 3.30 p.m. from Mondays to Thursdays and 10.00 a.m. and 3.15 p.m. on Fridays. These documents will be available on application to the Director of Financial Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE or by making a request using the following link <https://www.chelmsford.gov.uk/your-council/contacting-us/contact-us-online/contact-finance-team/> We will endeavour to supply all information electronically. To comply with the social distancing requirements due to COVID-19 there may be some delays in accessing physical copies of the documents.

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

Dated 20 May 2021

Nick Eveleigh
Chief Executive

Civic Centre
Duke Street
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CHELMSFORD CITY COUNCIL

STATEMENT OF ACCOUNTS

2019/20



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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 are working to deliver a safer, greener, fairer and better-connected Chelmsford, and this set of figures gives the detail of how we are doing it. This particular set of accounts covers the Council's services during the financial year 1st April 2019 to 31st March 2020, which was a budget primarily set by the previous leadership of Chelmsford Council.

I was elected the new Leader of the Council at its annual meeting on 22 May 2019, but the new Liberal Democrat administration did not set its first budget until February 2020, laying out our financial priorities and plans.

In January 2020, the Council approved 'Our Chelmsford, Our Plan' - our aims and priorities for the coming years. We have ambitious plans to improve the lives of residents by making Chelmsford a greener, safer, fairer and better-connected place to live, work and visit. We will operate with the core values of accountability, creativity, learning, encouraging, collaboration and trust at the forefront.

Chelmsford is growing and most of our residents experience a good quality of life, but we can make it better. Our Plan is a framework for delivering improved services to residents and businesses, in the most inclusive and sustainable way. We are ambitious for our City and its people. The Plan outlines our priorities under four themes:

- **A safer and greener place:** Making Chelmsford a more attractive place, promoting Chelmsford's green credentials, ensuring communities are safe and creating a distinctive sense of place.
- **A fairer and inclusive Chelmsford:** Promoting sustainable and environmentally responsible growth to stimulate a vibrant, balanced economy, a fairer society and provide more housing of all types, but especially affordable housing.
- **Healthy, active and enjoyable lives:** Encouraging people to live well, promoting healthy, active lifestyles and reducing social isolation, making Chelmsford a more enjoyable place in which to live, work and play.
- **Connected Chelmsford:** bringing people together, empowering local people and working in partnership to build community capacity, stronger communities and to secure investment in the city.

The Covid-19 pandemic has taken so many lives and changed the way we live. However, it started just a few weeks before the end of the financial year, so had limited effect on these accounts, although it is worth noting the Council's actions during these difficult times.

The Council has supported its residents and businesses during the pandemic by:

- Temporarily closing many of its non-essential services, to reduce the spread of infection, but maintained during lockdown full provision of vital services, such as collecting waste and recycling, housing, helping people who are homeless, looking after green spaces, managing new development, keeping the community safe, cemeteries and crematoria, business support, taking care of the environment and much more.
- Community Shield. The Council established and provided the manpower for a Community Hub to help those who had to stay in their home, by delivering food and prescriptions, helping with pet care, checking on residents' welfare and phoning for a chat. This service had up to the time of writing undertaken a total of 1437 food interventions (this involved shopping, advice, support etc). In addition, we contacted by phone 1300+ residents who fell into Category A (Clinically Extremely Vulnerable) to check on their welfare and with Chelmsford Voluntary Service (CVS) they carried out doorstep checks with over 200 residents. From the end of June, the CVS will run this service working with Chelmsford City Council.
- The Council produced and distributed an information leaflet to every household in the city, providing useful contact numbers and tips for staying mentally and physically active.
- The Council has very rapidly since 9th April 2020 paid out £17.2m in Small Business Grants, £13.8m in grants to Retail, Hospitality and Leisure businesses and has dispersed a further £32.6m of other Business Support Grants in 2020/21.
- The Council obtained funding to provide social distancing signage in the City's retail area and Street Ambassadors to encourage a safe return of retail activity.
- The Council rapidly responded to the lockdown by enabling the majority of its staff to work from home. This was done by using existing IT infrastructure that the Council has been investing in.

Despite the challenges of Covid-19, we will continue to deliver a greener, safer, fairer and better-connected Chelmsford by working with local residents and organisations.



Councillor Stephen Robinson
Leader of the Council

Views from the Chief Executive

The accounts present the financial position for the Council but also represent our achievements during the financial year. The City Council has delivered numerous projects over the last 12 months that will enhance the lives of our residents and some of these are highlighted below.

Over several years the Council has been developing a new Local Plan setting out our plans for future housing growth, jobs, open space, infrastructure and tackling climate change. The plan was drawn up following significant consultation with local communities and other stakeholders. The Plan will also bring exciting new opportunities for businesses to grow and succeed in Chelmsford. The City Council has a vital role in creating the right conditions for our local economy to thrive, ensuring Chelmsford is viewed as a great place to invest.

A significant step in delivering the Local Plan has been the City Council working with Essex County Council securing £218m from the government's Housing Infrastructure Fund for the North East Bypass and Station project. The Council also continues to work on the redevelopment of the Waterside site to provide additional housing and regeneration to this area of the City centre.

During the year our list of achievements include:

- The redevelopment of the Riverside Leisure centre which opened in June 2019. The old pool complex was demolished paving the way for the site to be redeveloped. The centre has been completely transformed to provide the public with a cutting-edge sports complex.
- The City's Museum also underwent a significant transformation with new displays being created in all rooms bringing the Museum into the 21st century.
- The final transformation took place in our indoor market leading to a brighter cleaner space, with improved lighting and signage.

The City also continued to deliver new and innovative projects and maintained its reputation for excellent service delivery.

- Hylands Estate won the Essex Awards Historic Wedding Venue category and the team were also highly commended for Events Team of the Year an award for service provided at the venue.
- The City became the first local authority to be awarded a national gold accreditation by Mode shift for our travel plan encouraging our staff to work in a more sustainable way.
- All the council's electricity is now renewable.
- Green flags awarded to all our major parks.
- The City held its first skills festival for our young residents providing them with an opportunity to meet a number of potential employers in a festival environment.

Furthermore, we acted as the regional lead in the European elections and successfully held local elections for the City Council.

The City Council is committed to providing excellent services and we aim to be creative in the way in which we deliver our services always striving to improve. In January 2020 we launched Our Chelmsford, Our Plan which tries to capture the key deliverables over the coming years. The Plan provides a focus for staff, elected members and partners making

connections across a wide range of services to deliver better lives for all. I believe the Plan that we have is one that will lead to further success, creating new opportunities for individuals, families and communities.

The financial year ended in a way that no one had imagined with the initial impacts of Covid-19 being felt both at the City Council and across the world. Looking forward it is difficult to assess how much Covid-19 could affect our individual lives, council services and finances but I know that our staff will continue to respond positively to this challenge.



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

We have detailed below which council provides which services.

Chelmsford City Council	Essex County Council
Abandoned cars	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, with a target to make Chelmsford City Council activities net-zero carbon by 2030. Subsequent to this a Climate and Ecological Emergency Task Group was established and charged with effectively co-ordinating the response to the climate and ecological emergency by:

- Creating an environmental ‘charter’ that sets out the long-term vision, the approach to be adopted and the priorities for action to encourage more sustainable lifestyles and to help create a more sustainable environment for the City of Chelmsford and surrounding areas.
- Developing a comprehensive, cohesive and prioritised environment action plan that addresses the key elements of the ‘climate and ecological emergency’ declared by the Council.
- Promoting the ‘green and sustainable’ agenda in Chelmsford and overseeing a programme of activities designed to engage, inspire and support local people, communities, businesses and organisations in meeting the carbon reduction challenge for the whole area.

An initial action plan, responding to the declared Climate and Ecological Emergency, was approved at Cabinet on 28 January 2020, focusing on the following areas of work:

- 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

The implementation of this action plan is ongoing.

4 – NARRATIVE REPORT

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

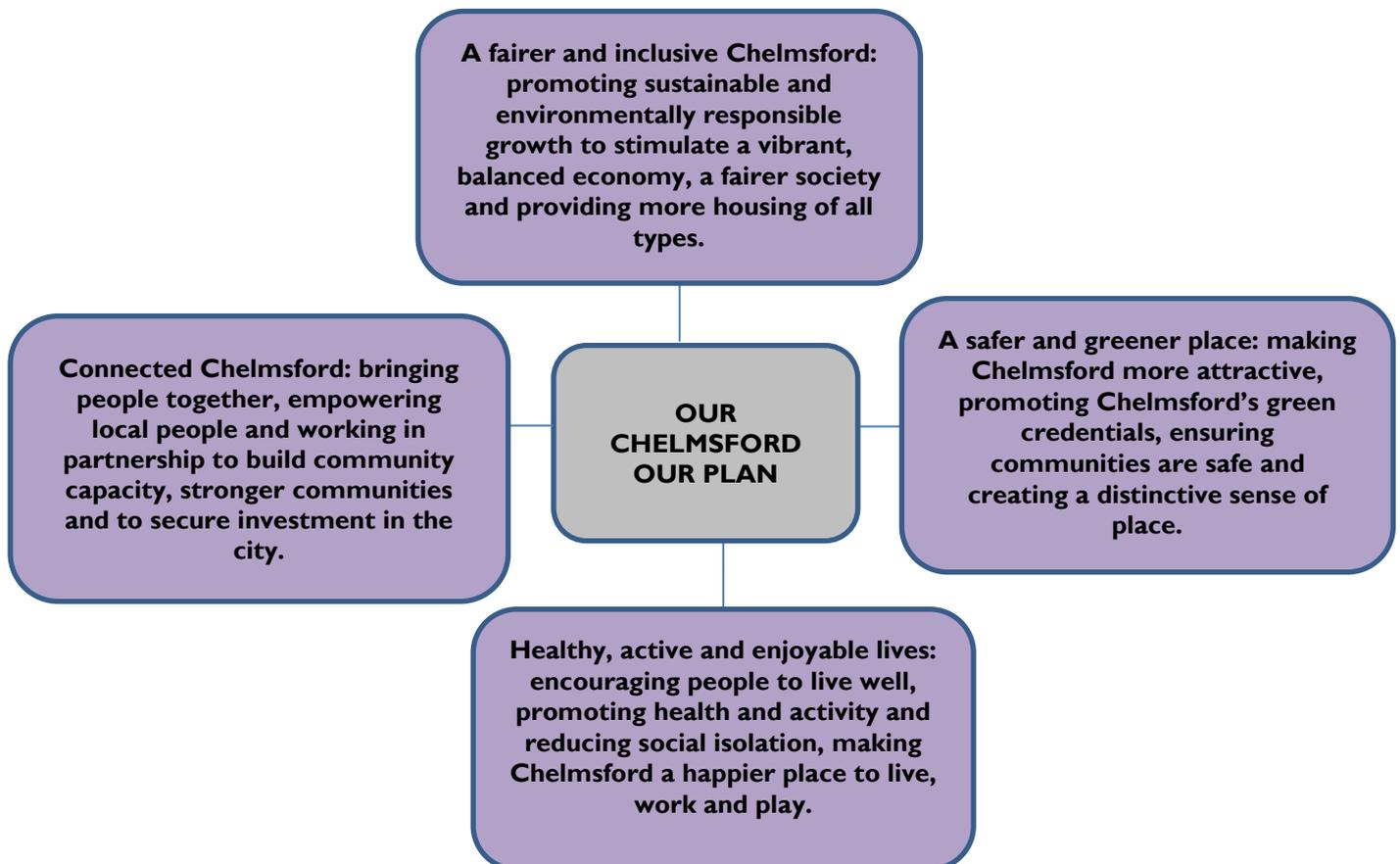
Background

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

Chelmsford has a population of around 178,400 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 2019/20, Chelmsford had a very strong economy with 87,000 jobs and over 9,400 businesses in the heart of the City, with very low unemployment rate of 1.9%. However, Covid-19 has adversely affected the unemployment rate and as of June 2020 the unemployment rate has risen to 4.8%. 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 2019/20 and shows our financial position on 31 March 2020. 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.
- **Restatements** – We show any restatements to the previous year's set of accounts following changes in accounting policies or identification of material errors in note 38. We have also made some presentational changes to how we report our management information. These changes are reflected in the presentational format of the Comprehensive income and expenditure statement, Note 24 Income and expenditure analysed by nature and in the Expenditure and funding analysis statement and its supporting note and restated last year's figures in the same format.
- **Independent auditors' report** - A report that says whether our Statement of accounts presents a true and fair view of our financial position and financial performance for the year.
- **Glossary** - An explanation of the technical terms used in this Statement of accounts.
- **Our structure chart** - How we are organised.

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

Summary tables

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2019 to 31 March 2020	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	128,464	(81,472)	46,992
Other Income and Expenditure	40,386	(74,209)	(33,823)
Total spending on services as presented in the Comprehensive Income and Expenditure account			13,169
add Adjustments between the Funding and Accounting bases			(20,430)
Increase in General fund (including Earmarked Reserves)			(7,261)

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.

Simplified Balance sheet statement

A simplified Balance Sheet	31 March 2020
	£ 000
What we own	
Assets	311,404
Stocks	292
Investments	23,560
	335,256
What we are owed	
Amounts due before 31 March 2021	24,115
Amounts due after 31 March 2021	1,792
	25,907
What we owe	
Amounts due before 31 March 2021	(22,662)
Amounts due after 31 March 2021	(8,012)
Provisions	(5,090)
Pension deficit	(91,797)
	(127,561)
Cash and equivalents in hand or (overdrawn)	27,378
Net assets	260,980
Our reserves	31 March 2020
	£ 000
Usable reserves	53,546
Unusable reserves	207,434
Total reserves	260,980

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

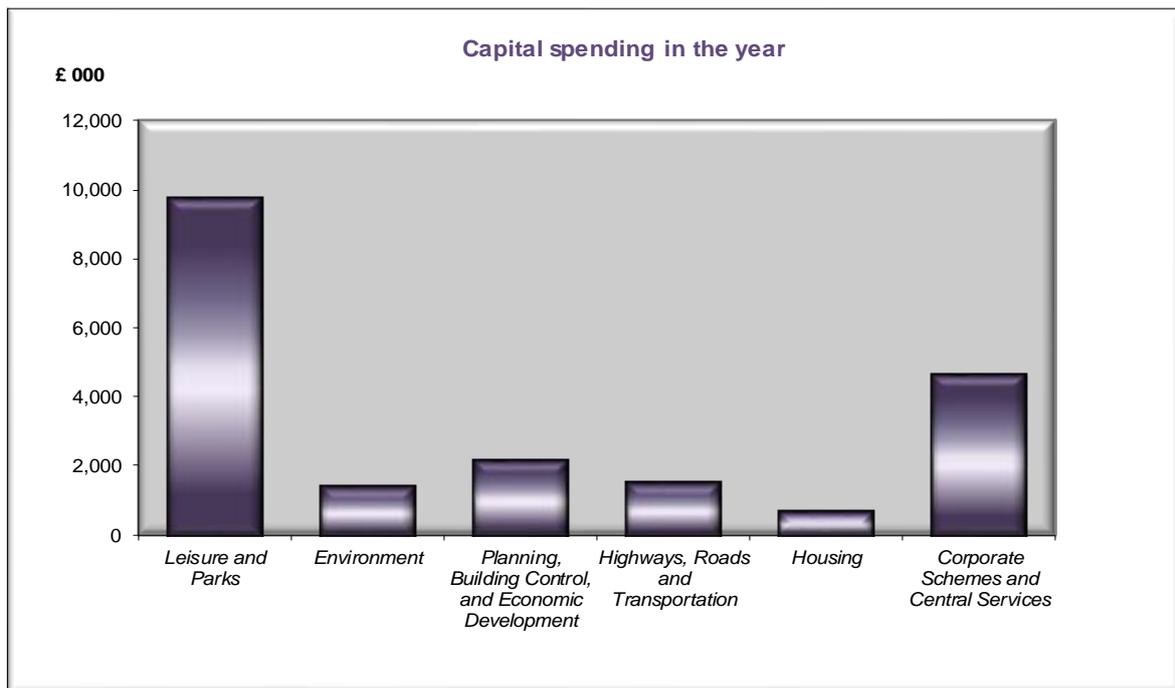
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

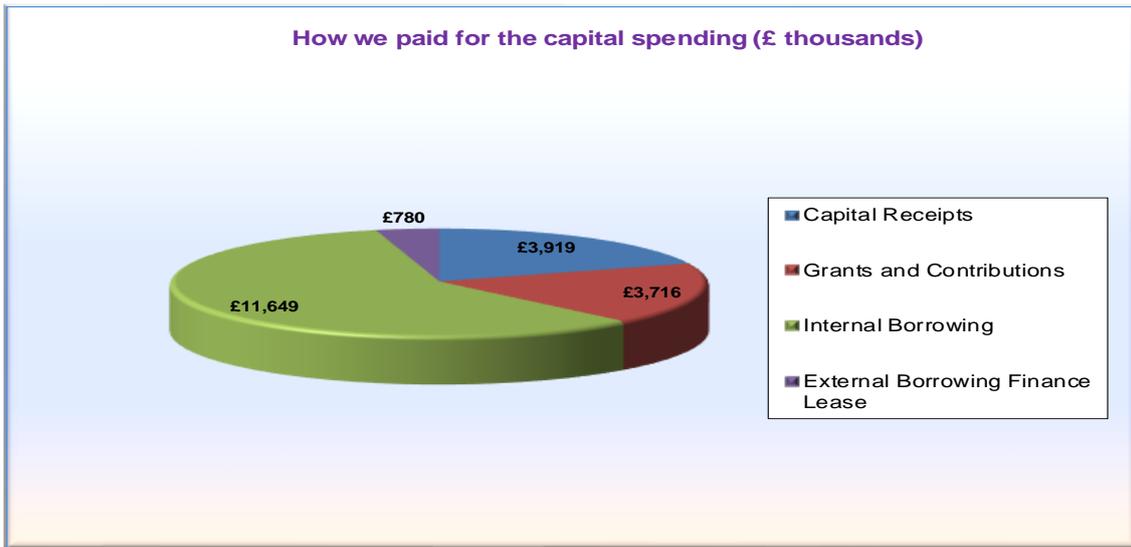
Borrowing

We have a finance lease with an outstanding balance of £0.738m at the end of the year. We do not have any external loans. The Council has undertaken internal borrowing of £11.6m; this is the practice of using cash that would be invested in lieu of undertaking external borrowing.

Capital spending

During the year we spent £20.064m 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 £5.090m, 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

Even prior to the Covid-19 pandemic, local government had to address various external economic pressures. The future Government funding is uncertain, with the Government's intended review of the finance settlement allocations postponed due to the virus epidemic. It is uncertain how local government finances will be affected after the transitional arrangements, due to end in December 2020, following Britain's decision to leave the European Union.

In the short term, the Government has indicated it will provide support to local government to reduce the impact of the loss of income due to Covid-19 pandemic and has already brought in several measures to support local business. It is however anticipated that the impact of the lockdown closures and restrictions will be felt for several years after the restrictions are lifted. More details on the impact of Covid-19 on the Council finances are in the commentary of the Medium-Term Financial Strategy.

Auditors

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

Monitoring our performance during 2019/20

During 2019/20 the Overview and Scrutiny Committee has reviewed its process for the regular monitoring of the Council's performance. It was felt that wider insight into the Council's key service areas, setting out the background information about the significant factors that influence their performance and presenting performance monitoring aligned with the service objectives, should replace the monitoring solely focused on the performance indicators. The key performance indicators are still maintained within the services as a tool to manage their performance and the officers may present them to the committee as part of the review of its service in the context of the service objectives. A planned work programme for the committee will be set out each year, setting out a timetable for each directorate to present the committee with a service performance review pack, focusing on the key areas of interest as considered by the committee.

During 2019/20 the Overview and Scrutiny Committee also reviewed the 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 January 2020 meeting, explaining the reasons for the variations and setting out the planned actions to remedy them.

The review of the process setting out the new approach to monitoring performance took shape during 2019/20 following the change in administration and the first performance review pack was presented to the committee, focusing on Parks and Green spaces, at the January 2020 meeting. The process is now fully embedded for the performance monitoring during 2020/21 and the committee's planned worked programme will be updated to accommodate delays due to Covid-19.

Financial Monitoring and Reporting

As part of the management of our finances, we reported to the Cabinet, Overview and Scrutiny Committee 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 (including a report on the health of our finances).
- 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

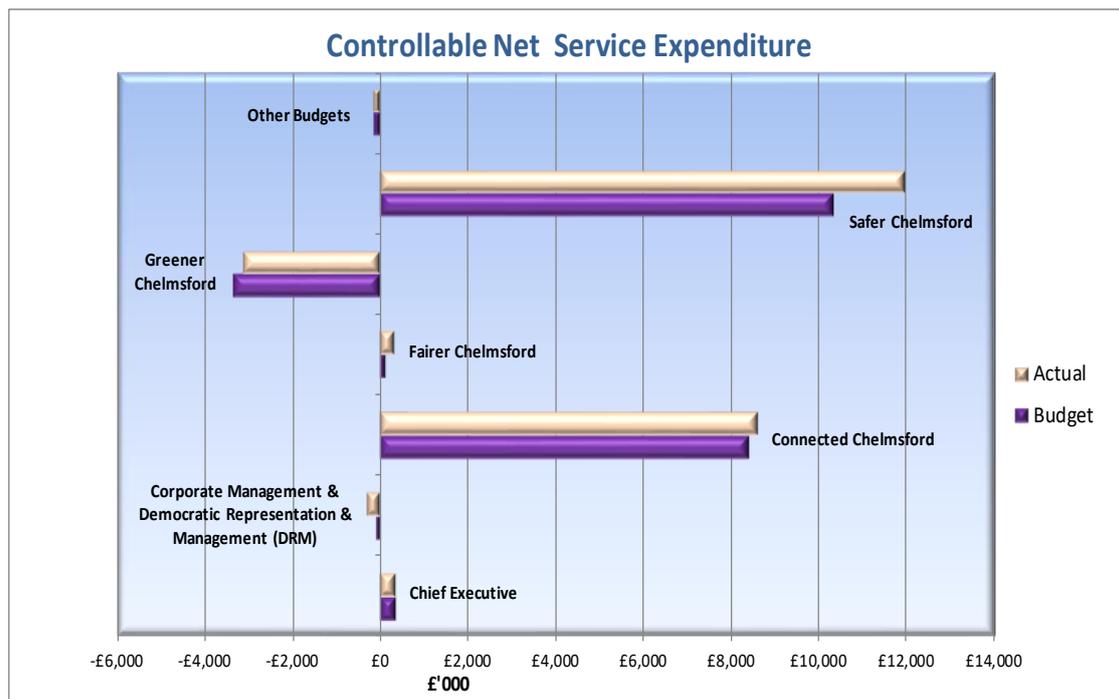
The Council has a revenue and capital monitoring process. During 2019/20 senior managers were given a detailed monthly report, Management Team and Cabinet Members received a quarterly report and a six-monthly report was presented for Cabinet and Overview and Scrutiny Committee.

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

Revenue Outturn position

The controllable service net revenue expenditure for 2019/20 was £2.1m overspent, of this some £0.4m is as a result of Covid-19 income losses. This is a large overspend and only some of which had been allowed for in the 2020/21 budgets. A review of the last 3 years of outturn expenditure has been undertaken and identified ongoing overspends will be included in future financial planning.

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



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. In 2019/20 the income retained including S31 grants was £2.4m above the Government baseline funding. The business rates income retained is however volatile as it is affected by settlements of successful appeals against valuations and changes in the appeals provision. The Council remains a member of the Essex Pool in 2020/21 and the level of income is expected to be adversely affected by Covid-19, however it is not possible to quantify the extent of the impact.

The impact of Covid-19 and the 2019/20 overspend on reserves and future budgets is discussed below.

Medium Term Financial Strategy (MTFS) for 2019/20 to 2022/23

The strategy is how we take a strategic approach to managing 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 2019/20 and approved in October 2019 was intended 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.
- Maximise opportunities to increase resources, or use resources more effectively, whilst taking appropriate action to mitigate financial risk.

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.

The Strategy was flexible so the Council's finances could respond to changes in circumstances. However, the budgets and strategy approved in 2019/20 could not possibly have been expected to have identified Covid-19 and its consequences. The MTFS published in July 2020 recognises the significant additional financial risks the Council now faces and includes new actions to respond to them.

Managing the Impact of Covid-19 and Ensuring Sustainable Finances

At the end of 2019/20 the Council had to respond to an unprecedented situation brought on by the Covid-19 pandemic. Our primary focus was on providing support to our most vulnerable residents. As an urgent response, we set up a jointly run operation with the Chelmsford Voluntary Services (CVS) within the premises of one of our leisure centres forced

to close by the Government's lockdown restrictions, The Community Hub. The Hub's main priorities were to help the most vulnerable in the communities, by providing assistance with their everyday errands such as food and prescription deliveries. Following the ease-down in the Government lockdown restrictions, the Hub operation will continue to be run by the CVS from within the Council's offices, to support residents that still need to continue to shield to stay safe.

The Council had to react to this unique situation by adapting our work processes. We embraced the advantages of available technology and many of our employees are able to continue their work from home. Where it was possible to do so safely, we introduced measures to operate within the Government guidelines and continued to provide many of our frontline services such as waste collection throughout the lockdown period.

The main financial impact of Covid-19 is considerably less income as Council facilities such as theatres and leisure centres have temporarily closed. Additionally, the lock down also reduced demand for services, such as Car parking, a major source of Council income. How long services will suffer from lower fees, sales and charge income is unclear but it is expected that some losses may be permanent as residents' lifestyles change, for example more home working so less demand for commuter car parks. In the financial year 2019/20 the loss was some £0.4m but in 2020/21 losses will run into millions of pounds.

Financially the Council has incurred additional costs due to Covid-19 but in the short term these are not material in comparison to the expected income losses. There may be longer term pressures, such as increased demand for temporary accommodation as tenant evictions increase after protections put in place during the pandemic lapse.

As the long-term consequences of Covid-19 on the Council's finances are almost impossible to predict the key financial action is to ensure appropriate levels of reserves are available to cover all risks. The July 2020 MTFs recommends that revenue funding of capital approved in the 2019/20 budget is instead transferred into unearmarked reserves, increasing Reserves by £5.6m. This will provide financial resilience against the probable income losses Covid-19 will cause. The change is reflected in these accounts. The consequences are higher than forecast internal borrowing to fund the capital programme. The Council within the July 2020 MTFs has the option of diverting 2020/21 budget revenue contributions from the capital programme to increase unearmarked reserves by £4.8m above the amounts shown in the notes to reserves.

Additional Government funding was announced after the publication of the MTFs, aimed at supporting local authorities, it's residents and businesses through these challenging times.

- The Government committed to compensate for 75% of eligible losses to planned sales, fees and charges against the 20/21 budget after 5% deductible rate for an acceptable level of volatility. The extension of this scheme for the first quarter of 2021/22 financial year was announced in February 2021.
- We were allocated four tranches of emergency grant funding for Covid related spending pressures of £2.3m in 2020/21.
- In addition to the above funding we received several service specific grants to enable us to support our local residents and business, for example additional funding for homelessness, to help with self-isolation needs; various grants to support leisure and

cultural services as well as additional grants to support business on our high street with the ever changing circumstances of opening and closing their business to public.

- The Council also received furlough grant support for some of its employees not able to continue their duties during the pandemic due to closures of facilities.
- Council tax hardship fund grant has given the Council the opportunity to reduce council tax liability for the most vulnerable residents.
- Following announcements of further lock-downs, the Government provided top-up funding for local business, that the Council was able to redistribute to businesses that applied and met the necessary criteria.

It is believed that the additional Government funding along with the actions to boost reserves will provide enough resilience to manage the immediate consequences of Covid-19.

The Council's Capital Programme has also been affected by Covid-19. As noted, by boosting its reserves, the Council has increased internal borrowing. The increase in borrowing has been offset in the next few years by deferring capital programme expenditure both as a deliberate action and as a consequence of Covid-19 creating operational delays. Should the financial position be better than expected the Council has the option going forward to consider making additional revenue contributions to fund the capital programme and return the levels of borrowing to nearer the levels projected in January 2020 budget.

The Council does not expect any liquidity issues and has the option which is not believed likely to be necessary of increasing cash holdings by taking loans from the Public Works Loan Board.

The 2021/22 Budget, approved in February 2021, identified £7.6m shortfall, with £4.8m losses attributed to the impact of Covid-19 pandemic. Some of these losses are thought to be temporary and were met by Government funding, savings and efficiencies, and use of reserves to balance the budget.

The Council's financial position going forward will be challenging and additional savings and efficiencies are needed beyond those that historically would be considered normal. The Council's Medium Term Financial Strategy published in July 2020 provides more detail on how the financial challenge will be met.

Council's principal risks and opportunities

It is the Council's policy to proactively identify, understand and manage the risks 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.

Since the balance sheet date, the Council has reassessed its Principal Risks to take account of its strategic response to the Covid-19 outbreak; however, given the speed of events and ongoing uncertainty it should be noted that these are subject to frequent change, particularly in terms of the impact on the wider community. Listed below are the Council's Top-6 rated Principal Risks, as reported to Audit and Risk Committee in May 2020, along with an assessment of their likelihood of occurrence and measures in place to mitigate them (as required by the Code):

Risk description	Likelihood	Mitigation
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.	Likely (50-70%)	The Council has experienced an unprecedented drop in income, along with ongoing uncertainty over the timing and nature of the Covid-19 recovery and over short and medium-term government funding strategy. The Council continues to forecast on a weekly basis losses and will present a revised Medium-Term Financial Strategy and Budget Update to Cabinet and Full Council in July.
Homelessness If the Council is unable to meet its statutory obligations to the homeless effectively, this may cause further hardship to service users, with associated financial, legal and reputational consequences.	Likely (50-70%)	The impact of Covid-19 on the most vulnerable in society is significant and the ongoing uncertainty makes service delivery very difficult to plan for in the short, medium and long term. The Council is working with social housing providers to manage response and capacity and with the Essex Resilience Forum Homelessness sub-group to identify and mitigate risks/enable solutions going forward.
Serious Fraudulent Activity 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.	Likely (50-70%)	It is acknowledged across the sector that fraud is much more likely to occur during the Covid-19 pandemic due to increased motivation e.g. economic hardship and increased opportunity e.g. urgent distribution of central government grants. The Council has been directed by central government to take a retrospective approach to grant fraud.
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%)	The Council has developed and launched a suite of cyber security policies, supported by an e-learning programme and other awareness measures, coinciding with the Covid-19 outbreak and change in exposure due to increased remote working.

<p>Serious Health & Safety Incident</p> <p>A serious health and safety incident could result in death or serious injury, regulatory investigation and associated financial, legal and reputational consequences.</p>	<p>Possible (30-50%)</p>	<p>The Council retains specialist independent advice and carries out an annual programme of 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.</p>
<p>Beaulieu Station & Chelmsford NE Bypass</p> <p>If the external partners are unable to meet the Government deadline for use of funding (March 2024), potential clawback could threaten delivery of key infrastructure and wider Council objectives.</p>	<p>Possible (30-50%)</p>	<p>National Rail has indicated that the Beaulieu Station project cannot be completed within funding timescales set by Homes England. Active negotiations with Homes England continue in partnership with Essex County Council and other key stakeholders.</p>

Workforce

We understand that the Council's employees play an important role in delivering our objectives and we have in place a robust People strategy which aims to ensure that we employ people with the right skills and support their development. In 2019/20 we continued to invest in our workforce by employing several graduate interns and 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. At the beginning of July 2020, we furloughed 283 employees or casual workers.

Other significant items

We did not have any material or unusual charges to the accounts or any major changes in statutory functions during 2019/20.

5 - Statement of responsibilities for the Statement of accounts

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

Our responsibilities

We must:

- Make arrangements for our financial affairs to be managed properly and for one of our officers to be responsible for managing those affairs, that officer is the Director of Financial Services.
- Manage our affairs to use our resources economically, efficiently and effectively, and to protect our assets.
- 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 Director of Financial Services' responsibilities

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

In preparing this Statement of accounts, the Director of Financial Services has:

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

The Director of Financial Services has also:

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

I certify that the accounts set out in the Statement of accounts present a true and fair view of our financial position at 31 March 2020 and the income and spending for the year ended 31 March 2020.

.....
Amanda Fahey
Director of Financial Services

.....
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.

2018/19 Restated			Money spent on services direct to the public	Notes	2019/20		
Gross spending	Income	Net spending			Gross spending	Income	Net spending
£ 000	£ 000	£ 000			£ 000	£ 000	£ 000
448	-	448	Chief Executive		383	-	383
120	(410)	(290)	Corporate Management & DRM		130	(432)	(302)
12,497	(2,086)	10,411	Connected Chelmsford		14,886	(2,194)	12,692
55,612	(48,669)	6,943	Fairer Chelmsford		52,371	(44,068)	8,303
12,276	(9,909)	2,367	Greener Chelmsford		8,642	(10,977)	(2,335)
38,633	(15,513)	23,120	Safer Chelmsford		52,052	(23,649)	28,403
-	(139)	(139)	Other Service Costs		-	(152)	(152)
119,586	(76,726)	42,860	Spending on current services		128,464	(81,472)	46,992
6,318	(4,260)	2,058	Other operating expenditure	11	6,142	(6,204)	(62)
5,516	(5,592)	(76)	Financing and investment	12	7,075	(6,730)	345
-	-	-	Spending on discontinued operations		-	-	-
27,250	(69,347)	(42,097)	Taxation and general grants	13	27,169	(61,275)	(34,106)
158,670	(155,925)	2,745	(Surplus) or deficit on Provision of Services		168,850	(155,681)	13,169
			Items that will not be reclassified to the Total spending on services				
		4,122	(Surplus) or loss from our assets being revalued				(55,586)
		(16,239)	Remeasurement of the assets of the pension fund	33			(12,044)
			Items that may be reclassified to the Total spending on services				
		(3)	(Surplus) or loss from financial assets				-
		(9,375)	Total income and expenditure	24			(54,461)

The presentation of service income and expenditure in the Comprehensive income and expenditure statement for current and previous year reflects changes to the management reporting format made during the year, following a review by the management, focusing on strategic priorities and improving clarity of presented information. These changes do not result in a change to the totals of spending on current services.

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 2018	23,164	15,658	25,902	64,724	132,420	197,144
Total comprehensive income and expenditure	(2,745)	-	-	(2,745)	12,120	9,375
Adjustments from council tax levied and accounting regulations (note 9)	(9,282)	(15,316)	1,912	(22,686)	22,686	-
Net increase or (decrease)	(12,027)	(15,316)	1,912	(25,431)	34,806	9,375
Balance at 31 March 2019	11,137	342	27,814	39,293	167,226	206,519

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

Balance sheet

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

31 March 2019	Balance Sheet		31 March 2020
£ 000		Notes	£ 000
	Long-term assets		
177,813	Property, plant and equipment	14	227,777
79,324	Investment property	14	79,272
253	Intangible assets		315
3,901	Heritage assets	15	4,040
14,730	Long-term investments	16	6,482
4,202	Long-term debtors		1,792
280,223			319,678
	Current assets		
280	Stocks		292
10,611	Short-term investments	16	17,078
25,333	Short-term debtors	18	24,115
23,665	Cash in hand and cash equivalents	19	27,378
59,889			68,863
	Current liabilities		
(27,114)	Short-term creditors	20	(22,662)
(3,688)	Provisions	21	(5,090)
(1,119)	Cash overdrawn	19	-
(31,921)			(27,752)
	Long-term liabilities		
(1,530)	Long-term creditors	39	(4,860)
(2,849)	Capital grants received in advance	30	(3,152)
(97,293)	Liability relating to our pensions	33	(91,797)
(101,672)			(99,809)
206,519	Net assets		260,980

31 March 2019	Reserves		31 March 2020
£ 000		Notes	£ 000
	Reserves		
39,293	Usable reserves (see Movement in Reserves Statement)		53,546
167,226	Unusable reserves	22	207,434
206,519	Total reserves		260,980

Cashflow statement

This section shows what cash we spend and receive.

2018/19 has been restated, see note 38.

2018/19 £ 000	Cash Flow	Notes	2019/20 £ 000
	Operating activities		
	Spending		
(27,223)	Cash paid to and for employees		(27,587)
(44,104)	Housing benefit paid out		(39,139)
(217)	NDR payments to the national pool		(217)
(2,461)	Precepts		(2,540)
(2)	Payment to the housing capital receipts pool		-
(27,250)	Tariff & Levy/ Safety Net		(27,169)
(26)	Interest paid		(14)
(34,499)	Other costs		(28,316)
	Income		
8,234	Rents (after rebates)		8,941
14,937	Council tax		15,570
32,063	NDR we received		31,589
42,615	DWP grants for rebates		37,438
6,239	Other government grants		6,992
23,663	Cash we received for goods and services		23,930
820	Interest we received		765
4,672	Other revenue cash payments or income		6,817
(2,539)	Net cash inflow or (outflow) from operating activities	23	7,060
	Investing activities		
	Spending		
(43,015)	Buying non-current assets		(16,411)
	Income		
1,046	Selling non-current assets		3,577
17,117	Capital grants and contributions we received		9,708
(240)	Other contributions		2,686
92,554	Investment Inflows		51,555
(67,499)	Investment Outflows		(50,014)
(37)	Net cash outflow from Investing activities		(1,101)
(2,576)	Net cash inflow or (outflow) before financing		8,161
	Management of liquid resources		
	Financing activities		
397	Other liquid resources		(3,329)
397	Cash flow from financing activities		(3,329)
(2,179)	Increase or (decrease) in cash		4,832
24,725	Cash balance at the beginning of the year		22,546
22,546	Cash balance at the end of the year		27,378

7 - Notes to the main financial statements

I Expenditure and Funding Analysis

The analysis of income and expenditure shown in the Comprehensive income and expenditure statement includes adjustments made under generally accepted accounting practices. The Expenditure and funding analysis shows how we report to the Management Team and Members and reconciles it to the Comprehensive income and expenditure statement. The 2018/19 figures have been restated to match the 2019/20 management reporting presentation.

2018/19 Restated			Expenditure and Funding Analysis	2019/20		
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	
392	56	448	Chief Executive	345	38	383
(290)	-	(290)	Corporate Management & DRM	(302)	-	(302)
8,758	1,653	10,411	Connected Chelmsford	8,601	4,091	12,692
1,249	5,694	6,943	Fairer Chelmsford	310	7,993	8,303
(3,370)	5,737	2,367	Greener Chelmsford	(3,131)	796	(2,335)
11,940	11,180	23,120	Safer Chelmsford	11,932	16,471	28,403
196	(335)	(139)	Other Service Costs	66	(218)	(152)
18,875	23,985	42,860	Spending on current services	17,821	29,171	46,992
2,461	(403)	2,058	Other operating expenditure	2,540	(2,602)	(62)
14,236	(14,312)	(76)	Financing and investment	(709)	1,054	345
-	-	-	Spending on discontinued operations	-	-	-
(23,545)	(18,552)	(42,097)	Taxation and general grants	(26,913)	(7,193)	(34,106)
12,027	(9,282)	2,745	Total spending on services	(7,261)	20,430	13,169

2018/19	Movement on General fund Balance (including Earmarked reserves)	2019/20
£ 000		£ 000
23,164	Opening Balance	11,137
(12,027)	Surplus/(Deficit)	7,261
11,137	Closing Balance at 31 March	18,398

2 General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2019/20 and our position at the year-end, 31 March 2020. 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 2019/20 a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

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

Fair value

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015–2017 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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 2021/22.

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.

- The Covid-19 virus outbreak is likely to have significant financial implication on the Council and its finances.
- There is a lot of uncertainty about the future level of Government grant funding. Prior to the outbreak, the Government was in the process of reviewing the basis of allocating funding to Local authorities, with the intention to announce a new funding distribution based on a revised formula for 2021/22. The New Homes Bonus grant scheme was also to be subject to review. Following the outbreak, there are likely to be delays in these reviews. It is unclear at this point what financial support councils will receive from the Government to help us cope with the financial impact of the outbreak.
- Following Britain's exit from the European Union, it is unclear how the new arrangements negotiated during the transitional period that is due to end 31 December 2020 will impact on the Council's or Local Government finances generally.

We believe that despite these uncertainties, our asset values do not need to be impaired.

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 impact of Covid-19 is to create a high degree of uncertainty attached to the valuations and therefore caution should be exercised. The property market is currently volatile and does not provide reliable observable inputs. Below is an extract from the Valuation report provided by our valuers with reference to Valuation uncertainty.</p> <p>“In accordance with VPGA10 of the Red Book, we highlight below matters that may give rise to material valuation uncertainty.</p> <p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.</p> <p>Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</p> <p>Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation</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. The majority of our land and building assets and investment properties were valued as at the 31st March 2020.</p> <p>The carrying value of these assets is as follows: -</p> <p>Other Land and Buildings £206m Surplus £6m Investment £79m</p> <p>A 1% change in the valuation of these categories would be £2.9m.</p> <p>Note 14 provides further details on the value of our assets.</p>

	<p>than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the portfolio under frequent review.”</p> <p>The valuation uncertainty relates to those figures shown in the right-hand column.</p> <p>The valuations provided reflect the best information available at the time of the production of the accounts.</p>	
Pensions liability	<p>The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.</p>	<p>See note 33 for the effects of variations in these items.</p>
NDR appeals	<p>Since the introduction of the Business Rates Retention Scheme from 1 April 2013, authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.</p>	<p>We have created a provision for our estimate of the amount that might be repayable to 31 March 2020 following successful appeals. Our share of this provision is £5.1m (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.</p>

<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 (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Corporate Property Manager and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 16.</p>	<p>The Council uses Level 1, 2 and 3 observable inputs for valuing its Investment properties and financial instruments. Level 1 and 2 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. 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 observable inputs could result in significantly lower or higher fair values.</p>
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6 Note to the Expenditure and funding analysis

The following table further explains the funding adjustments made in the Comprehensive income and expenditure statement under generally accepted accounting practices as shown in the Expenditure and funding Analysis in Note 1. The 2018/19 figures have been restated to match the 2019/20 management reporting presentation.

2018/19 Restated						Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	2019/20					
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
	57		57	(1)	56	Chief Executive		39		39	(1)	38
			-		-	Corporate Management & DRM				-		-
580	1,067		1,647	6	1,653	Connected Chelmsford	3,247	849		4,096	(5)	4,091
793	599	15	1,407	4,287	5,694	Fairer Chelmsford	3,459	513	73	4,045	3,948	7,993
4,756	985		5,741	(4)	5,737	Greener Chelmsford	39	719		758	38	796
7,958	3,012		10,970	210	11,180	Safer Chelmsford	14,424	2,140		16,564	(93)	16,471
			-	(335)	(335)	Other Service Costs				-	(218)	(218)
14,087	5,720	15	19,822	4,163	23,985	Spending on current services	21,169	4,260	73	25,502	3,669	29,171
(645)			(645)	242	(403)	Other operating expenditure	(2,884)			(2,884)	282	(2,602)
(12,435)	2,634	(106)	(9,907)	(4,405)	(14,312)	Financing and investment	2,477	2,288	240	5,005	(3,951)	1,054
(17,976)		(576)	(18,552)		(18,552)	Taxation and general grants	(9,850)		2,657	(7,193)		(7,193)
(16,969)	8,354	(667)	(9,282)	-	(9,282)	Total spending on services	10,912	6,548	2,970	20,430	-	20,430

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 (£39.1m)
- Government grant in respect of housing benefit paid to the Council (£37.4m)
- Income from sales, fees and charges and rents (£32.8m)
- Employee costs (£27.5m)

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. The impact of Covid-19 on our finances is detailed in the Narrative report on page 20.

At the reporting date, there was an outstanding claim made by the NHS trusts for mandatory relief on their Business Rates payable. Since the end of the year, the appeal for this claim was withdrawn, the case was dismissed and the reference to this case in the contingent liabilities has been removed from our accounts.

In March 2021, prior to accounts publishing date, the Council entered into an agreement to indemnify Essex County Council up to a sum of £5m should the City Council fail to make all reasonable endeavours to enable the delivery of key housing sites and affordable housing provision in a number of sites located in Chelmsford.

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

Movements in 2018/19	General fund £ 000	Capital receipts £ 000	Capital grants unapplied £ 000	Total usable reserves £ 000	Unusable reserves £ 000	Total reserves £ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)						
Depreciation and impairment of non-current assets	(6,801)			(6,801)	6,801	-
Revaluation losses on property, plant and equipment	(2,200)			(2,200)	2,200	-
Change in the market value of investment properties (+gain/-loss)	(2,591)			(2,591)	2,591	-
Amortisation of intangible assets	(211)			(211)	211	-
Capital grants and contributions applied to capital financing	1,742			1,742	(1,742)	-
Revenue expenditure funded from capital under statute	(4,875)			(4,875)	4,875	-
Gain or loss on the disposal of non-current assets	(399)	(416)		(815)	815	-
Statutory Account for Unrealised Gain & Losses on Investments	106			106	(106)	-
Inclusion of items not included in the CI&ES						
Capital expenditure charged to the general fund	15,026			15,026	(15,026)	-
Adjustments involving the capital receipts reserve						
Asset sale proceeds credited to the CI&ES	1,046	(1,074)		(28)	28	-
Use of capital receipts to fund new capital spending		16,806		16,806	(16,806)	-
Transfers to the housing capital receipts pool	(2)	2				-
Transfers from deferred capital receipts on receipt of cash		(2)		(2)	2	-
Adjustments involving the capital grants unapplied account						
Reversal of unapplied capital grants and contributions credited to the CI&ES	6,896		(6,896)			-
CIL grant	9,338		(9,338)			-
Grants applied to capital financing			14,322	14,322	(14,322)	-
Adjustments involving the pension reserve						
Reversal of post-employment benefits charged to the CI&ES	(12,234)			(12,234)	12,234	-
Employer's pension contributions paid in the year	3,880			3,880	(3,880)	-
Adjustments involving the collection fund adjustment account						
Adjustment for Council Tax collection fund income	(98)			(98)	98	-
Adjustment for Non-domestic rates collection fund income	674			674	(674)	-
Adjustments involving the accumulating compensated absences adjustment account						
Difference between costs charged under statutory requirements and those actually	(15)			(15)	15	-
Total adjustments	9,282	15,316	(1,912)	22,686	(22,686)	-

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 account (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	-
Unrealised gain or loss on Investments	(240)			(240)	240	-
Inclusion of items not included in the CI&ES						
Statutory provision for the financing of capital investment	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)	-
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						
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	-

10 A detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Future replacement of assets	Contingency	Chelmsford Development	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2018	138	2,994	3,340	8,778	2,665	17,915
Transfers in	1,399	1,744	327	2,979	242	6,691
Transfers out	(374)	(4,738)	(175)	(11,757)	(1,267)	(18,311)
Balance at 31 March 2019	1,163	-	3,492	-	1,640	6,295
Transfers in	2,399	211	-	-	3,231	5,841
Transfers out	(192)	(211)	(450)	-	(537)	(1,390)
Balance at 31 March 2020	3,370	-	3,042	-	4,334	10,746

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 **Future replacement of assets**

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

c **Contingency reserve**

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

d **Chelmsford Development**

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

11 Other operating expenditure

2018/19			Other operating expenditure	2019/20		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
2,461	-	2,461	Parish council precepts	2,540	-	2,540
3,456	(3,214)	242	(Gains) or losses on trading operations (note 25)	3,602	(3,320)	282
399	-	399	(Gain) or losses on disposal of non-current assets	-	(1,726)	(1,726)
-	(1,046)	(1,046)	(Gain) or losses on disposal of unattached assets	-	(1,158)	(1,158)
2	-	2	Payments to the Housing capital receipts pool	-	-	-
6,318	(4,260)	2,058		6,142	(6,204)	(62)

12 Financing and investments

2018/19			Financing and investments	2019/20		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(820)	(820)	Interest and investment income (note 16)	-	(765)	(765)
26	-	26	Interest we have to pay (note 16)	14	-	14
1	(103)	(102)	Other investment income or loss	240	-	240
2,634	-	2,634	Pensions interest (note 33)	2,288	-	2,288
2,591	-	2,591	Revaluation of investment properties	2,519	-	2,519
264	(4,669)	(4,405)	Investment properties (note 25)	2,014	(5,965)	(3,951)
5,516	(5,592)	(76)		7,075	(6,730)	345

13 Taxation and non-specific grants

2018/19			Taxation & general grants	2019/20		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(31,305)	(31,305)	National non-domestic rates	-	(29,461)	(29,461)
26,461	(1,956)	24,505	Government tariff, s31 grant, levy and safety net on non-domestic rates	27,068	(2,583)	24,485
-	(14,886)	(14,886)	Demand on the collection fund	-	(15,526)	(15,526)
789	(21,200)	(20,411)	Capital grants, New homes bonus, contributions to/from the Business rates pool and other grants and contributions	101	(13,705)	(13,604)
27,250	(69,347)	(42,097)		27,169	(61,275)	(34,106)

14 Movements on our assets

Independent external valuers are used to revalue our properties. A change in our external valuer has resulted in the majority of our assets being revalued in 2019/20. These valuations were undertaken by Montagu Evans on the 31st March 2020.

The assets the Council holds have not materially altered but changes to value and/or economic lives of assets is more significant than usual due to the change in valuer and their interpretation and application of valuation methodology. This has resulted in higher than usual degrees of value change, both positively and negatively. 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.

A significant change in the valuation methodology applied relates to the valuation of car parks and has resulted in an increase of £44m in the carrying value of this category of asset.

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

Our valuer has reported that the valuations have been prepared on the basis of 'material uncertainty' resulting in a higher degree of caution being attached to the valuations. Given the unknown future impact that Covid-19 might have on assets, they recommend that the valuations are kept under frequent review.

It is only over time that market activity will dictate whether there are long term property valuation implications but in the short term, in the absence of actual market evidence, we can only rely on the advice of our valuers and where they observe changes in market sentiment are most likely to have an identifiable impact on their approach to valuations. The users of the accounts should therefore take this into account when reaching any conclusions in respect of the Councils finances in relation to these assets.

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

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

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

Different types of asset are valued as follows:

- Vehicles and equipment such as lorries, computers or lawnmowers are valued at cost of buying them.
- Community assets such as parks are valued at cost, unless the external valuers identify a more appropriate value.
- Other assets such as land and buildings are valued at 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.
- 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.

Around one third of our assets are revalued every year until the end of three years when we will have revalued all our land and buildings. However, if there is evidence of a big change in an asset's value in any year, we will revalue that asset immediately.

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

We charge decreases in valuations as follows:

- If there is a balance on the Revaluation reserve from previous gains, we charge decreases against those gains.

•If there is no balance on the Revaluation reserve or if it is insufficient, we charge the shortfall to the Comprehensive income and expenditure statement. This is reversed out before it affects council tax.

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

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

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

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

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

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

- | | |
|-------------------------|-------------|
| •Buildings | 7 -40 years |
| •Vehicles and equipment | 3-23 years |

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

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

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

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings	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 2018 (after depreciation)	133,221	6,731	-	4,865	11,386	1,419	157,622
Total book value on 1 April 2018	138,281	15,324	-	4,865	11,386	1,425	171,281
Assets we have transferred	2,985	5		18	(6,506)	3,538	40
Assets we have bought or improved	1,136	2,676		15	29,439	593	33,859
Assets that were donated							-
Adjustment to accruals for assets we bought							-
Assets we have sold	(589)	(26)					(615)
Assets no longer required		(757)					(757)
Assets we have impaired							-
Assets revalued	(6,793)			12		15	(6,766)
Total book value on 31 March 2019	135,020	17,222	-	4,910	34,319	5,571	197,042
Depreciation and impairment on 1 April 2018	5,060	8,593	-	-	-	6	13,659
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have sold	(204)	(739)					(943)
Impairments recognised in the cost of provision of services	1,880						1,880
Impairments recognised in the revaluation reserve	5,745						5,745
Impairments written out	(3,539)						(3,539)
Depreciation written out	(2,491)					(3)	(2,494)
Depreciation for the year	3,344	1,573				4	4,921
Depreciation on 31 March 2019	9,795	9,427	-	-	-	7	19,229
Net book value on 31 March 2019 (after depreciation)	125,225	7,795	-	4,910	34,319	5,564	177,813

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	(1,091)	(420)					(1,511)
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	216,292	18,773	133	4,592	1,580	6,254	247,624
Depreciation on 1 April 2019	9,795	9,427	-	-	-	7	19,229
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of	(10)	(846)					(856)
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	9,491	10,351	4	-	-	1	19,847
Net book value on 31 March 2020 (after depreciation)	206,801	8,422	129	4,592	1,580	6,253	227,777

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	10,555	18,773	133	4,570	1,580	122	35,733
Carrying fair value at:							
31 March 2020 (valuation date 31/03/2020)	205,731			22		6,132	211,885
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)							-
31 March 2016 (valuation date 31/12/2015)	6						6
Total	216,292	18,773	133	4,592	1,580	6,254	247,624

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	2018/19			2019/20		
	Assets being built	Assets	Total	Assets being built	Assets	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance on 1 April	40	73,218	73,258	-	79,324	79,324
Additions						
Properties we bought		8,763	8,763		3,570	3,570
Properties we built						
Properties we improved		316	316	(56)	211	155
Disposals		(382)	(382)		(685)	(685)
Net gain or (loss) from fair value adjustments		(2,591)	(2,591)		(2,519)	(2,519)
Transfers (to) or from						
Stocks						
Property, plant and equipment	(40)		(40)	76	(649)	(573)
Other changes						
Balance on 31 March	-	79,324	79,324	20	79,252	79,272

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 2019
	£ 000	£ 000	£ 000
Commercial Site	19,123		19,123
Development site	8,071		8,071
Pending Sale			
Residential (market rental) properties	243		243
Retail Sites	51,887		51,887
Balance on 31 March 2019	79,324	-	79,324

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

There has been a change in the Fair Value measurement category for some of our assets from level 2 observable inputs to level 3 unobservable inputs. The categorisation of assets involves the valuers making a judgement based on the latest available information. The introduction of new valuers this year and the application of their experience and judgement of the information available has been incorporated within the valuations. This is a change in estimation. The changes occurred at the date of valuation, 31st March 2020.

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 £12.387m, At the end of the year we have an external debt of £0.738m (finance lease) and £11.649m internal borrowing against reserves.

CAPITAL EXPENDITURE AND CAPITAL FINANCING	2018/19	2019/20
	£ 000	£ 000
Opening capital finance requirement at 1 April	-	-
Expenditure on		
Property plant and equipment	33,859	13,509
Investment properties	9,079	3,725
Heritage assets	29	
Intangible assets	49	212
Revenue expenditure funded from capital under statute and Renovation Loans	4,879	2,618
Less sources of finance		
Capital receipts	(16,805)	(3,919)
Government grants and other contributions	(16,064)	(3,716)
Revenue funding	(15,026)	
Minimum revenue provision		(42)
Capital financing requirement at 31 March	-	12,387

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 £ 000	Natural History taxidermy, botanical and geological specimens £ 000	Pottery, drinking glasses and pewter £ 000	Social, agricultural & industrial history, including costume £ 000	Statues £ 000	Mayor's Office £ 000	Works of Art £ 000	Total £ 000
1st April 2018	220	227	481	1,091	483	144	1,070	3,716
Additions				29				29
Revaluations	9	8	17	63	17	5	37	156
31 March 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

Commentary on movements

The revaluations for Heritage Assets reflect indexing of all assets in line with insurance estimates.

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 makes impairment provisions against non-trade receivable financial assets in line with IFRS9. 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.

We calculate a provision for 12 month expected credit losses on all of our 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:

2018/19			SHORT-TERM	2019/20		
Investments	Cash & cash equivalents	Receivables & payables		Investments	Cash & cash equivalents	Receivables & payables
£ 000	£ 000	£ 000		£ 000	£ 000	£ 000
			Financial assets			
	15,136		Fair value through profit or loss		12,973	
10,611	8,529	17,368	Amortised cost	17,078	14,405	17,678
10,611	23,665	17,368	Total financial assets	17,078	27,378	17,678
10,611	23,665	17,368	Total assets	17,078	27,378	17,678
			Financial liabilities			
	(1,119)	(10,036)	Amortised cost			(4,784)
-	(1,119)	(10,036)	Total financial liabilities	-	-	(4,784)
-	(1,119)	(10,036)	Total liabilities	-	-	(4,784)

2018/19		LONG-TERM	2019/20	
Investments	Receivables & payables		Investments	Receivables & payables
£ 000	£ 000		£ 000	£ 000
		Financial assets		
6,722		Fair value through profit or loss	6,482	
8,008	4,202	Amortised cost		1,792
14,730	4,202	Total financial assets	6,482	1,792
14,730	4,202	Total assets	6,482	1,792
		Financial liabilities		
	(1,530)	Amortised cost		(4,860)
-	(1,530)	Total financial liabilities	-	(4,860)
-	(1,530)	Total liabilities	-	(4,860)

Fair value

The fair value is calculated by comparing investments made during the year to the interest rates available on 31 March 2020 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 2019		31 March 2020	
	Reporting Value £ 000	Fair value £ 000	Reporting Value £ 000	Fair value £ 000
Financial assets				
Investments and cash equivalents	48,968	48,969	50,879	50,929
Cash	37	37	59	59
Leasing debtor				
Long-term receivables	4,202	4,202	1,792	1,792
Financial liabilities				
Cash	(1,119)	(1,119)	-	-

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 2019 £ 000	31st March 2020 £ 000
Local Authority Property Fund	Level I	Unit Prices	6,723	6,482
Total			6,723	6,482

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 2019 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:

2018/19		Credit Rating	2019/20	
Short term	Long term		Short term	Long term
£ 000	£ 000		£ 000	£ 000
	3,011	AAA	3,007	
		AA+		
		AA		
3,004		AA-	6,023	
		A+	3,004	
1		A	1,324	
486		A-		
		BBB+		
15,552	5,055	Unrated local authorities	18,067	
		Unrated Building Societies		
		Unrated Housing Associations		
15,136	6,723	Credit Risk not applicable	12,972	6,482
34,179	14,789	Total	44,397	6,482

The table below details the counterparties approved in the Council's Treasury Management Strategy for 2019/20:

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	No Limit	5 years
UK Banks	A-	£3m each group	364 days
Building Societies	A-	£3m	364 days
Non-UK Banks	AA-	£3m each	364 days
Non-UK Banks	A-	£3m each	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 31/03/2020.

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).

2018/19 £ 000	Age of debt	2019/20 £ 000
12,039	Less than three months	11,336
712	Three to six months	2,098
1,268	Six months to a year	678
3,349	More than a year	3,566
17,368		17,678

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:

2018/19 £ 000	Financial assets returned to the Council	2019/20 £ 000
34,238	Less than three months, including cash equivalents	38,393
-	Three to six months	6,004
-	Six months to a year	-
14,730	More than a year	6,482
48,968		50,879

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 2019/20. The effect of a 1% increase in interest rates would have resulted in an extra income of £142,000 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 2020 would result in a £315k (2019: £336k) 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 £1.5m which helps protect capital values against future losses.

17 Major commitments under capital contracts

As at the 31st March 2020 there were no material contractual commitments to acquire property, plant or equipment.

18 Debtors

2018/19 Restated £ 000	Debtors	2019/20 £ 000
1,573	Government departments and NHS	390
2,086	Other local authorities	1,895
13,893	Sundry debts owed by other organisations and individuals	14,218
2,799	HB overpayments	2,705
6,906	Other debtors ***	7,319
(1,924)	Debts we may not be able to collect	(2,412)
25,333		24,115

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

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.

2018/19 £ 000	Cash & cash equivalents	2019/20 £ 000
37	Cash held by officers	38
(1,119)	Bank current accounts	21
23,628	Cash equivalents (short-term deposits)	27,319
22,546		27,378

20 Creditors

2018/19 Restated £ 000	Creditors	2019/20 £ 000
911	Government departments	4,418
6,288	Other local authorities	5,374
9,111	Sundry creditors with other organisations and individuals	3,924
1,808	Receipts in advance from sundry creditors	1,798
8,996	Other creditors ***	7,148
27,114		22,662

*** 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.

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 2018	3,809
Transfers in	-
Transfers out	(121)
Balance at 31 March 2019	3,688
Transfers in	1,402
Transfers out	-
Balance at 31 March 2020	5,090
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)	Other unusable reserves	Total unusable reserves
	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2018	65,493	170,588	(105,178)	1,517	132,420
Change on the reserve during the year	(6,041)	32,295	7,885	667	34,806
Balance at 31 March 2019	59,452	202,883	(97,293)	2,184	167,226
Change on the reserve during the year	54,552	(16,870)	5,496	(2,970)	40,208
Balance at 31 March 2020	114,004	186,013	(91,797)	(786)	207,434
Explanation	The gains on revaluing our assets since 1 April 2007	Capital spending to be financed from future resources	Our liability to pay future pensions		

Revaluation reserve

2018/19	Revaluation Reserve	2019/20
£ 000		£ 000
65,493	Opening balance	59,452
1,624	Revaluation of assets	55,586
(5,745)	Impairment losses	-
(286)	Write-out of revaluations of assets we have sold	(145)
(1,634)	Difference between fair value and historic cost	(889)
59,452	Closing Balance	114,004

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

Capital adjustment account

2018/19	Capital Adjustment Account	2019/20
£ 000		£ 000
170,588	Opening balance	202,883
(7,012)	Allowance for depreciation and amortisation	(5,588)
1,634	Less depreciation and amortisation charged to the revaluation reserve	889
(4,875)	Revenue expenditure funded from capital under statute	(2,618)
(2,200)	Impairments and amortisation charged to revenue	(12,963)
-	Minimum Revenue Provision	42
(27)	Repaid Capital loan receipts	(43)
47,895	Application of receipts and contributions	7,635
(529)	Assets disposed of	(1,705)
(2,591)	Movements in the value of investment properties in the	(2,519)
202,883	Closing balance	186,013

23 Cashflow

2018/19	I&E to cash flow	2019/20
£ 000		£ 000
	Revenue shortfall or (surplus)	
408	Movement on the General fund	(2,809)
(23)	Provision for bad debts	(488)
4,875	Revenue funded by capital under statute	2,618
	Minimum revenue provision	(42)
(15,026)	Asset replacement reserve	-
1	Housing Capital Receipts pool	-
(416)	Proceeds from asset disposals (gain)	(1,157)
11,620	GF - contribution (to)/from reserves	(4,451)
1,439		(6,329)
(577)	Our part of the collection fund	2,657
862		(3,672)
	Non-cash transactions	
136	Transfers to reserves	(1,329)
397	Net throughput on the collection fund	(3,329)
533		(4,658)
	Change in	
(12)	Stock	12
6,268	Debtors	(3,140)
(5,112)	Creditors	4,398
1,144		1,270
2,539	Net cash inflow or (outflow) from revenue activities	(7,060)

24 Expenditure and Income analysed by nature

The following table provides further analysis of our expenditure and income. We have restated 2018/19, by including housing benefits related income £42m in government grants and other contributions. The income was previously offsetting housing benefits related expenditure in other service expenses. This change reflects the current management reporting format and does not result in a change to the overall total.

2018/19 Restated £ 000	Expenditure and Income Analysed by Nature	2019/20 £ 000
	Expenditure	
38,299	Employee benefits expenses	37,596
69,228	Other services expenses	65,162
14,087	Depreciation, amortisation, impairment	21,169
26	Interest payments	14
2,461	Precepts and levies	2,540
2	Payments to Housing Capital Receipts Pool	0
2,634	Pension interest and return on investment	2,288
(16,239)	Remeasurement of the assets of the pension fund	(12,044)
5,961	Gain or loss on the disposal and revaluation of Assets	(55,711)
116,459	Total Expenditure	61,014
	Income	
(35,687)	Fees, charges and other services income	(38,263)
(820)	Interest and investment income	(765)
(14,886)	Income from Council Tax	(15,526)
(56,465)	Government grants and other contributions incl Business Rate income and Housing Benefits grants	(51,071)
(17,976)	Capital Grants and contributions	(9,850)
(125,834)	Total Income	(115,475)
(9,375)	Total expenditure and income	(54,461)

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

2018/19 £ 000	Revenues from contracts with service recipients	2019/20 £ 000
(33,054)	Revenues from contracts with service recipients	(35,430)
234	Impairments of receivable or contract assets	218
(32,820)	Total included in Comprehensive Income and Expenditure Statement	(35,212)

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.

2018/19			Trading accounts not shown in Spending on current services	2019/20		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			Other operating expenditure			
2,857	(2,717)	140	Grounds maintenance	3,035	(2,783)	252
599	(497)	102	Vehicle maintenance	567	(537)	30
3,456	(3,214)	242		3,602	(3,320)	282
			Financing and investment			
264	(4,669)	(4,405)	Investment properties	2,014	(5,965)	(3,951)
264	(4,669)	(4,405)		2,014	(5,965)	(3,951)
3,720	(7,883)	(4,163)	Total trading activity	5,616	(9,285)	(3,669)

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.

2018/19		Revenue expenditure	2019/20	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
2,061	505	Expenditure	2,206	523
(2,338)	(923)	Income	(2,450)	(908)
(277)	(418)	Net position	(244)	(385)

27 Councillors' allowances

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

2018/19	Councillors allowances	2019/20
£ 000		£ 000
333	Basic allowance	340
160	Special responsibility allowance	154
4	Other expenses	3
17	Mayor and Deputy Mayor allowance	16
514	Total we paid in the year	513

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	
	2018/19	2019/20	2018/19	2019/20
£50,000–54,999	10	9	1	1
£55,000–59,999	9	9	-	-
£60,000–64,999	3	2	-	-
£65,000–69,999	4	4	-	1
£70,000–74,999	3	5	-	-
£75,000–79,999	3	6	-	-
£80,000-84,999	-	3	-	1
£85,000-89,999	1	-	-	-
£90,000-94,999	-	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
2018/19	£	£	£	£	£	£	£
Chief Executive (Mr N Eveleigh)	167,704				2,343	24,712	194,759
Directors of:							
Corporate Services	124,728				2,343	18,403	145,474
Financial Services started 3/9/18	65,758				479	9,649	75,886
Public Places	122,841				1,874	18,050	142,765
Community Services (Ms A.Price) Left 15/4/18	7,886			233,974	225	767	242,852
Sustainable Communities	89,046				15,043	13,802	117,891
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

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post would be £155,429.

*** 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.

2018/19 £ 000	Termination benefits	2019/20 £ 000
412	Termination benefits	
56	Redundancy costs	172
	Additional pension costs	56
468	Total spending	228
18	No of employees whose employment was terminated	7

2018/19		Exit packages	2019/20	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
13	89	£0 - £20,000	2	5
3	107	£20,001 - £50,000	3	105
2	272	£50,001 - £250,000	2	118
18	468	Total	7	228

We made one employee compulsorily redundant in 2019/20, and five 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.

2018/19 £ 000	External audit costs	2019/20 £ 000
69	Fees we paid to the auditor	
	Basic audit	43
	Refund relating to previous year's audit fees	(6)
69	Total we paid in the year	37

We received a refund of £5,680 from Public Sector Audit Appointments Ltd for 2018/19 fees overpaid under the transitional arrangements.

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.

2018/19		2019/20
£ 000	Grants and contributions	£ 000
42,614	Housing benefits grants	37,439
4,616	Other grants and contributions	4,900
47,230		42,339

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

2018/19		2019/20
£ 000	Capital grants received in advance	£ 000
3,541	Opening balance	2,849
(692)	In-year movements	303
2,849		3,152

31 Related party transactions

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

Central Government controls us and sets the legal framework that we operate in, provides grants and sets out how we deal with other agencies and organisations (eg Council Tax collection and Housing Benefits). The details of our dealings with Central Government are shown in notes 13, 18, 20, 30 and 36 and in the Cash Flow in section 6 and the Collection Fund in section 8.

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

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

Some of our Members are also Parish Councillors. We receive funds for the Chelmsford Development fund from the Developers some of which we then pay over to other organisations when agreement conditions are met. During 2019/20 we paid from the Chelmsford Development fund the amounts to the following parishes Boreham, £89,100, Broomfield, £125,910, Chignal, £26,322, Danbury, £30,079, East Hanningfield, £274, Galleywood, £6,315, Good Easter, £1,282, Great Baddow, £12,526, Great & Little Leighs, £124,012, Great Waltham, £16,283, Little Baddow, £4,608, Little Waltham, £3,541, Margaretting, £903, Pleshey, £1,561, Rettendon, £4,300, Roxwell, £10,540, Runwell, £22,043, Sandon, £4,612, South Hanningfield, £861, South Woodham Ferrers, £25,313, Springfield, £61,125, Stock, £16,564 West Hanningfield, £3,592, Widford, £1,200, Woodham Ferrers & Bicknacre, £12,419 and Writtle, £6,702.

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

Chelmsford Age Concern, £5,000
Chelmsford Citizens Advice Bureau (CAB), £113,000
Chelmsford Council for Voluntary Services (CVS), £54,000
Chelmsford YMCA, £25,000
Chelmsford Community Radio £750
North Avenue Youth Centre £11,500
Museum Association £542
Chelmsford Cultural Development Trust £25,000
Essex Community Foundation £52,000
Moulsham Lodge Community Trust £9,583

During 2019/20 we paid Event Sound and Light Limited £43,396 a Member's son is a partner in this company. We also paid Helping Hands Essex £35,500 a Member is vice chairman and an employee.

In addition, the following groups paid us rents: Chelmsford CAB £30,151, Chelmsford CVS £11,814 and Waltham Scout Group £2 peppercorn rent.

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 current value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the landlord. We are not allowed to charge the depreciation on the asset to council tax, so we reverse this out of the Comprehensive income and expenditure statement. The Comprehensive income and expenditure account is charged the cost of a finance lease as if it were a loan, that is the cost of interest and a minimum revenue provision.

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

Leases we give to other organisations

When we give a finance lease to an organisation or individual, we are 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 (High Chelmer and Meadows). The figures are based on the minimum future lease payments.

2018/19 Restated £ 000	Operational Leases Minimum Income Due	2019/20 £ 000
2,366	Lease payments due in less than a year	1,498
9,466	Lease payments due from 1 to 5 years	4,369
47,425	Lease payments due in more than 5 years	46,866
59,257		52,733

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.

2018/19	Charges to the Comprehensive income and expenditure account	2019/20
£ 000		£ 000
	Spending on services	
	Service cost	
7,541	Current service cost	8,175
1,984	Previous service cost	76
75	Administration expenses	60
	Other spending	
2,634	Net interest on the defined liability	2,288
12,234	Charge to the spending on current services in the comprehensive income and expenditure statement	10,599
(5,943)	Other charges	
	Remeasurement of the pension liability	(26,722)
(10,296)	Return on scheme assets (excluding interest)	14,678
(16,239)	Other charges to the comprehensive income and expenditure statement	(12,044)
(4,005)	Total charges to the comprehensive income and expenditure statement	(1,445)
3,880	Employer's contributions charged to the General fund	4,051

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 £12m in 2019/20 (a surplus of £16.2m in 2018/19).

31 March 2019	Movements on pension fund assets and liabilities	31 March 2020
£ 000		£ 000
	Scheme liabilities	
(288,871)	Value at 1 April	(292,570)
(7,541)	Current service cost	(8,175)
(1,375)	Member contributions	(1,488)
(7,277)	Interest costs	(6,938)
	Remeasurement	
5,943	Financial returns	25,361
(1,984)	Past service (gains) or costs	(76)
8,535	Benefits paid	8,631
(292,570)	Value at 31 March	(275,255)
	Scheme assets	
183,693	Value at 1 April	195,277
4,643	Interest	4,650
	Remeasurement	
10,296	Return on assets (excluding interest)	(14,678)
-	Other actuarial gains/(losses)	1,361
(75)	Administration expenses	(60)
3,880	Employer contributions	4,051
1,375	Employee contributions	1,488
(8,535)	Benefits paid	(8,631)
195,277	Value at 31 March	183,458
(97,293)	Net pension liability	(91,797)

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	2014/15 £ 000	2015/16 £ 000	2016/17 £ 000	2017/18 £ 000	2018/19 £ 000	2019/20 £ 000
Present value of scheme liabilities	(237,842)	(235,624)	(290,267)	(288,871)	(292,570)	(275,255)
Fair value of assets	145,141	145,063	169,858	183,693	195,277	183,458
Deficit on the pension fund	(92,701)	(90,561)	(120,409)	(105,178)	(97,293)	(91,797)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £91.8 m has a large effect on our net worth, resulting in an overall balance of £261m. 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 £7.1m 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.

2018/19 %	Assumptions used in the valuations of the fund	2019/20 %
	Years we expect to pay current pensioners	
21.3	Men	21.8
23.6	Women	23.7
	Years we expect to pay pensioners retiring in 20 years	
22.9	Men	23.2
25.4	Women	25.2
3.4	Rate of inflation – RPI	2.7
2.4	– CPI	1.9
3.9	Rate of increase in salaries	2.9
2.4	Rate of increase in pensions	1.9
2.4	Discount rate	2.4
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)	11,495	(10,999)
Rate of increase in salaries (increase or decrease by 0.1%)	446	(441)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	4,888	(4,795)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(5,209)	5,315

The weighted average duration of the pension obligation for scheme members is 20 years in 2019/20 (18 years 2018/19).

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

31 March 2019	Scheme assets	31 March 2020
£ 000		£ 000
5,143	Cash and cash equivalents	7,626
	Stocks and shares (by type)	
8,782	UK investments	7,709
103,818	Overseas investments	90,313
112,600		98,022
	Bonds (by sector)	
11,413	UK Corporate	11,116
10,364	UK Government	7,907
21,777		19,023
	Property (by type)	
6,438	Listed	4,583
10,925	Unlisted	11,914
17,363		16,497
8,977	Private equity	9,362
	Other investment funds	
9,814	Infrastructure	10,842
5,889	Timber	6,615
3,337	Illiquid and Private Debt	3,675
10,377	Other Managed Funds	11,796
29,417		32,928
195,277	Total	183,458

In addition to the Council's own property (as disclosed in Note 5), the COVID-19 outbreak has resulted in similar levels of material uncertainty on property valuations within the Essex Pension Fund. Chelmsford City Council's proportionate share of these assets is £16.497m and therefore, as with the Council's own property valuations, users of the accounts should take this additional uncertainty into account when reaching any conclusions in respect of the pension fund valuations in 2019/20.

31 March 2019	Stocks and Shares	31 March 2020
£ 000		£ 000
	Stocks and shares (by company size)	
112,600	Listed	98,022
-	Unlisted	-
112,600		98,022

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 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.

35 **Community Infrastructure Levy (CIL)**

We started receiving CIL payments from 1 April 2014. We have billed £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.

36 **Government and non-government grants**

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

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

2018/19		2019/20
£ 000	Grants	£ 000
	Grant received in advance	
2,851	Money received as part of planning agreements	3,152
	Capital grants unapplied	
4,395	Money received as part of planning agreements	6,743
774	Government grants	1,126
2,560	Empty Homes grant	2,541
19,808	Community Infrastructure Levy	23,303
277	Other	234
27,814		33,947
30,665	Total	37,099

37 Long term Creditors

2018/19		2019/20
£ 000	Long-term Creditors	£ 000
1,198	Section 106 contributions	3,814
-	Leases	660
332	Property transaction creditor	386
1,530		4,860

38 Restatements

Accounting Policy

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

In accordance with the accounting standard IAS 1, presentation of Financial Statement, we are required to change the presentational format of Comprehensive income and expenditure statement and Expenditure and funding analysis table and it's supporting notes to reflect the management reporting format. Following a review during the year by management, focusing on strategic priorities and improving clarity of presented

information, the format has been changed and these changes were also reflected in figures for 2018/19. These changes do not result in a change to the totals.

The table in note 32 has been restated to reflect minimum rent income due under lease agreements rather than expected income. The significant financial difference relates to High Chelmer.

Operational Leases Minimum Income Due	2018/19 £ 000	2018/19 restated £ 000
Lease payments due in less than a year	5,137	2,366
Lease payments due from 1 to 5 years	20,547	9,466
Lease payments due in more than 5 years	181,066	47,425
	206,750	59,257

The cashflow statement on page 29, has been restated. The lines Buying non-current assets and Other Capital cash payments have been amalgamated. The line Change in our investments has been split into two lines showing Investment Inflows and Investment Outflows.

Restatement of Cashflow Statement	2018/19 £ 000	2018/19 restated £ 000
Buying non-current assets	(38,140)	(43,015)
Other Capital cash payments	(4,875)	line deleted
Change in our investments	25,055	line deleted
Investment Inflows		92,554
Investment Outflows		(67,499)

8 - Collection fund

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

2018/19			Collection Fund	Notes	2019/20		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000			Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
(111,221)		(111,221)	Income				
			Council tax	1	(118,598)		(118,598)
	(81,631)	(81,631)	Transfers from the General fund				
	1,828	1,828	Non-domestic rates	2		(80,043)	(80,043)
			Transitional protection			1,071	1,071
(111,221)	(79,803)	(191,024)			(118,598)	(78,972)	(197,570)
			Spending				
			Council Tax precepts and demands				
80,018		80,018	Essex County Council		84,703		84,703
14,845		14,845	Chelmsford City Council		15,476		15,476
11,070		11,070	Essex Police Authority		12,865		12,865
4,609		4,609	Essex Fire Authority		4,830		4,830
			Non-domestic rates precepts and demands				
	38,995	38,995	Central Government			39,269	39,269
	31,196	31,196	Chelmsford City Council			31,415	31,415
	7,019	7,019	Essex County Council			7,069	7,069
	780	780	Essex Fire Authority			785	785
			Subsidy paid towards the costs of collecting				
	218	218	National non-domestic rates			217	217
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
113		113	Council tax		156		156
	76	76	Non-domestic rates			742	742
			Amounts written off				
253		253	Council tax		184		184
	960	960	Non-domestic rates			855	855
	(303)	(303)	Provision for appeals			3,505	3,505
			Distribution of previous year's Council Tax surplus or (shortfall)				
730		730	Essex County Council		(291)		(291)
139		139	Chelmsford City Council		(54)		(54)
99		99	Essex Police Authority		(40)		(40)
43		43	Essex Fire Authority		(17)		(17)
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
	(412)	(412)	Central Government			1,009	1,009
	(329)	(329)	Chelmsford City Council			807	807
	(74)	(74)	Essex County Council			181	181
	(8)	(8)	Essex Fire Authority			20	20
111,919	78,118	190,037			117,812	85,874	203,686
			Movements on the Collection Fund				
698	(1,685)	(987)	(Surplus) or shortfall for the year		(786)	6,902	6,116
(615)	(723)	(1,338)	(Surplus) or shortfall at start of the year	3	83	(2,408)	(2,325)
83	(2,408)	(2,325)	(Surplus) or shortfall at end of the year	3	(703)	4,494	3,791

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

I Council tax

Council tax income comes from charges we make depending on the value of homes. Each home is put into one of eight valuation bands using their value on 1 April 1991. We work out each charge by estimating the amount of income each of the preceptors on the collection fund needs for the coming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion of the band D charge. In 2019/20, the council tax base was 66,672 (in 2018/19 it was 65,496). The basic amount of council tax for a property in band D was £1,768 (£1,688 in 2018/19). 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	4,529	3,577	6 / 9	2,384
B	10,364	8,655	7 / 9	6,732
C	22,940	20,827	8 / 9	18,513
D	17,084	11,746	9 / 9	11,746
E	10,503	9,923	11 / 9	12,128
F	5,808	5,603	13 / 9	8,093
G	3,990	3,835	15 / 9	6,392
H	382	342	18 / 9	684
Total	75,600	64,508		66,672

2 Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – 49.1p in 2019/20 (48.0p in 2018/19). 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 2020, our NDR income after relief totalled £80,042,508 based on the total non-domestic rateable value for our area of £195,421,181.

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.

2018/19			Contributions to the collection fund - surpluses and shortfalls	2019/20		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000		Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
	(1,204)	(1,204)	Central Government		2,247	2,247
11	(963)	(952)	Chelmsford City Council	(92)	1,798	1,706
61	(217)	(156)	Essex County Council	(505)	404	(101)
8		8	Essex Police Authority	(77)		(77)
3	(24)	(21)	Essex Fire Authority	(29)	45	16
83	(2,408)	(2,325)		(703)	4,494	3,791

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

4 Non-domestic rate appeals

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

Non-domestic rate appeals	Share	Provision
	%	£ 000
Central Government	50	1,753
Chelmsford City Council	40	1,402
Essex County Council	9	315
Essex Fire Authority	1	35
	100	3,505

5 Non-domestic rate pooling

On 1 April 2019, Chelmsford continued in a Non-domestic rating pool with 14 other authorities for the 2019/20 financial year. We did this to increase our Non-domestic rating income over that which we would have received if we were not in a Pool.

6 Business Improvement District

From 1 April 2018, a Business Improvement District (BID) arrangement 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 act's 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 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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 2019/2020.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; 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 2015 ("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

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

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

Emphasis of matter - Valuation of land and buildings (including investment properties) and Pension Fund assets

As explained in Notes 5 and 14 to the financial statements, the Council's external property valuers have reported that there is a material uncertainty regarding the valuation of the Council's property (including Investment Property) as a result of uncertainties in global financial markets caused by the outbreak of Coronavirus (COVID-19).

Note 33 explains that valuations applied to Pension Fund assets are also reported on a 'material valuation uncertainty' basis.

Consequently, less certainty, and a higher degree of caution, should be attached to these valuations than would normally be the case. Our opinion is not modified in respect of these matters.

Other information

The Director of Financial Services 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.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in April 2020, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on 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 Director of Financial Services and the Council

As explained more fully in the Statement of the Director of Financial Services 's Responsibilities, the Director of Financial Services 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.

In preparing the financial statements, the Director of Financial Services 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.

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 in respect of the Council's 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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Chelmsford City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Lisa Blake
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, 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, so only have a nominal value.

Intangible assets

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

Leases

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

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.

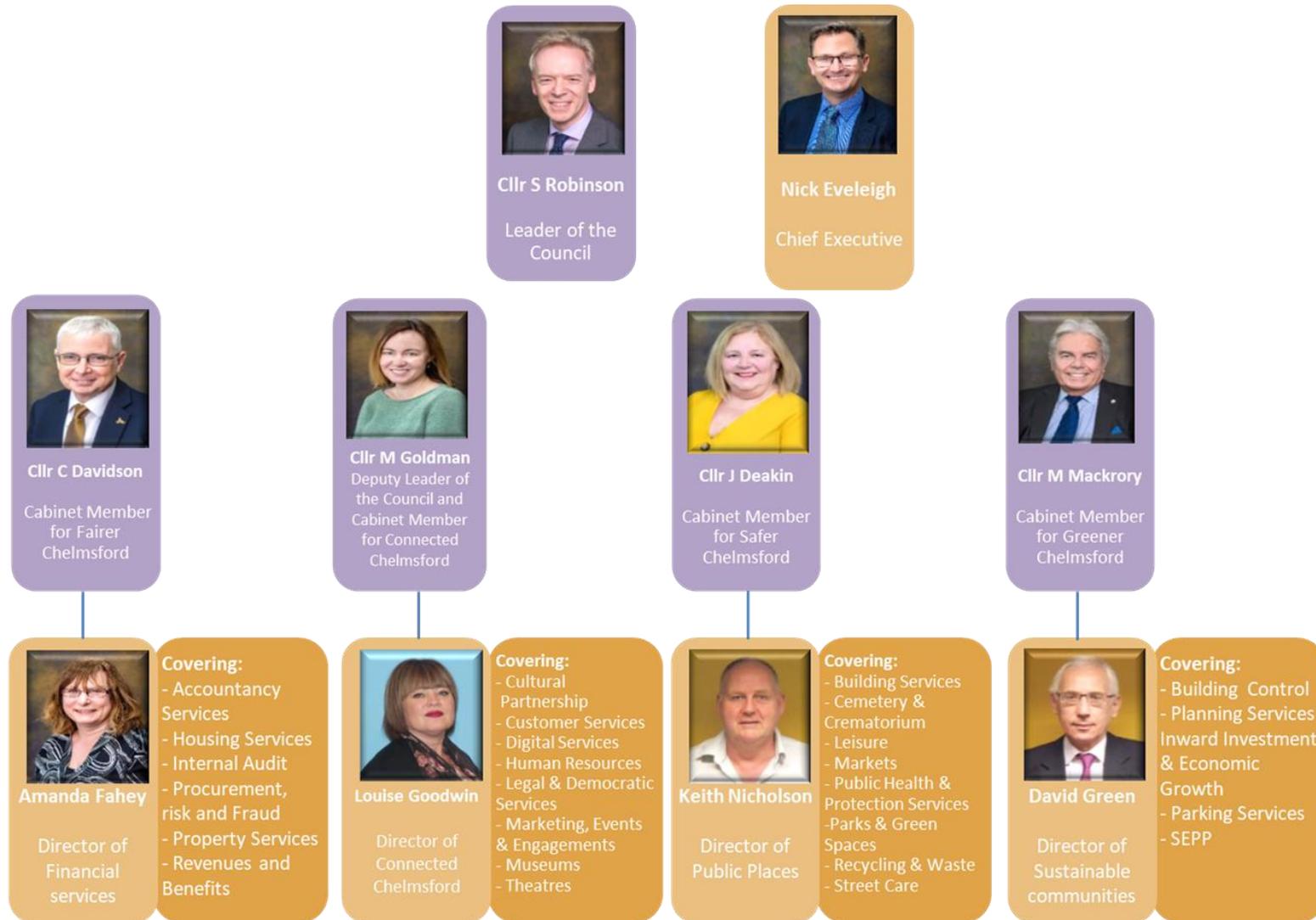
Trading undertakings

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

Unrealised Gain

The extra money we expect to receive over the value in the accounts when we sell the asset.

II - Our structure chart as at 31 March 2020



ANNUAL GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31st MARCH 2020

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 2020 and up to the date of approval of the Statement of Accounts. It should be noted that from March 2020, the Council was impacted by the Covid-19 pandemic, affecting service delivery across the organisation. Areas where it is known that this has impacted on the review of governance are highlighted below and a review of Covid-19 actions is outlined in the action plan at 3.10.

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 2019/20
<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.</p> <p>✓ The Council launched new corporate values and behaviours in 2019: Accountability, Creativity, Learning and Encouraging, Collaboration and Trust. With communications led by the Chief Executive, values and behaviours are being embedded through staff workshops, in relevant Council policies and procedures, in safer recruitment, selection and induction processes, and</p>

Good Governance Principle	Chelmsford Council Key Elements 2019/20
	<p>through the Council's wider training offer, including Member briefings.</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 in 2019; the project has been delayed due to Covid-19. ✓ 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 ✓ 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 available to the 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. This Statement relates to actions and activities during the financial year 1 April 2019 to 31 March 2020 and is available online. ✓ The Articles of the Constitution (last reviewed July 2019), define the Monitoring Officer's role to ensure that all decisions comply with statutory requirements and are lawful. ✓ Ethical Awareness Training has been delayed due to Covid-19 but it is intended to be rolled out during 2020/21.
<p>Principle B Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> ✓ The Council has an FOI publication scheme 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. ✓ The Council's Annual Report and Statement of Accounts is published online

Good Governance Principle	Chelmsford Council Key Elements 2019/20
	<ul style="list-style-type: none"> ✓ Comprehensive Council Tax information is available online. ✓ Council, Cabinet and committee meetings are open to the public and guidance on attending and speaking at public meetings is available online ✓ 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. ✓ A full record of decisions made in, and supporting material presented to, Committees, Cabinet and full Council is published online. ✓ 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, including the role of the Citizens Panel ✓ The Monitoring Officer continues to provide guidance for Parish Councils on the standards regime.
<p>Principle C</p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> ✓ The adoption of the Council's new Local Plan, setting out sustainable development objectives in the Chelmsford area for the next 30 years, was due to take place on 31 March, but was delayed due to Covid-19. A new meeting is planned for end of May 2020. ✓ Our Chelmsford, Our Plan (Jan 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 future monitoring. ✓ With oversight from the Chelmsford Policy Board (established in May 2019), the following dedicated plans were put in place during 2019/20: <ul style="list-style-type: none"> • Homelessness Review and Strategy 2020-24 (to review levels of homelessness and determine actions to tackle it)

Good Governance Principle	Chelmsford Council Key Elements 2019/20
	<ul style="list-style-type: none"> • The Climate and Ecological Emergency Action Plan (<i>to promote and embed the green and sustainable agenda at Chelmsford</i>) <p>✓ In line with the Public Sector Equality Duty, the Council's Equalities Impact Assessment regime has been strengthened during 2019/20 to ensure fair access to services.</p>
<p>Principle D</p> <p>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 2020-25 (January 2020) details a sustainable funding strategy for the Council, taking account of Our Chelmsford, Our Plan objectives and informing annual budget setting.</p> <p>✓ Established financial monitoring arrangements have been comprehensively revised during 2019/20 to ensuring budget information is readily available to inform decision-making – monthly for senior managers, quarterly for Management Team as a whole, and six-monthly for Cabinet</p> <p>✓ The Council's Performance measures (KPIs) are currently in transition and will be monitored in view of the impact of Covid-19:</p> <ul style="list-style-type: none"> • Operational KPIs continue to be monitored locally, where these are considered to add value. • Major Income Streams (formerly 'high risk income') PIs continue to be circulated monthly to senior management and Cabinet members • Our Plan Action Plan monitoring will commence in due course (per C above) <p>✓ Chelmsford Policy Board (joint Members and Officer) Working Groups are set to oversee implementation of the dedicated strategies and actions plans they have developed during 2019/20, recommending interventions to Cabinet as necessary.</p> <p>✓ Appropriate governance arrangements are in place, or planned, to oversee specific elements of the new Local Plan e.g. Chelmsford Garden Village Delivery Board (established June 2019).</p> <p>✓ A suite of risk indicators (KRIs) is being developed, as suitable risk information sources become available, to support and inform risk prioritisation and treatment.</p>

Good Governance Principle	Chelmsford Council Key Elements 2019/20
<p>Principle E</p> <p>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 2020/22/ Organisational Development Strategy 2020 sets out how the Council will develop and utilise its workforce to meet Our Chelmsford, Our Plan objectives. ✓ Leadership and Management Training, based around conversational leadership, was rolled out to all Service Managers and Team Leaders during 2019. ✓ The Council's wider training offer is scheduled to be refreshed in April 2020, including full alignment with the new corporate values and behaviours. ✓ A comprehensive member induction and training programme commenced in May 2019, with further sessions set out in individual Committee work programmes. ✓ 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 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.
<p>Principle F</p> <p>Managing risks and performance through robust internal control and strong financial management</p>	<ul style="list-style-type: none"> ✓ The Council's Risk Management Strategy (reviewed by Audit & Risk Committee in May 2020) recognises that risk management is an integral part of Council activities ✓ Central to the risk framework is the identification and management of the Council's Principal Risks, 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. ✓ The Internal Audit Annual Report to Audit & Risk Committee confirms that an effective internal audit service is resourced and maintained ✓ The Council Principal Risks and Internal Audit Plan are aligned the Our Chelmsford, Our Plan objectives

Good Governance Principle	Chelmsford Council Key Elements 2019/20
	<ul style="list-style-type: none"> ✓ In their Scrutiny role defined by the Constitution, Overview & Scrutiny Committee has proposed, during 2019/20, to take a deep dive approach to performance, reviewing Council activities, including local performance measures, on a Directorate by Directorate basis. ✓ The Chief Financial Officer makes regular reports to Cabinet on the financial position, budget setting and monitoring, medium-term forecasts, the annual report and statement of accounts and any other financial matters as necessary. ✓ The Council’s financial management arrangements conform to the governance requirements of the 2016 CIPFA Statement on the Role of the Chief Financial Officer in Local Government. ✓ The Council’s approach to counter-fraud is informed by the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014) and self-assessed at least every two years (most recently, March 2019) using the 2016 Fighting Fraud & Corruption Locally Checklist. ✓ 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). ✓ 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. ✓ 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>Principle G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability</p>	<ul style="list-style-type: none"> ✓ 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. ✓ The Annual Governance Statement is jointly prepared by the Chief Financial Officer and the Monitoring Officer, presented to the Leader and Chief Executive, approved by Joint Audit & Risk and Governance Committee and published alongside the Statement of Accounts.

Good Governance Principle	Chelmsford Council Key Elements 2019/20
	<ul style="list-style-type: none"> ✓ Governance Committee, Audit & Risk Committee, and Overview & Scrutiny Committee report annually on their work to full Council. ✓ The Council conforms, in all material respects, to the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. ✓ 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.

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 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** that is reported monthly to senior managers, quarterly to Management Team and six-monthly to Cabinet.

3.5. The outcome of the review is presented in 3.9 below, which detail areas for improvement during 2020/21.

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 2018-19 was Moderate Assurance.
- The work undertaken during 2019-20 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 2020, 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 have been closely monitored through follow-ups in 2020/21. Further detail on audit outputs is provided in the Internal Audit Annual Report.
- *However, it should be noted that this opinion is based on work completed prior to the Council's response to Covid-19. The inevitable changes to processes and procedures during the C.19 response phase, may have impacted on the Council's usual control framework and increased the Council's exposure to risk, loss and fraud. However, Internal Audit are working closely with Risk Management to monitor the management of these risks and provide assurance/advice where required and adapted the audit plan for 2020 accordingly to ensure any emerging risks are captured and reported accordingly.*

3.8. External Audit and Inspectorates

- The annual external audit produced an unqualified opinion in 2019/20 on both the Statement of Accounts and the Council’s use of resources, with no material misstatements identified and only immaterial unadjusted misstatements remaining.

3.9. Review of Actions from 2018/19 Annual Governance Statement

Significant issue identified in 2018/19 AGS	Action taken in 2019/20 to address the issue
<p>Digital Strategy</p> <ul style="list-style-type: none"> • <i>Close monitoring whilst the project continues</i> • <i>Anticipating any future issues</i> 	<p>All previous recommendations made by the External Auditors have been implemented, as this year’s unqualified audit opinion confirms. Digital Services is, subject to Covid-19 constraints, operating as business as usual under the new platform. The new Digital Portfolio Office promotes engagement with Services and ensure that the Council takes full advantage of the new digital platform. Governance arrangements were devised in consultation with Accountancy, Internal Audit and Procurement. Internal Audit follow up undertaken August 2020.</p>
<p>New Riverside Leisure Centre performance monitoring</p> <ul style="list-style-type: none"> • <i>Monitoring visitor numbers and bookings to see if the forecasted income revenue will be delivered.</i> 	<p>An interim 6-month performance review for Riverside was circulated to all councillors in January 2020. A Task and Finish Group established by the Overview and Scrutiny Committee is undertaking a Riverside Project Evaluation. A performance review of Leisure and Heritage Services [to include Riverside] was considered at Overview and Scrutiny Committee in 2020.</p>
<p>New Corporate Plan performance monitoring</p> <ul style="list-style-type: none"> • <i>Close monitoring by management team whilst the new corporate plan continues to be implemented.</i> 	<p>Our Chelmsford, Our Plan actions, currently monitored through SharePoint are expected to be tracked through the new TechnologyOne Performance Planning module, although implementation may be delayed due to the Covid-19 pandemic. Regular reporting is expected to begin once the Council returns to business as usual. Additional scrutiny will be provided by a Deputy Cabinet Member specifically assigned to oversee Our Plan implementation.</p>
<p>Cabinet Members reporting to Overview and Scrutiny Committee</p>	<p>In their Scrutiny role defined by the Constitution, Overview and Scrutiny Committee proposed to take a deep dive approach to performance, reviewing</p>

Significant issue identified in 2018/19 AGS	Action taken in 2019/20 to address the issue
<ul style="list-style-type: none"> • <i>Feedback from the Overview & Scrutiny Committee as to whether this is beneficial.</i> • <i>Feedback from the Monitoring Officer and Director of Corporate Services on how this is progressing</i> 	<p>Council activities, including local performance measures, on a Directorate by Directorate basis; however, the Cabinet Member aspect of this was initially delayed by the Covid-19 pandemic. The work has continued throughout 2020/21 and the Committee will hear from each Cabinet Member.</p>
<p>Cyber Security</p> <ul style="list-style-type: none"> • <i>Implementation of Cyber Security strategy and ongoing monitoring of cyber security risk</i> 	<p>Significant investment has been made during 2019/20 in terms of policy development and a suite of policies was rolled out to staff and Members through metacompliance and supported by mandatory online cyber awareness training for all staff. Ongoing monitoring and management of security incidents and events continues at operational level, with wider digital services risks and issues continuing to be tracked and monitored. Discussions are underway to bring together existing data sources to determine whether an asset-based cyber risk assessment can be compiled which will meet the Council's needs.</p>

3.10. Areas for improvement or monitoring during 2020/21:

Key improvement/ review area	Action to be taken in 2020/21	Responsible Officer
<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 	<ul style="list-style-type: none"> • Continuous monitoring of impacts/ changes during Covid-19 Response Phase. • 'Lessons Learnt' Review – post Covid-19 	<p>As delegated by Management Team</p>

Key improvement/ review area	Action to be taken in 2020/21	Responsible Officer
<ul style="list-style-type: none"> • 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 ○ Identification of new risks/escalation of existing risks 		
Overview and Scrutiny role – performance management	Continuation from 2019/20. Cabinet Members to attend Overview and Scrutiny meetings as part of their role in reviewing Council activities and local performance measures.	Legal and Democratic Services Manager
RIPA (Regulation of Investigatory Powers Act)	Review of Policies and Procedures	Legal and Democratic Services Manager
Capital and Investment Strategy	To review the monitoring approach of the Council’s Capital and Investment Strategy (via the Treasury Management Sub Committee).	Director of Finance
Corporate Governance Group Trial	To trial the development of a Council-wide Corporate Governance Group in order to monitor the effective development and operation of corporate governance arrangements in the Council and to regularly review and monitor compliance with the council’s Local Code of Corporate Governance.	Director of Finance/ Legal and Democratic Services Manager

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

Signed.....

Director of Financial Services

Date: 2021

CHELMSFORD CITY COUNCIL

AUDIT OF ACCOUNTS 2019/20

NOTICE OF LATE PUBLICATION

The Council's final statement of accounts will not be published by the deadline of 30th November 2020 required by Regulation 10 paragraph (1) of the Accounts and Audit regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. Our external auditors, BDO LLP, were unable to complete their audit in time for the publication deadline, as it is taking longer than anticipated to complete the outstanding matters reported to the Audit Committee on 25th November 2020.

This notice is issued under Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

The final audited accounts will be published as soon as available, following the conclusion of the external audit and approval of the accounts.

Dated 30th November 2020

Amanda Fahey
Director of Financial Services

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE



CHELMSFORD CITY COUNCIL

Annual Audit Letter

Year ended 31 March 2020

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EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we carried out in respect of the year ended 31 March 2020.

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 auditors and 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.

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

- Our opinion on the financial statements; and
- Whether the Council have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

BDO LLP

7 June 2021

Audit conclusions

Audit area	Conclusion
Financial statements	Unqualified opinion, with an emphasis of matter in respect of the valuation of land and buildings and the valuation of pooled property assets within the pension fund, due to a material uncertainty included in the final valuation report by the valuers of these assets. Issued on 18 May 2021.
Use of resources	Unmodified conclusion issued on 18 May 2021.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

FINANCIAL STATEMENTS

Audit conclusion

We issued our audit report on 18 May 2021.

We issued an unqualified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and income and expenditure for the year
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting 2019/20.

Final materiality

Final materiality was calculated at £3,370,000 based on a benchmark of 2% of gross expenditure.

Material misstatements

We identified two material misstatement in the Council's financial statements:

- Cash inflows and outflows associated with purchases of and proceeds from investments were shown net on the face of the cash flow statement for both 2018/19 and 2019/20. These cash flows should have been shown gross. The associated amounts are shown below:
 - 2018/19
 - Cash Inflows - £92,554,000
 - Cash outflow - £67,499,000
 - 2019/20
 - Cash Inflows - £51,555,000
 - Cash outflows - £50,014,000

- Amounts shown against 'Other capital cash payments' on the face of the cash flow statement for both 2018/19 (£4,875,000) and 2019/20 (£2,618,000) should have been included within the amount shown against 'Buying non-current assets'.

Management amended the financial statements for these audit differences. There was no impact on the total value of the cash and investment balances held by the Council.

Unadjusted audit differences

We identified audit adjustments, the net impact of which, if posted, would decrease the net deficit on provision of services for the year by £552,000.

We reported these audit differences and the Audit and Risk Committee accepted management's decision not to amend the Statement of Accounts for these differences because the impact was not material.

FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
<p>Management override of controls</p> <p>Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls</p>	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction• Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias• Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.	<p>We used our data analytics tools to inspect journals processed throughout the year and as part of the financial reporting close process for any unusual transactions.</p> <p>We identified a number of journal entries that we considered to be high risk. All were agreed to supporting documentation, with appropriate explanations obtained for all journals identified.</p> <p>We assessed and corroborated significant management estimates and judgements in the following key areas:</p> <ul style="list-style-type: none">• Valuation of land and buildings• Pension liability• Non-domestic rates appeals provision• Depreciation/Amortisation <p>We found no evidence of management override or bias for these estimates.</p> <p>Our review of unadjusted audit differences did not identify any indications of bias or deliberate misstatement.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Revenue Recognition</p> <p>Auditing standards presume that income recognition presents a fraud risk.</p> <p>For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of revenue grants which have conditions attached.</p>	<p>We tested an increased sample of grants subject to performance conditions to confirm that the conditions of the grant had been met before the income was recognised in the Comprehensive Income and Expenditure Statement.</p>	<p>We tested a sample of:</p> <ul style="list-style-type: none">• items that had been credited to services• items credited to taxation and non specific grant income <p>The correct accounting treatment had been applied dependent upon the status of conditions attached to the grant.</p>
<p>Expenditure cut off</p> <p>For public sector bodies the risk of fraud related to expenditure is also relevant.</p>	<p>We checked that expenditure is recognised in the correct accounting period by substantively testing expenditure around year-end.</p> <p>We used a lower sample selection threshold for testing than we would if the risk had not been significant.</p>	<p>We substantively tested expenditure transactions throughout the year and around year end to check that expenditure is recognised in the correct accounting period, is classified correctly and accurately recorded.</p> <p>Our audit work did not identify any issues.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Valuation of non-current assets</p> <p>The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.</p>	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> • Reviewed the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert • Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage • Reviewed the accuracy and completeness of information provided to the valuer, such as rental agreements and sizes • Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets • Followed up on valuation movements that appear unusual • Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remained materially correct. 	<p>From our review of the instructions provided to the valuer and our assessment of the expertise of the valuer, we satisfied ourselves that we could rely on their work.</p> <p>We were satisfied that the valuation of the Council’s non current assets was completed appropriately and materially accurate.</p> <p>The valuer included a material uncertainty statement in their final valuation reports in respect of the year-end valuations, in light of circumstances surrounding coronavirus. We included an Emphasis of Matter in our audit report to highlight this uncertainty.</p>

FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Valuation of Pension Liability</p> <p>The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty</p>	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Agreed the disclosures to the information provided by the pension fund actuary• Reviewed the competence of the management expert (actuary)• Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data• Reviewed the controls in place for providing accurate membership data to the actuary• Contacted the pension fund auditor, requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data• Checked that any significant changes in membership data had been communicated to the actuary.	<p>No issues were found in assessing the competency of managements experts, or, in the agreement of disclosures to the information provided by the actuary.</p> <p>We compared the key financial and demographic assumptions used by the actuary, to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO. We considered that the assumptions and methodology used by the Pension Fund actuary were appropriate.</p> <p>We obtained assurance from the auditors of the Essex Pension Fund over the controls in place for providing accurate membership data to the actuary and the testing of that data.</p> <p>The pension fund auditor has confirmed in their assurance letter that the valuation of property assets has been reported on the basis of ‘material valuation uncertainty’ in light of circumstances surrounding coronavirus. We included an Emphasis of Matter in our audit report to highlight this uncertainty.</p>

USE OF RESOURCES

Audit conclusion

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risk that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
The Council will need to deliver savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.	We carried out the following planned audit procedures: <ul style="list-style-type: none">• Reviewed the assumptions used in the MTFs;• Reviewed the delivery of the budgeted savings in 2019/20 and the plans to deliver identified savings for 2020/21.	<p>The Council reported an overspend against budget of £2.164 million for 2019/20. The Council has taken action to rebase budget areas which have experienced significant overspends in recent years to ensure they align more realistically with pressures faced by the services affected.</p> <p>The February 2020 medium term financial strategy (MTFS) forecast that the Council would be able to maintain its usable revenue reserves, comprising the general reserve, earmarked reserve and contingency reserve, at a consistent level during the period to 2022/23. The combined level of balances on the general and contingency reserve throughout this period meet the recommended level proposed by the Director of Financial Services of approximately 5% of gross expenditure (£7 million).</p> <p>Members were presented with an updated MTFs in July 2020, which reflected the impact of Covid19 on the Council's finances. At the point the updated MTFs was prepared, the Council estimated the cost of the pandemic in 2020/21 to date to be £9.5 million after allowing for government support received by mid-June 2020. The Council's scenario planning forecast a best case scenario budget gap of £3.2 million for 2021/22 and a worst case of £9.2 million.</p> <p>We are satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the Council's use of its resources.</p>

REPORTING AND FEES

Fees summary

	2019/20	2018/19
	£	£
Audit fee	£TBC	£46,985
Audit fee - PSAA scale fee	£46,985	£46,985
Proposed Amendment	£TBC ¹	-
Non-audit assurance services (Fees for reporting on Government grants)	£TBC	£16,800
Housing benefit subsidy claim	£TBC ²	£16,800
Total fees	£TBC	£63,785

¹ The 2019/20 planned Code fee is the PSAA-published level. The Scale is based on the historical position from 2012/13 and so does not reflect any of the changes in audit scope and depth linked to current audit requirements for property or plant and equipment or pensions liability valuation work. Our 2019/20 audit is now complete and we will hold discussions with officers regarding the proposed amendment. We will provide an update to the next Audit and Risk Committee in September 2021.

The fee variation will require approval from PSAA.

² The Council has completed initial testing of a sample of benefit claims to support our work on the housing benefits subsidy claim. This has identified a number of errors requiring additional testing to be performed. The amount of additional fee incurred as a result of the errors identified will be confirmed following completion of our work.

Communication

Communication	Date (to be) communicated	To whom
Audit Planning Report	20 May 2020	Audit and Risk Committee
Audit Completion report	25 November 2020	Audit and Risk Committee
Annual Audit Letter	16 June 2021	Audit and Risk Committee

FOR MORE INFORMATION:

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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. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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