

Chelmsford City Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP



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Public Sector Audit Appointments Ltd (PSAA) have issued a "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a laptop, a calculator, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Chelmsford City Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 27 September 2017
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 September 2017

In January 2018 we will also issue a report to those charged with governance of the Council summarising the claims certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Debbie Hanson

Associate Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 22 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

A blurred office desk with a laptop, glasses of water, and financial documents. The scene is brightly lit, likely from a window with blinds in the background. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Financial Statement Audit'.

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 28 September 2017.

Our detailed findings were reported to the 27 September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested journals that met our criteria and agreed these to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. Our work on the property valuations focused on verifying and critically challenging the basis of valuation adopted by the valuer in relation to the Council's property, in particular for specialist assets which are valued on a depreciated replacement costs basis. We engaged our Internal specialists to review a sample of assets and gained sufficient assurance that the values reported in the financial statements were not materially misstated.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p>

<p>requirements to be capitalised.</p>	<p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>
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Other Key Findings	Conclusion
<p>Valuations - reliance on experts</p> <p>We identified two areas in our Audit Plan where we place reliance on experts; pensions and property valuations. These areas are both highly material balances in the Council's accounts which are based on estimates and professional judgement.</p> <p>In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.</p> <p>We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area.</p>	<p>Pensions: We have assessed and are satisfied with the competency and objectivity of the Council actuaries: Barnet Waddingham. Our own pension team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and conclude we can place reliance on them. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We noted however that the methodologies used to derive the discount rate and RPI inflation assumptions do not take adequate account of the specific duration of the scheme's liabilities. Although we concluded that these issue did not lead to a material misstatement of the pensions liabilities in the 2016/17 accounts, in future years, this could lead to unacceptable assumptions.</p> <p>Property valuations: We are satisfied that the Council's valuers, Wilks Head & Eve, have the necessary qualifications and experience. We engaged our internal valuation specialist to review and critically challenge the basis and method of valuation adopted for a sample of assets, including particularly specialised assets which are valued on a depreciated replacement costs basis. We have concluded that there are elements of the Specialist's approach to valuation which are not consistent with UK valuation practice, given the characteristics of the properties being valued and considering the facts and circumstances at the valuation date. For most of the properties we reviewed we concluded that the value appears to be in a reasonable range albeit at the upper end. The value for Riverside Ice and Leisure Centre has however been overstated and as a result falls outside of the reasonable range by £386k. We have concluded that this difference is not material. We have considered the potential impact of these issues on the remainder of the Council's property, plant and equipment balance and have concluded that the overall valuation estimate is not unreasonable.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined materiality to be £2.86 million (2016: £1.697 million), which is 2% of gross expenditure reported in the accounts. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £143,190 (2016: £113,123).

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits:
- Related party transactions;
- Member's allowances.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is dramatic, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Value for Money".

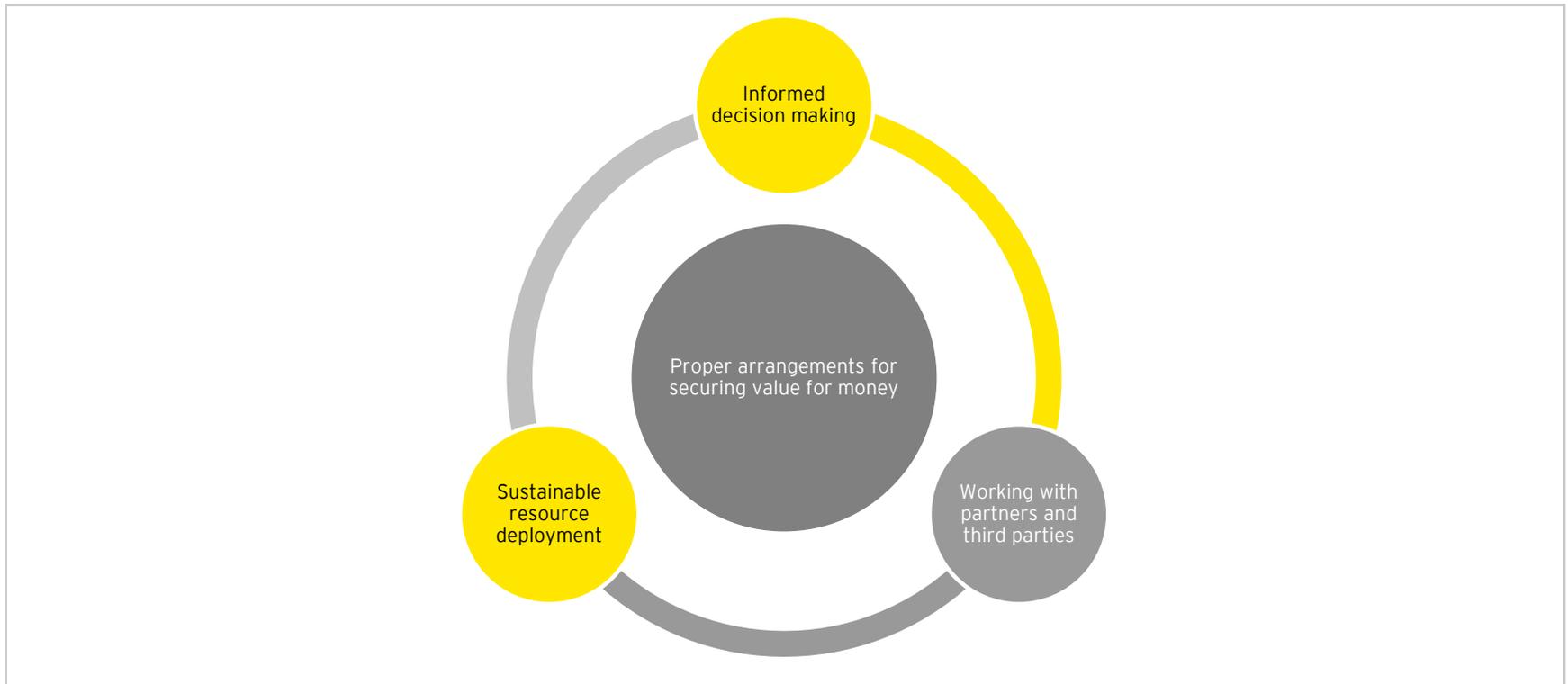
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We have performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We therefore issued an unqualified value for money conclusion on 28 September 2017.

As part of our risk assessment we noted that the Council's July 2016 Medium Term Financial Strategy (MTFS) highlighted a cumulative budget gap of £4.9 million by the end of 2021/22. In addition, it noted that the Council's capital programme was anticipated to result in the need for the Council to borrow in 2019/20 for the first time since 2002 to fund the programme. The July 2016 MTFS also included New Homes Bonus Grant of just under £1 million over the two years to 2018/19. The Council recognises that there could be significant changes to this funding in future years. The MTFS therefore recommended that any New Homes Bonus currently supporting Council tax is removed over the period 2017/18 to 2018/19 and new contributions are used to support future capital schemes. The updated July 2017 MTFS includes a slightly reduced budget gap of £4.8 million by then end of 2021/22, with this figure increasing to £5.8 million by the end of 2022/23. The MTFS also notes that adoption of the financial strategy, which includes measures to alleviate the need to borrow, such as allocating New Home Bonus to funding capital schemes, means it should be possible to avoid borrowing beyond 2026. The Council is developing plans to address the future budget gaps, has a good record of delivering to budget and has adequate levels of reserves. Key partners are identified in the Council's strategic risk register and there is evidence of the Council engaging with key strategic partners including other local authorities, the voluntary sector, Network Rail, the South Essex LEP and local business groups.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 27 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are behind the lenses, and their hands are visible holding the device. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> ▶ Issued a thought piece on early closedown ▶ As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales ▶ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. ▶ Arranged an early closedown workshop in October 2017. <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> ▶ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations ▶ Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure.
<p><i>IFRS 9 Financial Instruments</i></p>	<p>This standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured 	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets

Area	Issue	Impact
	<ul style="list-style-type: none"> ▶ How the impairment of financial assets are calculated ▶ Financial hedge accounting ▶ The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<ul style="list-style-type: none"> ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items. <p>The Authority is awaiting clarification of the exact requirements before investing time in the above work.</p>
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Authority is has yet to commence work in this area due to the timing of implementation.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 22 March 2017 Audit Plan.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee - Code work	64,620	61,020	61,020	61,020
Total Audit Fee - Certification of claims and returns	To be confirmed*	19,275	19,275	16,634

In 2016/17 we have proposed an additional fee of £3,600 in respect of additional procedures relating to Property, Plant and Equipment and Investment Property Valuations.

*We have not yet completed our audit of the 2016/17 housing subsidy claim and therefore are not able to confirm the final fee for 2016/17.

The scale fee variations have not yet been agreed with management and are subject to PSAA approval.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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Annual Governance Statement 2016/2017

Chelmsford City Council

1.0 Our responsibilities

- 1.1 We have a duty under the Local Government Act 1999 to make arrangements that ensure we continuously improve the way we work in terms of economy, efficiency and effectiveness. This includes a responsibility to ensure that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 1.2 To fulfill this responsibility, we have put in place arrangements for the governance of our affairs and carrying out our functions, which includes arrangements for managing risk.
- 1.3 We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 Edition)*. A copy of the code is on our website [here](#).
- 1.4 This Annual Governance Statement (AGS) sets out the specific aspects of the Code that were reviewed during 2016/17. It also meets the requirements of regulation 6(1) & (2) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2.0 Our Governance Framework

- 2.1 The Governance Framework is made up of:
 - the systems, processes, culture and values by which the Council is directed and controlled, and
 - the Council's activities, through which it accounts to, involves, works closely with and leads the community.
- 2.2 The Framework enables us to monitor how far we achieve our strategic objectives and to consider whether those objectives have led us to provide 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 our policies, aims and objectives, so it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
 - identify and prioritise the risks to us of achieving our policies, aims and objectives
 - evaluate the likelihood of those risks happening and the effects if they do occur, and
 - manage those risks efficiently, effectively and economically.
- 2.4 The following diagrammes indicate our established governance framework and how this is then monitored. The remaining sections of this statement describe the key elements of the systems and processes that make up our governance arrangements, which have been in place for the year ended 31 March 2017 and up to the date of the approval of this Statement and the Statement of Accounts.

Council's Governance Framework:

Suite of Documents dealing with the Council's approach

- Council Vision and Priorities
- Budget and Budgetary Control
- Risk Management
- Anti-fraud and Corruption Strategy
- Business Continuity
- Fire risk assessment
- Policies, procedures, Codes of Conduct
- Partnership Protocol
- Code of Corporate Governance and Annual Governance Statement

Corporate Officer Group

- Responsible for drafting Annual Governance Statement, maintaining assurance framework and supporting evidence.
- Reporting the Annual Governance Statement to the Governance and Audit Committees for approval in June each year.

Governance Committee

- Approve and monitor the Council's Code of Corporate Governance statement
- Review and approve for publication the Council's Annual Governance statement (Jointly with the Audit Committee)
- Oversee the Council's arrangements for dealing with complaints including complaints under the Code of Conduct for Councillors, to the Local Government Ombudsman and the Annual Whistleblowing report
- Review of the Constitution and governance rules and arrangements

Audit Committee

- Monitor the Council's revenue budget
- Monitor the Council's capital programme
- Monitor effectiveness of Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements,
- Review the assessment of fraud risks and potential harm to the Council from fraud and corruption,
- Approve Internal Audit's strategy, resources, risk based plan and significant interim changes to the plan, and performance,
- Monitor Internal Audit's work

Processes to Ensure Good Governance is monitored

<u>First Line of Defence</u>	<u>Second Line of Defence</u>	<u>Third Line of Defence</u>	<u>Fourth Line of Defence</u>
Operational Delivery	Legal, regularity, information and security assurance etc;		
Assurance by Managers and Directors	Budgetary Monitoring	Internal Audit	External Audit
Performance Management and data quality	Strategic Risk Board		

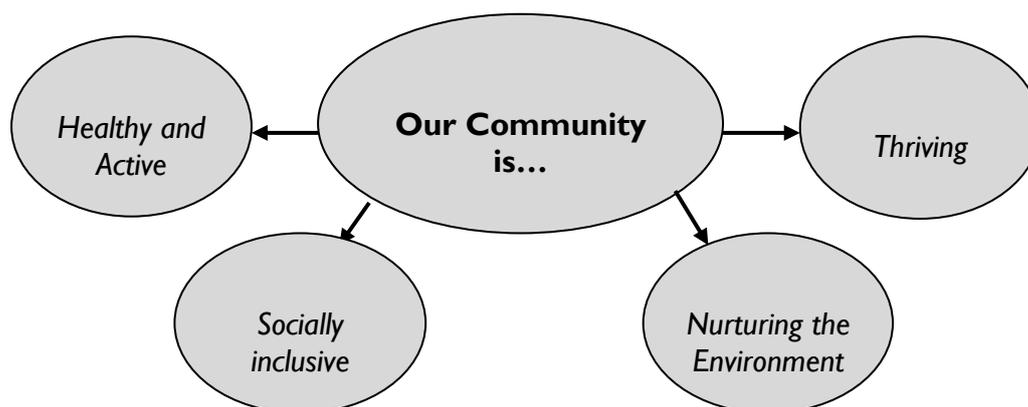
3.0 **The Council's Vision**

- 3.1 The City Council's long-term vision for Chelmsford is to enhance the economic, cultural, leisure and retail heart of Essex and to become a leading regional centre in the East of England. This vision was agreed by the Council and its partners and together we have made great strides towards achieving it. The Council's Corporate Priorities in its Corporate Plan were developed by Cabinet and Management Team through consultation with residents and key partners.
- 3.2 The Corporate Plan recognises the challenges and opportunities we face and sets out how we will achieve our ambitious vision for the city. It is themed on 'People' and 'Place' and sets out the following six key priorities for Chelmsford and its residents:

Attracting investment and delivering infrastructure	Promoting a more sustainable environment
Facilitating suitable housing for local needs	Promoting healthier and more active lives
Providing high quality public spaces	Enhancing participation in cultural activities

- 3.3 Under each of the Corporate Priorities we have adopted a number of key objectives and actions to enable us to achieve and track how we are progressing against each corporate priority. For example, to achieve the overall vision, there is:
- A corporate priority to 'attract investment and deliver infrastructure'.
 - Below these there is an objective to make the City Centre more attractive; and
 - Actions are also identified to carry out specific work in the City Centre that together will deliver the wider objectives.
- 3.4 Overall responsibility for delivering our Corporate Plan vision, sits with the Council's Cabinet Members and Directors, who have the responsibility for delivering individual actions assigned to individual officers. Officers have the capability of monitoring progress on a continual basis using our performance system called Covalent. Covalent links together all the information from our performance framework (such as the Corporate Plan, Strategies, Team plans and Individual Performance targets). The information contained within the Corporate Plan evolves as actions, projects and performance indicators are completed and new ones are formed.
- 3.5 Alongside the Corporate Plan sits the Community Plan (Chelmsford Tomorrow 2021). The Community Plan provides a framework for "One Chelmsford" by focusing on areas that require input from a range of partners. The plan looks at joining up services, filling any gaps created by organisations working in isolation and to achieve outcomes and better value for money.

The key priorities of the Community Plan:



3.6 To communicate the Corporate Plan and vision, we publish our Annual Report and Statement of Accounts, and an annual Medium Term Financial Strategy. We also extensively use our website and newspaper “City Life” to keep residents informed throughout the year.

4.0 Assessment of the Effectiveness of key Elements of the Governance Framework

4.1 We focus on delivering services against the priorities set out in our Corporate Plan. We prioritise where we should allocate resources depending on how appropriate they are for these themes. Risk management arrangements are reviewed to ensure areas of highest risk are mitigated appropriately. The Council has shown that its performance has improved consistently through target-setting and improvements to service delivery.

4.2 We have an overall framework for managing performance throughout the Council. Performance is reviewed and challenged in various ways Examples for this year are as follows and details of what was reported and when can be found in the links in **Appendix A**:

4.2.1 The latest performance information is accessed via Covalent. This system allows staff to access and update information relating to the progress of actions, projects and performance indicators. All performance reports are automatically generated from Covalent. During 2016/17 Covalent has been transitioned to a web based version for some uses and is being used for some project work which provided an improved platform for key users. All risk information for assurance purposes is reported from Covalent to the Strategic Risk Board.

4.2.2 Directors regularly meet their Cabinet Member to discuss progress against their service plans

4.2.3 Performance reports are reviewed regularly by Management Team and by the Overview and Scrutiny Committee.

4.2.4 Directors meet regularly with the Chief Executive to discuss performance and progress against their action plans.

4.2.5 PPA (Personal Performance Appraisal) – The overall objective of the appraisal scheme is to help each employee to maximise their performance for the joint benefit of the employee and the Council. It also provides the line manager with a forum to

communicate the aims and future direction of the council and service area and to manage the performance of the individuals within their service area.

4.3 The quality of our services is also assessed through satisfaction surveys and customer feedback. Significant examples for this year are set out below and included in **Appendix A**.

4.3.1 Customer Service awards – The Customer Service Award Panel meets every three months to review all the nominations that have been submitted. The panel includes; the Council’s Cabinet Member for Corporate Services, the Director of Corporate Services, the Customer Services Manager, the Chief Officer of Chelmsford Volunteering Service and two members of the Citizen Panel. Employees can be nominated for a variety of reasons, including ‘going the extra mile’ and ‘dealing well with a challenging situation’.

4.3.2 Staff Survey – This measures employee engagement and organisation climate indicators and gives an opportunity for an employee to feedback on their experiences of working for the Council to highlight issues they feel should be addressed in the future. This feedback is acted upon and is a tool to support employee engagement which in turn has a direct effect on the community we serve as engaged staff are far more likely to engage positively.

4.3.3 Continuous improvement – the Council ensures this by the Senior Management Team identifying areas of the organisation which could be more effective or benefit from undergoing a review. Directors are responsible for the reviews undertaken within their service areas and report findings from the reviews back to the Senior Management Team before change is implemented examples of which are included in **Appendix A**

4.3.4 Investors in People Gold (IiP) - This was awarded in 2014 and successfully reaccredited in October 2016. It indicates the highest level of achievement in developing staff and continues therefore to create better resources to deliver services to the public.

4.4 The Council has continued to apply the principles accepted and externally validating the Council’s approach to its performance, which took place in November 2013. The very positive feedback from the LGA Peer Review, included:

“In every other review, even in very good councils, we have found some service areas that were in need of improvement. At Chelmsford all areas were performing well.”

“This is a council that stands out – including how it performs the way it looks after its people, how it works with others, its leadership on issues beyond Chelmsford and the magnitude of the growth agenda.”

“Chelmsford is very much seen as the ‘go to’ council by others locally in terms of support and advice. When something needs doing amongst councils, Chelmsford is invariably at the forefront, demonstrating leadership and willingness to help. It is recognized nationally as a good council to draw learning from.”

4.5 Examples of the work undertaken in accordance with these principles in 2016/2017 are:

4.5.1 Riverside development- including a bid for Sport England funding

4.5.2 Joint working on traveller incursions by joining the Essex Wide Traveller Joint Committee with Essex County Council, and a number of other Essex local authorities, the Police and Fire service, for more effective use of resources.

- 4.5.3 Joint working on the Museum's strategy and lottery funding to deliver improvements with two other Councils.
- 4.5.4 Joint working on council tax recovery data sharing with Essex authorities
- 4.5.5 Joint working through the Local Government Association on a number of claims that are of national relevance such as recovery of land charges fees.
- 4.5.6 Use of Local Government Association resources to assist with preparation of our approach to increasing temporary housing as well as the overall strategy to identify how housing delivery can be improved in the City's area
- 4.5.7 Review of the Local Plan, including work with neighbouring authorities on infrastructure issues that cross the boundaries.

5.0 Roles and Responsibilities for the Development and Maintenance of Our Governance Arrangements

- 5.1 Our Constitution clearly sets out the roles and responsibilities of the Cabinet (Executive), Committees approved by full Council and other bodies where Councillors have a decision making role. The Executive functions are the responsibility of the Leader of the Council who has adopted a scheme that all decisions will be taken by the Cabinet and no individual responsibilities have been granted to individual Councillors.
- 5.2 The Constitution also sets out officers' responsibilities for operational and financial matters. Financial Rules that form part of the Constitution define the financial responsibilities. There is a comprehensive scheme of delegating functions to officers, which sets out the scope of delegation and any restrictions.
- 5.3 The various Codes of Conduct for Councillors and officers and the Councillor/Officer Protocol ensure that roles and responsibilities are defined and understood. The protocol describes and regulates the way Councillors and officers should work together effectively.
- 5.4 Major parts of the Constitution were reviewed in 2016/17, namely:
 - 5.4.1 The Petition Scheme - Part 4.3
 - 5.4.2 Recording of Meetings - Part 4.7
 - 5.4.3 Officer Employment Rules, including the introduction of Terms of reference for the Employment Committee and Employment Appeals Committee - Part 4.8
 - 5.4.5 Financial Rules - Part 4.9
 - 5.4.6 Contract Procedure Rules - Part 4.10
- 5.5 An innovative approach was adopted to add on-line links to other documents and, in particular, "Practice Notes" (PNs) which set out guidance and advice that are not a part of the Constitution but explain how aspects of it should be interpreted or used. Those introduced in 2016/17 were:
 - 5.5.1 Articles of the Constitution - Part 2
 - Financial Limits for Decisions to be Taken
 - 5.5.2 : Functions & Responsibilities - Part 3
 - Definition of Proper officers
 - List of Designated officers
 - 5.5.3 Code of Conduct for Councillors - Part 5.1
 - What to Disclose as Registerable Interests
 - Guidance on the Use of Social Media by Councillors

- 5.5.4 Planning Code of Corporate Governance Part 5.2
- Process for dealing with Planning Applications delegated to the Director of Sustainable communities
 - Councillor Meetings with Applicants, Developers, Objectors and Supporters
 - Planning Committee Site Visits
- 5.6 Approval of the changes were discussed with the Cabinet, Planning and Governance Committees before being agreed at Full Council. Details of the approval process is captured in **Appendix A**.
- 5.7 The roles and functions of the key officers and Committees responsible for Governance monitoring are set out in Part 3 of the Constitution. Details can be accessed [here](#).

6.0 Core principle A: Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

General Principles

- 6.1 The Review of the Council's Constitution continued in 2016/17 as referred to in section 5 above. Those changes introduced were considered by Councillors at various stages before formal adoption by Full Council. All these changes directly address the way in which Councillors and Officers are expected to behave and are available through the Council's website for easy access to those engaging with the Council. This ensures that the rules under which the Council operates are up to date and reflect the latest legislative provisions for example the Contract Procedure Rules.
- 6.2 We aim to ensure that Councillors and senior officers have the skills, knowledge and capacity they need to fulfil their responsibilities. We recognise the value of well trained, competent people in effective service delivery as employees play an important role in delivering change. Our People Strategy and associated Workforce Development Plan, which ensures we have those people, are linked to and integrated with our vision and priorities for the future, as set out in our Corporate Plan.
- 6.3 The adoption of the revised Employment Procedure Rules in Part 4.8 of the Constitution, and the new terms of reference for the Committees to deal with these in part 3.2, reflect the recent legislative changes for appointing or disciplining the Council's statutory Officers.
- 6.4 The Terms of Reference for all member Panels and Committees have been included in the Constitution. This reflects the importance placed on transparent decision making. Examples are:
- 6.3.1 Museum Lottery Bid Project Board
 - 6.3.2 Riverside Redevelopment Project Board
 - 6.3.3 Community Infrastructure Spending Panel
 - 6.3.4 ICT Strategy Board

Councillors

- 6.5 We regularly communicate these changes and particularly those related to Councillors' conduct to ensure they are understood. In 2016/17 examples of the briefings provided and the dates changes were introduced though formal adoption procedures are contained in **Appendix A**.
- 6.6 Two areas for training were specifically identified as requiring improvement in AGS for last year (referred to in **Appendix B** of this statement). These have been addressed by the issuing of

guidance for Councillors as set out in Section 5 above as well as the other Practice Notes that were approved in 2016/17.

Councillor Development

- i) As part of the Council's agenda to keep members fully informed of ongoing planning developments in the City, annual City tours are organised for members.
- ii) Group leaders are consulted as part of the training needs analysis exercise.
- iii) Political groups have a primary role in encouraging the talent of new Members, in particular encouraging representatives from all sections of the community to stand for election as Councillors.
- iv) Details of development events and activities are circulated to Councillors during the year, supplemented by online resources and e-learning modules. These include in house courses such as Ward Leadership, Working with the Media, Community Champions and Chairing skills as well as Local Government Association programme of events.
- v) Councillors are offered one-to-one support and a 'quick-fix' helpline for ICT, alongside appropriate committee training to enable them to fulfill their civic duties.
- vi) Councillors who serve on Committees receive training that is specifically geared to their role on those Committees.
 - a) Members who are part of the Overview and Scrutiny Committee also have the opportunity to be part of a 'task and finish' group, where they get a more detailed insight into key topics and the workings of the Council.
 - b) Members of the Audit Committee have chosen specific subjects e.g. internal audit in which they specialised by being allocated to an officer who provided the appropriate training.
- vii) New development sessions are also being explored and appropriately tailored to meet the needs of the first time elected Councillor.
- viii) Councillors receive regular updates on legislative and policy changes through "inform and debate" sessions of the Committee.
- ix) Ongoing training records for Councillors are maintained and reported as appropriate.
- x) The Council's Governance Committee is responsible for the duty in the Localism Act 2011 to promote and maintain high standards of conduct by members as well as managing the local standards regime overseeing the Council's arrangements for dealing with complaints and advising the Council on any requirements to help improve these areas. In 2015/16 no recommendations were required in relation to Councillor development.

Officers

- 6.7 Our Workforce Development Action Plan and Learning and Organisational Development Strategy both ensure that employees have opportunities to develop their skills and knowledge to keep up-to-date with the changing requirements of the Council and their role.
- 6.8 The Council's People Strategy and Workplace plan sets out the Council's plans on how it should creatively use its employees to meet its vision for the future of the city of Chelmsford, linking with the Council's Corporate Plan. It is recognised that all the Council's services are provided directly and indirectly through its employees in order to meet the strategic vision for the future. The Council must be able to recruit the right people with the right attitude, skills and expected behaviours to the right jobs, at the right time and at the right cost to enable delivery of excellent services in our community.

6.9 The Council has in place a set of values known as the Chelmsford Behaviours. These complement the Codes of Conduct and create a strong ethical framework for staff. These behaviours are reinforced for all managers attending the Managers of Chelmsford Tomorrow programme. Our appraisal framework is underpinned by our behavioral framework which sets out the standards of behaviour that is expected of all staff under the headings of communication, attitude, performance, fairness and adaptability.

6.9 The Council acknowledges the importance of its responsibilities under equality and diversity legislation. Managers are encouraged to attend our regular employment law update sessions that tend to cover employment law test cases, the majority of which are equality based. The importance of the Equality Act 2010 is made clear by including a standard requirement to consider the issues it raises in the Council's committee report template. The Council's website [page](#) sets out our responsibilities and priorities under equality and diversity and the Council's intranet [page](#) provides appropriate resources to support employees in managing this agenda. The Council has also identified resources to review this area in 2017.

New Starter Induction

6.10 Before commencing employment a successful applicant is required to read and sign key documents including the following:

- 6.11.1 Code of Conduct for Employees
- 6.11.2 Corporate Information Security Policy
- 6.11.3 Safeguarding Induction Booklet
- 6.11.4 Financial Rules
- 6.11.5 Whistleblowing Policy
- 6.11.6 Anti-Fraud and Anti-Corruption Policy

6.11 The Council acknowledges that most of its employees can be relied on to conduct themselves in an exemplary manner, irrespective of formal rules. However, in a large organisation such as the Council it is necessary for there to be a formal document in force which identifies conduct which is unacceptable to the Council as an employer; indicates the likely consequences of such conduct and provides a framework for managers and employees that helps ensure that the required high standards of job performance and conduct are met and maintained.

6.12 The Council is committed to promoting the welfare and protection of vulnerable groups and has a well-developed Safeguarding Policy. Disclosure and Barring Service checks are in place to ensure that the right people are hired and to minimise the risk to children, young people and vulnerable groups.

Officer Development

- i) We have an induction process that is continually reviewed to ensure it remains fit for purpose. A recent review has been concluded which provides managers with specific guidance to ensure employees receive a consistent and comprehensive local induction to the service and their role. The outcome of this change provides a more holistic approach to the induction process, moving away from the 'checklist' approach.
- ii) A new onboarding intranet page has been introduced to enable new appointees to gain greater understanding and the context in which they will be contributing prior to taking up their new position with the Council.

- iii) We are continuing to send our officers on the ‘Managers of Chelmsford Tomorrow’ (MCT) development programme which is devised to support employees in developing their management and leadership skills.
 - a) The Council recognises that it is important that employees are equipped with the skills to effectively deal with change. MCT programme includes a specific module on change management. The module provides employees with skills and techniques for use when implementing change.
 - b) To date about 180 staff have gone through the course. The programme is now open to all officers, enabling non-managerial staff with management potential to participate
 - c) The Council’s top management team have also gone through an adaptation of the ‘Managers of Chelmsford Tomorrow’ development programme.
 - d) We have introduced an Advanced MCT programme which builds on the foundation course and offers a much deeper understanding of the techniques covered at the foundation stage alongside new learning. Participants are awarded the NLP Business Practitioner Certificate on completion. We now have a set of qualified NLP Business Practitioners who act as internal coaches across the authority.
 - e) The learning and development (training) budget is held by Human Resources Department and each director is asked to provide details with estimated costs of their essential training needs including Health and Safety mandatory training and training identified through the service plan and the PPA process. These proposals are then presented to Management Team for approval

7.0 Core Principle B: How We Ensured Openness and Comprehensive Stakeholder Engagement with Individuals and Institutions

Ensuring Openness

- 7.1 As referred to in the section above the Council’s methods and processes for taking decisions are set out in its Constitution, and adopted plans and Strategies. However, these need to change over time to remain relevant. The review of the Constitution has improved the transparency of decision making by simplifying the structure, the use of plain English, greater consistency and introduction of Practice Notes to provide greater explanation and clarity.
- 7.2 The review of the Council’s website was predicated on the need to improve the user experience and was based on the change to mobile device access, which requires the information to be displayed differently. This process was completed on 6th February 2017.

How do we engage with our stakeholders?

- 7.3 The above changes for accessing our website is part of a wider aim to involve local people in shaping their area and the services they receive. Informing, consulting and working closely with residents is one of the key ways we interact with and involve local communities, giving them opportunities to gain a greater awareness and understanding of what the Council does, voice their views and influence Council decision-making. Consulting and involving residents is also vital in maintaining high customer satisfaction levels and strong democratic processes, empowering individuals and developing citizenship.
- 7.4 The Council has an established Consultation and Engagement Strategy. It guides our staff when they consult and engage with local communities, and is accompanied by a toolkit for staff,

providing practical information to help and guide them when involved in activities aimed at encouraging participation in Council work. Examples of how this is implemented are:

- 7.4.1 Community events - The Council organises a programme of these throughout the year to engage with all groups of the community, promote the work of the Council and signpost residents to relevant support and services. Events involve a wide selection of groups from the public and business communities and examples appear in **Appendix A**.
- 7.4.2 “The 3 Foot Festival” and “The Fling Festival” – These unique Chelmsford events were another annual success in summer 2016 and attracted 4,076 and 14,250 visitors respectively. The festivals in 2016 were affected by the adversely wet June which made the ground under foot extremely difficult – especially for 3 Foot. Despite this both events were successful and popular. We conducted consumer surveys and focus groups which defined some areas for improvements, the main examples being the bars and VIP areas which have been completely reviewed for 2017.
- 7.4.3 We are Chelmsford’ (WAC) event – The Council has organised these annually since 2013, when the idea was first suggested by Managers of Chelmsford Tomorrow Cohort group 14.
- i) The event aims to strengthen and promote a unified brand of Chelmsford City Council to residents and staff.
 - ii) It celebrates the excellence of Chelmsford with Chelmsford City Council at the heart through the use of a market-style event in the High Street where there is the opportunity to engage passers-by and share information with people that may otherwise be difficult to reach.
 - iii) In addition to the information market stalls, a number of activities are organised to coincide with the event.
 - iv) Work is currently being carried out to define how WAC should evolve to make more effective use of resources. It is likely that in future WAC will focus more on the exclusive elements such as behind the scenes tours and also develop to include other non-Council Chelmsford strategic facilities such as the Cricket ground, Anglia Ruskin University and Hyde Hall.
- 7.4.4 Citizens’ Panel and Youth Panel - The Council has an established process for consultation through their use, but was identified in the Annual Governance Statement for last year as being in need to review.
- i) The Citizens’ Panel currently has over 600 members and the Youth Panel, which is for 14-18 year olds, has approximately 300 members.
 - ii) For each, panel members receive newsletters updating them on achievements, issues and developments affecting both the Council and the wider Chelmsford area.
 - iii) Panel Members have also been sent opportunities to take part in consultation activities, through surveys, and become more involved with the workings of the Council such as opportunities to become panel members for the Customer Service Awards Scheme.
 - iv) The work and engagement with the panels has been reviewed by a Task and Finish Group of the Overview and Scrutiny Committee. The final report was submitted in June 2016 to the Overview and Scrutiny Committee. It was agreed by the Committee that the Youth Panel be disbanded as it had been demonstrated that it

was no longer viable in its existing format, and that other ways of engaging with younger residents through other established groups should be explored. It was also agreed that with regard to the Citizen's Panel, that significant structural and operational changes be made. It was agreed to relaunch this to both the public and internally, with a new name and an agreed programme of consultations.

7.9 We work closely with Parish/Town Councils in a bid to improve relations and cross-tier working. A quarterly newsletter for Parishes is produced and circulated electronically. The content of the newsletter has recently been improved. A Parish Charter has been adopted by 18 of the 26 Parish Councils. The Monitoring Officer continues to provide guidance for Parish Councils on the standards regime. For example:

7.9.1 The guidance issued in relation to the Code of Conduct for Councillors, referred to in paragraph 5.5 (ii), was specifically drawn to the attention of all Town and Parish Council Clerks before these were considered by the Governance Committee and afterwards.

7.9.2 A number of presentations have been held in relation to how the planning process works as well as on the review of the Council's Local Plan policies

Partnerships and Joint Working Arrangements

7.10 We work extensively in partnership with other organisations and agencies, and currently we classify six partnerships as 'significant' in terms of their strategic importance to the Council as they help us achieve the Corporate Priorities. Their progress is reviewed regularly and scrutinised annually by the Overview and Scrutiny Committee. These six significant partnerships are:

7.10.1.1 One Chelmsford Partnership (a merger of the Chelmsford Partnership and the Safer Chelmsford Partnership)

7.10.1.2 South Essex Parking Partnership – This was reviewed and extended to allow for the delegation of additional powers to agree the making of Traffic Regulation Orders and the re-allocation of contingency funding to assist with that work.

7.10.1.3 Essex Waste Partnership

7.10.1.4 Chelmsford Local Delivery Mechanism

7.10.1.5 Essex Online Partnership

7.10.1.6 Mid Essex Children's Partnership

7.11 A Protocol for Partnership Working and an accompanying checklist cover key aspects of governance arrangements that need to be satisfied when the Council enters into a new partnership working arrangement. These include having adequate and documented financial, risk, legal, performance, and audit arrangements in place, as well as ensuring that that covers many areas such as roles and responsibilities, decision-making and communication.

7.12 The council also aim to work closely with other Essex authorities wherever appropriate. In addition to key partnerships mentioned above, during 2016/17 the Council was involved in the following joint projects:

7.12.1 An Essex-wide data matching agreement was completed. It aims to share data sets from individual Councils to identify any inconsistencies mainly through Council Tax, to reduce the discounts claimed improperly.

7.12.2 The Council Tax Sharing agreement between Essex Billing and Major Precepting authorities that was completed in 2014/15, continues to operate allowing the partners to share the costs of discretionary NNDR discounts and fund schemes that aim to maximise the income collected.

How We Enhance Accountability for Service Delivery and Effectiveness of Other Public Service Providers

7.13 Chelmsford City Council has a role in improving public health and reducing health inequalities. It carries this out through a local strategic partnership (One Chelmsford), Chelmsford Health & Wellbeing Group and by fully engaging with Mid Essex Clinical Commissioning Group and Essex County Council's public health team. Whilst Chelmsford City Council has an important role to play the statutory duty for public health rest with Public Health England and Unitary or County Councils.

7.14 Chelmsford City Council has a duty of care under section 11 of the Children's Act 2004 to safeguard and promote the welfare of children and young people. Moreover, it has a duty under section 47 of that Act to cooperate with Essex County Council in discharging its safeguarding duties as a Children's Services Authority through the Essex Safeguarding Children's Board. The Council works closely with the Essex Safeguarding Adults Board to ensure that adults who live in the Borough, or receive local services, are safe from harm and are not subjected to exploitation or abuse.

7.15 The Council continues to refresh its Safeguarding Policy and related documents at least annually. Regular training is being provided to staff and Councillors on an ongoing basis. A dedicated safeguarding section has been created on the intranet for both staff and Councillors and it contains all the relevant documents, forms and information in one place.

7.16 The City Council is now required annually to complete online a self-assessment audit. As a result of the 2016/17 submission, work continues on a new action plan to refresh our current arrangements and make further improvements over the next 12 months. This plan was approved by both Safeguarding Boards.

8.0 Core Principle C: How We Defined the Outcomes Required and Clarified the Sustainable Economic, Social and Environmental Benefits We Expect to Deliver

Corporate Plan & Community Plan

8.1 The Corporate Plan sets out the fundamental principles as to how the Council will operate and, under the Community Plan, how these are applied in the wider context.

Local Plan Review

8.2 The Council has embarked on a review of its adopted Local Development Framework. The emerging new Local Plan, which covers the period up to 2036, is subject to widespread public and stakeholder consultation. The Council's Development Policy Committee will continue to make the planning policy key decisions as the Local Plan moves forward to eventual adoption by Full Council.

Housing Strategy Review

- 8.3 The Council has commenced discussions with other agencies as to changes that might be appropriate. A statutory consultation was progressed in 2017 and the adoption of a revised strategy in is being reported for adoption to the July 2017 Cabinet.

Ensuring Effective Arrangements for the Delivery of Infrastructure

- 8.4 The Council approved the basis for assessing applications for use of Community Infrastructure Levy funds. The procedures for allocating and spending the Community Infrastructure Levy funds [can be found here](#). An initial consideration of the first set of applications was considered by Cabinet on 18 April 2017.

- 8.5 The form for the agreements used for ensuring delivery of infrastructure under section 106 of the Town and Country Planning Act 1990 was reviewed this year and a new and simpler template document has been introduced, which developers have already indicated is an improvement in terms of clarity. This will streamline the preparation and completion of these documents in future and make better use of resources as well as swifter release of planning decisions.

Working with other agencies

- 8.6 As referred to under Principle B we work closely with Partner agencies within the Chelmsford area, utilising the skills and resources of the combined agencies to deliver in an effective and efficient way. Examples of the agencies with which we have had close working relationships are:

8.6.1 Government Departments and Agencies, such as:

- i) Sport England – Riverside Leisure Centre Project
- ii) Environment Agency- Flood Alleviation Scheme
- iii) Heritage Lottery Fund – Museum “No Borders” Project

8.6.2 Essex County Council - to deliver the required highway infrastructure improvements for the City Centre such as:

- i) The Riverside Leisure Centre Development;
- ii) Improvements to Mill Yard and the area surrounding the Chelmsford Train Station utilising South East Local Economy Partnership funding;
- iii) Delivery and improvements to the two Park and Ride facilities in Chelmsford;
- iv) The Beaulieu Park redevelopment and the wider infrastructure requirements;
- v) Consultation as regards the review of the Local Plan
- vi) The process for allocating Community Infrastructure Levy funds

8.6.3 Other Local Authorities eg:

- i) Museum “No Borders” Project with Broxbourne Borough Council and Epping Forest District Council, including joint funding bids to develop local museum strategies;
- ii) Management of Traveller Incursions through a Joint Committee with 12 other agencies including 10 Essex Councils as well as the Fire Service and Police.

8.6.4 Other Organisations eg:

- i) Abellio Greater Anglia as occupier of the land and organisation running the Facilities at Chelmsford rail station and Network Rail as land owners
- ii) Landowners and developers, related enabling development through property transactions such as, The Marconi and Chelmer Waterside sites.

9.0 Core Principle D: How We Identified and Established the Actions necessary to Ensure We achieved the Intended Outcomes, Planned for Them and Made Sure We Achieved the Optimum Results

9.1 The Council establishes and monitors progress of key projects through the use of programme plans. There is also a co-ordinated assessment of how the key objectives have been achieved as well as monitoring risks and taking action to address these. A number of Advisory Panels have been established involving Councillors as well as key officers, to advise on progress and risks, to ensure decisions required are reached in accordance with project plan timelines. The Terms of Reference for those formally established are set out in Part 3 of the Council's Constitution. Examples of those where work has been ongoing in 2016/17 or have recently been established are shown in **Appendix A**.

9.2 Where appropriate there are formal agreements between the agencies to ensure that all aspects of the joint working are appropriately addressed, for example the Mill Yard project funding agreement.

10.0 Core Principle E: How We Developed the Capacity and Capability of our Organisation to Deliver the Required Outcomes

10.1 Where the Council lacks the skills or capacity to deliver projects assistance has been brought in. This is with a view to the transfer of skills where possible such as with the Digital Strategy details of which were set out in the Full Council report in May 2017. In other cases, consultants have been appointed, such as to:

10.1.1 Provide the design for the Riverside Leisure Centre development;

10.1.2 Prepare the paperwork and strategy for the changes to the Chelmsford Museum;

10.1.3 Prepare the designs and options for the acquisition of modular units and additional legal resource to assist with the paperwork required for the Council's Homes2Lease scheme to deliver additional temporary housing accommodation;

11.0 Core Principle F: How We Manage Risks and Performance through Robust Internal Controls and Financial Management

Fraud and Risk Management

11.1 The Council, through the Director of Finance and his team, monitors and delivers the compliance with the CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit Team is responsible for fraud investigation and detection. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

11.2 This includes reviewing and reporting on the adequacy of the Council's control environment such as those relating to the prevention and detection of fraud and corruption. An annual internal audit report is presented to the Audit Committee each June. In the report for 2016/17, two reports with limited assurance were identified. However, overall it was considered that for the size of the authority, there is an effective system of internal control.

11.3 The Audit Plan is focused on the objectives of the Council. Audits are carried out in a logical and systematic way, based on sufficient and reliable evidence which is subject to

supervisory review. The reports are balanced, focused on key risks and issues and contain practical recommendations.

- 11.4 The roles of internal and external audit complement each other. Both are concerned with the Council's control environment and both use an objective, risk based approach in reaching their conclusions.
- 11.5 The Council employs an Accredited Financial Investigator who has been successful in assisting this and other councils in recovering money through the use of the Proceeds of Crime Act 2002.
- 11.6 Covalent, the integrated performance, risk and audit application has been used across the organisation since April 2013, for monitoring audit recommendations, risk information and some projects.
- 11.7 To maximise the effectiveness of the application and reflect the change in working practices the Risk Management Strategy has been revised and was approved by the Audit Committee on 25 June 2014. The strategy updated the arrangements for the Strategic Risk Board and the working relationship with business continuity, information governance, property risks and internal audit, which is currently being applied.
- 11.8 Audit and Risk teams meet quarterly to monitor risk progress and review the audit plan as shown in **Appendix A**.
- 11.9 The Leader and Deputy Leader of the Council, the Chairman of the Audit Committee and the Chief Executive attend Strategic Risk Board meetings to consider matters brought to their attention.

Monitoring for fraud, corruption and maladministration

- 11.10 We have the following policies that aim to prevent or deal with such occurrences. Examples are set out in Appendix A as to how and when such issues are considered by Councillors and officers:
 - 11.10.1 Anti-fraud and Corruption Strategy
 - 11.10.2 Whistleblowing Policy
 - 11.10.3 Human Resources policies regarding disciplinary measures for staff involved in such incidents, and
 - 11.10.4 Fraud Response Plan for managers.
- 11.11 The AGS for 2015-16 identified the need to review the Council's Whistleblowing Policy and Procedure. This has been done and whilst not approved before the end of the 2016-17 AGS period, it is being reported to the Governance Committee for approval in June 2017.

Using Complaints Procedures to Identify Performance Concerns

- 11.12 The Council has well-established Whistleblowing as well as Comments, Compliments and Complaints schemes. Details of these are accessible on the Council's website and can be viewed [here](#). All these help us to assess whether there are any fundamental issues with the way the Council is operating. No major issues were identified in 2016-17 and the reports to the Governance Committee identified in **Appendix A** show that:
 - 11.12.1 The Local Government Ombudsman's Annual Report indicated no issues of concern.

- 11.12.2 Only one complaint was received under the Code of Conduct for Councillors, a significant reduction on previous years, and was addressed without the need for a formal investigation.
- 11.12.3 Only a small number of complaints were received through the Whistleblowing Procedure and of these
 - i) None were truly whistleblowing issues as defined in the policy,
 - ii) None were from officers but related rather related to:
 - a) Queries regarding service delivery or reporting inappropriate behaviour by other members of the public that were forwarded to the relevant departments for investigation; or
 - b) Were issues that needed to be addressed by other organisations.

How we effectively manage our performance and the Council's approach to ensuring Robust Internal Controls

11.13 Details as to how we do this are captured in earlier parts of this AGS.

Managing Data

11.14 The Council has established Policies for dealing with Freedom of Information, Environmental Information and Data subject requests. The processes for dealing with them are included [on the Council's website](#) and there is a dedicated team that deals with requests and also complaints as regards Data Handling. 774 requests were dealt with during 2016/17 and 26 data breaches were identified none of which were sufficiently serious to require referral to the Information Commissioner under their published guidelines.

11.15 The Council's website was altered to provide a more user friendly experience for those accessing information via mobile phones or tablets. The Council is one of only 36 nationally that has been awarded 4 stars by SOCITM for it's the ease of use of its website on mobile devices and for general accessibility.

11.16 In addition, the Council agreed an approach for the introduction of a new Digital Strategy at the Full Council meeting in May 2017. Whilst this is outside the AGS period, work on developing this was underway during that year and it is intended that this will deliver benefits to customers, Councillors and officers in accessing council services as well as a better use of resources in delivering them.

Strong Public Financial Management

11.17 Our Financial Rules provide a concise set of principles to encourage the intended users to act in an empowered and accountable way when conforming to the rules. To ensure that the principles defined by the Financial Rules could be fully understood, we publish a set of practice notes to provide further guidance. They focus on various areas of Financial Management processes including the following:

- 11.17.1 Assets control and security
- 11.17.2 Fraud and Corruption
- 11.17.3 Preparation of Budget
- 11.17.4 Purchase Ordering and Invoice Payment
- 11.17.5 Budgetary Control
- 11.17.6 Insurance and Risk Management
- 11.17.7 Contracts, External Partners and Third Party Working
- 11.17.8 Income and Debt Management

- 11.18 We have established a financial planning process including a Medium Term Financial Strategy, the preparation of a robust budget including a review of balances, and a reporting system of controlling spending against approved budgets.
- 11.19 We regularly review our financial systems, rules and risk arrangements to make sure they meet our needs and comply with best practice. We present regular reports to the Audit Committee on the work of Internal Audit, revenue and capital monitoring, risk management and the annual report and Statement of Accounts.
- 11.20 Containing spending within the allocated budget is a high priority for Directors and managers when managing performance. The Council has a rigorous revenue-monitoring process. Management Team and Cabinet Members are given a detailed monthly report, and a quarterly report is presented to the Audit Committee. From April 2014, the Council's performance management system, Covalent, includes information on High Risk income.
- 11.21 Our purchasing process identifies opportunities for better use of resources. The process is designed to encourage competition, giving a better deal for us and our purchasing partners.

12. Core Principle G: How We Implemented Good Practice in Transparency Reporting, and Measuring How We Delivered Effective Accountability

Implementing Transparency and Good Practice in Reporting

- 12.1 The Council complies with all legislative requirements in terms of publishing notices of executive key decisions to be taken and the Cabinet agendas in which the details are set out for Councillors to take these. The definition of "key decisions" are contained in Part 2 - Article 14 of the [Council's Constitution](#).
- 12.2 Where such decisions are taken by officers, these too are documented and the Notices of the Decisions taken are published on the Council's website. Occasionally decisions need to be taken urgently and the Chief Executive is authorised to do so under the Officer Scheme of Delegation in Part 3.4 of the Constitution. In such cases the procedures for taking these are included in the Executive Rules in Part 4.4 of the Constitution.
- 12.3 As regards Full Council functions and decisions, a number of Committees have been established, the terms of reference for which are set out in Part 3 of the Constitution and where officers have been authorised to take these decisions, the terms for doing so are set out in the Officer Scheme of Delegation.
- 12.4 Template reports are available and used to ensure that any matter requiring approval at Committee identifies the legislative and legal issues that need to be addressed. Legal and Democratic Services are required to be consulted in the preparation of all reports and for executive decisions they are also considered by the Council's Chief Finance Officer, Monitoring Officer and Director of Corporate services before they are published to ensure compliance with all legal and governance requirements.

Assurance and Effective Accountability

- 12.1 At least once a year we are responsible for reviewing the effectiveness of our governance framework, including the system of internal control. The review is informed by the following:

- 12.1.1 Managers in the Council who are responsible for developing and maintaining the governance environment and include the Chief Finance Officer and Monitoring Officer. They meet regularly to monitor and where necessary review actions required under the Code of Corporate Governance and Annual Governance Statement.
- 12.1.2 The work of the internal auditors, and
- 12.1.3 Comments made by the external auditors and other inspection agencies.
- 12.2 In preparing this Annual Governance Statement for the financial year 2016/17, we were mindful that the CIPFA/SOLACE guidance had changed with an emphasis on what we have done and how we have improved our governance arrangements. The format for the Code of Corporate Governance and Annual Governance Statement for this year have been fundamentally changed to reflect the criteria in that new guidance.
- 12.3 The process listed below has been applied to maintain and review the effectiveness of our governance framework during the year and has been used as the evidence base for this AGS.
- 12.3.1 **Cabinet** - The Cabinet is responsible for monitoring overall financial and performance management and receives comprehensive quarterly reports about this. It is also responsible for monitoring the Corporate Plan's critical performance indicators and key projects, and completes this quarterly: details as to when this occurred appear in **Appendix A**
- 12.3.2 **Overview & Scrutiny Committee** - There is a well-supported Overview and Scrutiny Committee with a work programme for the 12 months ahead and reviewed at each meeting of the Committee. A report on the work of the Committee is produced each year. Those addressed in 2016/17 are shown in **Appendix A**
- 12.3.3 **Governance Committee** - The Committee has met regularly during the year and received reports on a wide variety of issues as identified in **Appendix A**. Of particular note are:
- i) The need for an Independent Person Protocol, to explain their roles and responsibilities and how they will be involved in the Standards Regime work, was added as a target for delivery in 2016-17. Unfortunately, this target is still outstanding as the other work of the Committee was more urgent. It will be addressed in 2017-18 and has been added to **Appendix B**.
 - ii) The Committee received regular reports from the Monitoring Officer to ensure lawful decision-making and high ethical standards. Of specific note are that:
 - a) Only one complaint under the standards regime was received in 2016-17, a significant decrease from previous years. The reporting on the outcomes are shown on the Council's website [here](#) and in **Appendix A**.
 - b) The councillor training requirements, identified for action in 2016-17 have been addressed as explained earlier in this AGS.
 - c) The Committee also received an annual report on Whistleblowing and the review of the Policy and Procedure is due to be considered by its meeting in June 2017.
 - d) The Council was assessed for compliance with the Regulation of Investigatory Powers Act in 2016, which is done every three years. The outcome was reported to the Governance Committee and the minor recommendations have either already been addressed or are in hand.
 - e) A new Annual report was made on the Committee's work by the Chairman to Full Council and means that all the Committees responsible for

monitoring the Council's governance arrangements now report annually to Full Council.

12.3.4 Audit Committee - The Committee met regularly during 2016/17. The Committee monitored budgets and the work of Internal Audit and deals with issues such as risk management, financial control systems and the relationship with external audit. The Committee received updates on the following topics:

- i) Risk Management
- ii) The Annual Internal Audit Report
- iii) Review of the Audit Committee's terms of reference
- iv) Annual report on Benefit Investigations
- v) Audit Charter
- vi) Internal Audit Strategy
- vii) Anti-Fraud and Corruption Strategy
- viii) External Auditor's Annual Audit Letter 2015/16

12.3.5 In accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice an annual report on the work of the Audit Committee was submitted to Full Council.

12.3.6 The Chief Financial Officer makes regular reports to Cabinet and the Audit Committee on the state of our finances, the budget process, monitoring of expenditure against budget, the medium term financial forecast and the annual report and statement of accounts. He also presents other financial reports as necessary and therefore has the opportunity to add financial considerations to any reports.

12.3.7 Internal Audit & Performance Management - Internal Audit provides an independent and objective assurance service to Council management. It completes a programme of reviews throughout the year to provide an opinion on internal control, risk management and governance arrangements. Internal Audit and Investigations is also responsible for fraud investigation and detection, which includes reviewing the control environment in areas where fraud or irregularity has happened. Any significant weaknesses that Internal Audit identifies in the control environment are reported to senior management and the Audit Committee.

12.3.8 Performance Management monitors Critical Performance Indicators. Reports are presented to the Management Team monthly and to Cabinet, and Overview and Scrutiny Committee every quarter. Directors meet the Chief Executive regularly to discuss performance and progress against their action plans.

12.3.9 The assurance framework data is stored and reported through Covalent the Performance, Risk & Audit system that was purchased in 2013. The risk element to the system has been extended to include operational risk management for key activities, such as fire risk assessments, business continuity recommendations and health & safety audit recommendations that are identified by external specialists. Also, information management security breaches are recorded and mitigation managed through Covalent including report production for Strategy Risk Board.

12.3.10 The Strategic Risk Board reviewed corporate risks regularly.

12.4 The year-end review of governance arrangements and the control environment also included the following:

- 12.4.1 Obtaining assurance from the Chief Financial Officer under section 151 of the Local Government Act 1972 that he is content with information that all managers of key financial systems have given him about the adequacy of existing systems.
- 12.4.2 Reviewing external inspection reports received during the year and reviewing the compliance with the Public Sector Internal Audit Standards (presented to the Audit Committee on 30th June 2016).
- 12.4.3 Reviewing comments received from our external auditor on last year's AGS.
- 12.4.4 Our financial management arrangements conform to the governance requirements of the 2016 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 12.4.5 Appendix A provides a more comprehensive listing of key governance processes and events that took place during 2016/17.

13.0 Targets for Improvement

- 13.1 The main improvements made to governance arrangements in 2016/17 are captured in **Appendix B**.
- 13.2 The following governance issues have been identified to be addressed in 2017/18:

Governance Issues identified for improvement in 2017/18	
i)	Reviewing the Council's Whistleblowing Policy and Procedures
ii)	Introducing an Independent Person Protocol related to complaints made in relation to the Councillor Code of Conduct to explain the role of and how Independent Persons will engage in the Standards Regime.
iii)	Ensuring that compliance with the Public Sector Internal Audit Standards is reviewed by the Audit Committee.
iv)	Refreshing the Council's procedures for addressing assessments under the Equalities Act 2002.

14. 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: 2017

2016/17 Calendar of key Governance events

May 2016

Local Plan

- End of consultation on Preferred Options Document

June 2016

Audit Committee

- Annual Internal Audit 2015/16 report by the Finance Manager
- Audit Committee Annual Report 2015/16 submitted in accordance with CIPFA best practice

Development Policy Committee

- Chelmsford Local Plan Issues and Options Document – Consultation Feedback Reports – Noted, the Director of Sustainable Communities authorised to finalise and publish documents as part of the Local Plan evidence base
- Local Development Scheme - programme of work for the preparation of statutory and non-statutory development plan documents for the period 2016 to 2019 – approved for adoption
- Memorandum of Co-operation – Collaborative Working on Strategic Growth Priorities in North and Central Chelmsford – agreed subject to Cabinet approval

Joint Audit and Governance Committee

- Review of Code of Corporate Governance and Annual Governance Statement – approved for publication with the statement of accounts

Overview and Scrutiny Committee

- Review of Citizens' Panel and Youth Panel - report of the Task and Finish Group established to review the present arrangements for consulting and engaging with adults and young people
- Review of the Council's significant partnerships
- Annual Report on the Scrutiny Function 2015/16 – approved for publication

- End of Year Key Performance Report 2015/16 - Noted

July 2016

Development Policy Committee

- Preparation of the Chelmsford Local Plan Preferred Options Document – approved

Full Council

- Audit Committee Annual Report
- Annual Scrutiny Report
- Treasury Management Annual Report
- Capital Programme Report

September 2016

Audit Committee

- Annual Governance Report 2015/16 report by External Auditors, Ernst and Young – approved
- Procurement Annual Report 2015/16 – report by Procurement Manager - Savings from ongoing service and supply contracts for the last financial year continued, preparations being put in place for the introduction of electronic procurement methods in 2018 which would provide significant benefits to the Council
- Internal Audit Operation Report – report by Finance Manager update on Internal Audit focusing on resources together with the assurance framework under which it operated

Development Policy Committee

- Local Plan Evidence Base Document – Housing Capacity in Chelmsford Urban Area – approved as part of the evidence base
- Local Plan Evidence Base – Update on progress

Overview and Scrutiny Committee

- Quarter One 2016/17 Performance Information Report

October 2016

Planning Committee Member Training

- Review of recent major planning appeals where the 5 year land supply was an issue (4th October)

Governance Committee

- Review of the Council's Constitution
- Review of general dispensations
- Annual Whistleblowing report

November 2016

Development Policy Committee

- Objectively Assessed Housing Need Study
- Community Infrastructure Levy Charging Schedule Review

Governance Committee

- Review of the Council's Constitution
- Governance Committee Annual Report

Overview and Scrutiny Committee

- Quarter 2 performance information report
- Report from representatives on outside bodies
- Annual report on housing delivery

December 2016

Audit Committee

- Annual Audit Letter
- Internal Audit Operational Report
- Corporate Services Events Audit

Council

- Review of the Council's Constitution
- Annual Report of the Governance Committee 2015/16
- Appointment of External Auditor

January 2017

Holocaust Memorial Day 28 January Planning Committee Member Training

- Housing issues and Modular Units

February 2017

Overview and Scrutiny Committee

- Quarter 3 Performance Information Report
- Representatives on outside bodies update

Development Policy Committee

- Green Wedges and Green Corridors: Defining Chelmsford's River Valleys
- Chelmsford City Council Gypsy and Traveller and Travelling Showpeople Accommodation Assesment (GTAA)
- Chelmsford City Council Authority Monitoring Report
- Open Space, Sports and Recreation Study 2016

Full Council

- Pay Policy Statement 2017/18
- Council's Revenue Budget 2017/18

- Revenue Estimates 2017/18
- Treasury Management Strategy 2017/18
- Capital Programme

Planning Committee Member Training

- Riverside Project Update

March 2017

Audit Committee

- Annual Audit Plan
- Internal Audit Plan 2017/18
- Internal Audit Operational Report
- Grant Claim Certification
- Corporate Services Events Audit

Governance Committee

- Social Media Policy
- Regulatory Investigatory Powers Act Report – Members received a report including details of the inspection carried out by the Office of Surveillance Commissioners
- Revised member interest forms and guidance
- Annual Gifts & Hospitality update

April 2017

Cabinet

- Chelmsford Economic Strategy
- Allocating and Spending Community Infrastructure Levy
- Section 106 Spending Plan
- Essex Countywide Traveller Agreement

Regulatory Committee

- Equality Act 2010
- CCTV Provision in Hackney Carriage and private Hire Vehicles

Overview and Scrutiny Committee

- Representatives on Outside Bodies Update
- Inform and Debate Session on Managing the Council's Property Portfolio
- Review of the Council's Significant Partnerships

May 2017

Annual Council

- The Council's IT Digital Strategy
- Essex Countywide Traveller Agreement
- Arrangements for and Appointments to City Council and Outside Bodies

Progress of outstanding Governance Issues identified in 2016/17

Governance Issue	Progress	Outcome	Core Principle
<p>1. Completion of the review of the Council's Constitution, including specifically:</p> <ul style="list-style-type: none"> - the Financial Rules - Contract Procedure Rules - The addition of links to the relevant Practice Notes that have been issued. 	<p>This work was progressed through the Governance Committee and changes agreed at Full Council as set out in Paragraph 5.4 to this statement and Appendix A. This part of the review was wider than had originally been identified as the two final stages of the review were combined.</p>	<p>The review was completed in December 2016. Additional Practice Notes are being issued as and when required.</p>	<p>A to G inclusive</p>
<p>2. Reviewing the Council's Whistle-Blowing Process and Procedures</p>	<p>This has not been finalised at the time of seeking approval of this AGS. However, the work is complete and is merely awaiting approval of the Governance Committee that meets on the same evening as this AGS is considered</p>	<p>This is very close to completion</p>	<p>A,D,F and G</p>
<p>3. Providing training for City Councillors' as regards the standards regime to address:</p> <ul style="list-style-type: none"> - Declarations of Interests - Use of Social Media 	<p>Training was provided in the form of new Practice Notes that were agreed by the Governance Committee at its March 2017 meeting.</p>		<p>A, B and G</p>

Appendix B

<p>4. Introducing an Independent Person Protocol to explain the role and how Independent Persons will engage in the Standards Regime related to Complaints in relation to the Councillor Code of Conduct</p>	<p>This action is still to be addressed and has been added to the targets for 2017/18</p>	<p>Still outstanding</p>	<p>A, B and G</p>
<p>5. Review of the Citizens Panel and the Youth Panel by a Task and Finish Group. To be reported back to Overview and Scrutiny in June 2016.</p>	<p>This work was referred to the Overview and Scrutiny Committee and a Task and Finish group established September 2015 to identify any improvements of changes required to these arrangements as set out in paragraph 10.2.2 to this statement and Appendix A</p>	<p>Report to June 2016 Committee has completed this review</p>	<p>A, B and G</p>
<p>6. Ensuring that compliance with the Public Sector Internal Audit Standards is reviewed by the Audit Committee.</p>	<p>This was addressed by the Audit Committee in June 2016.</p>	<p>Report to June 2016 Committee has ensured compliance.</p>	

Core Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Core Principle B Ensuring openness and comprehensive stakeholder engagement

Core Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits

Core Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes

Core Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it

Core Principle F Managing risks and performance through robust internal control and strong public financial management

Core Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability

ANNUAL REPORT

and

**STATEMENT OF
ACCOUNTS**

2016/17

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2 – ANNUAL REPORT

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

Introduction by the Leader of the Council

I am delighted to introduce our annual report and accounts for 2016/17.

I must start my report by mentioning the long awaited opening of John Lewis in the new Bond Street Development. The new development opened in September and has transformed the retail offer in Chelmsford with people travelling from afar to visit John Lewis and sample the many new restaurants. Our High Chelmer Shopping Centre was further transformed with the introduction of the new restaurant quarter, additional shops and toilet facilities all of which have been a tremendous success.

Our success however is not just restricted to retail development. We have seen significant housing growth with over a 1,000 housing units being delivered last year and our ambition and progress has been recognised by the Housing and Finance Institute who have declared Chelmsford as one of only two authorities nationally to be declared as being an exemplar Council for Housing delivery.

In order to maintain this growth we recognise that our infrastructure will need to keep pace with our developments and in particular we are keen to see the delivery of a North East bypass together with a new rail station. These large items of infrastructure will require a significant investment from Central Government and we hope to lobby for their support to deliver these. Improvements to our Public Realm have also been completed to compliment the new Bond Street and High Chelmer developments and further enhancements will be undertaken this year to Mill Yard and Bell Meadow enhancing the areas around the train station and Central Park.

I mentioned last year the sale of Chelmer Waterside to Taylor Wimpy and I can report that they will be starting on site shortly delivering 415 new homes. I also mentioned the sale of the Britvic site to Aberdeen Asset Management and I am delighted that this development will be completed in the coming year.

As an ambitious Council we continue to strive to improve our services to our residents and are currently embarking on the development of a new leisure centre, a digital strategy and the provision of modular housing units to help support those most in need. In January we saw the successful introduction of fortnightly collection of residual waste and this has not only reduced our costs but is also increasing the amount of waste recycled. I will report further on these initiatives next year but I hope that these demonstrate our continued drive for improvement.

Our commercial approach continues to deliver greater efficiencies whilst also enhancing the services on offer to our residents.

Our long-term vision, as set out in our Corporate plan, is for Chelmsford to become the economic, cultural, leisure and retail heart of Essex, and a leading regional centre in the East of England. It is a vision for the future of the City and its people, and I believe that we are well underway to delivering against this agenda.

In this report we list some of our achievements over the last year and some of our plans for the years ahead, although there are many more.

I hope you enjoy reading the report. I would welcome any comments you may have to help us improve it for future years.



Councillor Roy Whitehead, Leader of the Council

Views from the Chief Executive

Chelmsford continues to deliver excellent services and as the Leader mentions in his report Chelmsford is a thriving City with much for us to be proud of. Once again we have many highlights in what has been a very busy year.

In the uncertain world of Local Government, Chelmsford has continued to go from strength to strength. Not only have we seen investment in the City and the delivery of new homes as mentioned by the Leader but we have continued to enhance the services that we deliver to our residents.

During the year there have been many highlights but I was particularly proud that we received recognition for our 18 years as an “Investor in People”. This award is particularly important to me as it demonstrates that through our investment in recruiting, communicating with, retaining, motivating, encouraging and supporting our staff that we have ended up with such a fantastic workforce and they are the ones that cement and maintain our reputation for excellence. Chelmsford is a gold standard employer and this puts us within the top 6% of organisations both public and private sectors.

I am not surprised that we have achieved so many things and I know that we will continue to strive to deliver even better services to our residents over the years to come.

We will however need to remain focused on our priorities and on delivering our long-term vision for the City and this will undoubtedly require difficult choices to be made both politically and managerially. We will need to work closely with our partners and peers to ensure that we get what’s best for Chelmsford.

I believe we have all the building blocks in place to enable us to build on our achievements and look forward to another successful year.



Steve Packham, Chief Executive

Achievements

We won the 2016 Alarm Operational Award for Public Health and Risk Management at the V Festival.

Riverside Ice and Leisure Centre was shortlisted for the APSE (Association of Public Sector Excellence) 'Best Performer' award in the category of Sports and Leisure Facility Management.

The Council received the long service award from liP (Investors in People) and maintained its liP Gold Award.

The Council has been awarded national "Outstanding" Housing Business Ready Status.

The 3ft People Festival was voted 'Best Event and Best Summer Event in Essex' in the Essex Mums Awards 2016.

Chelmsford Museum came runner up in the Best Museum Category. The awards are based on votes from parents across Essex.

We won 'Best Team of the Year 2016' national recycling award, a scheme operated by LARAC (Local Authority Recycling Advisory Committee).

Introduction by the Cabinet Member for Finance and the Director of Financial Services

Review of the financial year

It has been another financially challenging year for the Council. Central Government has reduced our grant by a further £1 million, adding more challenges to the inflationary and demand pressures that the Council is facing.

Consequently, the Council heavily relies on its discretionary income to fund its budget gap. Our Commercial activity steering group, continues to review our income streams and seeks to identify new ones yielding additional income.

We are seeing the impact of the welfare reforms through increased demand for affordable housing and in particular further financial pressures arising due to additional households being placed in temporary accommodation. We have introduced a range of measures to help address this problem including the direct purchase of properties, Homes2Lease Scheme and rent deposit guarantee scheme.

We have continually applied strong financial discipline to our financial planning and this has necessitated making difficult decisions over the last few years. We have achieved significant efficiency savings and in 2016/17 we have introduced fortnightly refuse collection for residual waste significantly reducing the cost of providing the service. This gives us a relatively strong position to respond to further changes.

Despite these pressures, Financial Services has continued to deliver a strong performance and has introduced further initiatives to improve the way we work.

Achievements

We have listed below some of our achievements during 2016/17.

- Processed Benefit Claims significantly under the target of 9 days
- Successfully managed the ongoing introduction of Universal Credit
- Continued in the Countywide Council Tax sharing agreement significantly increasing Council Tax income for the Council
- Exchanged contracts for the sale of Chelmer Waterside and sold the Britvic Site, both generate capital receipts for the Council
- The development of a new restaurant quarter in the High Chelmer shopping centre was completed, increasing both the rental and the NNDR income we collect
- Continued to pursue repayments of VAT

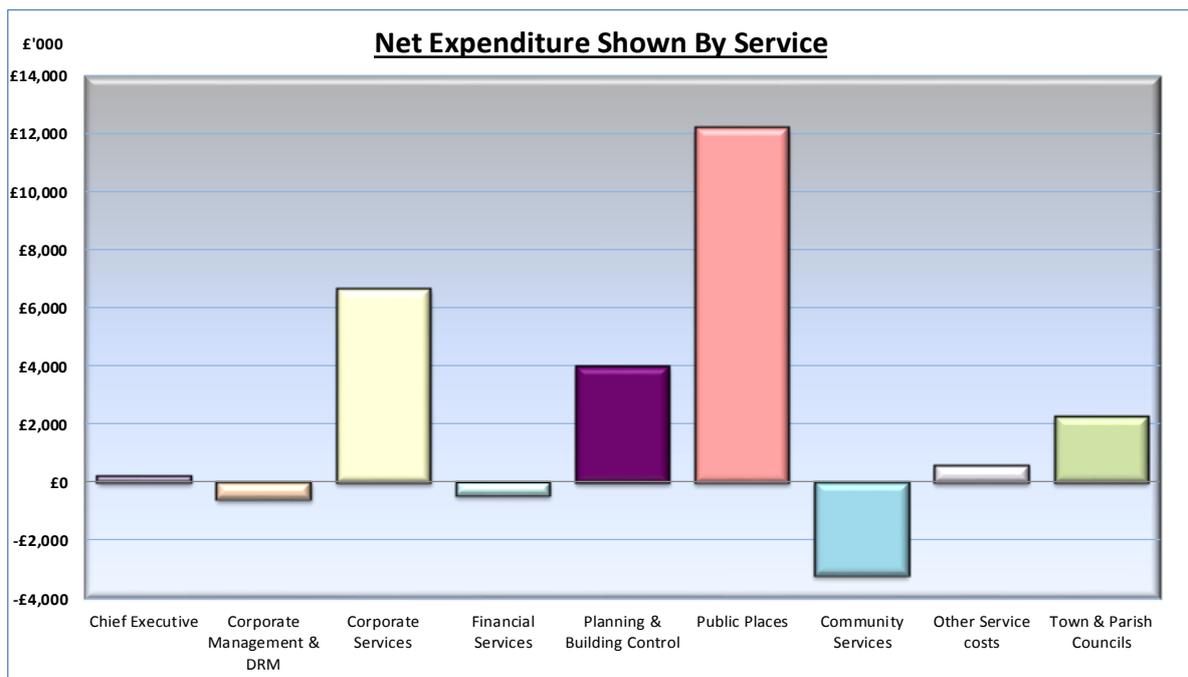
Performance

Our performance is measured in many ways, but perhaps the most important are the local performance indicators shown in the table below. The number of benefit claims received online has risen strongly. Our collection rates for Council Tax and Non-Domestic Rates (NDR) are holding up well despite difficult economic circumstances.

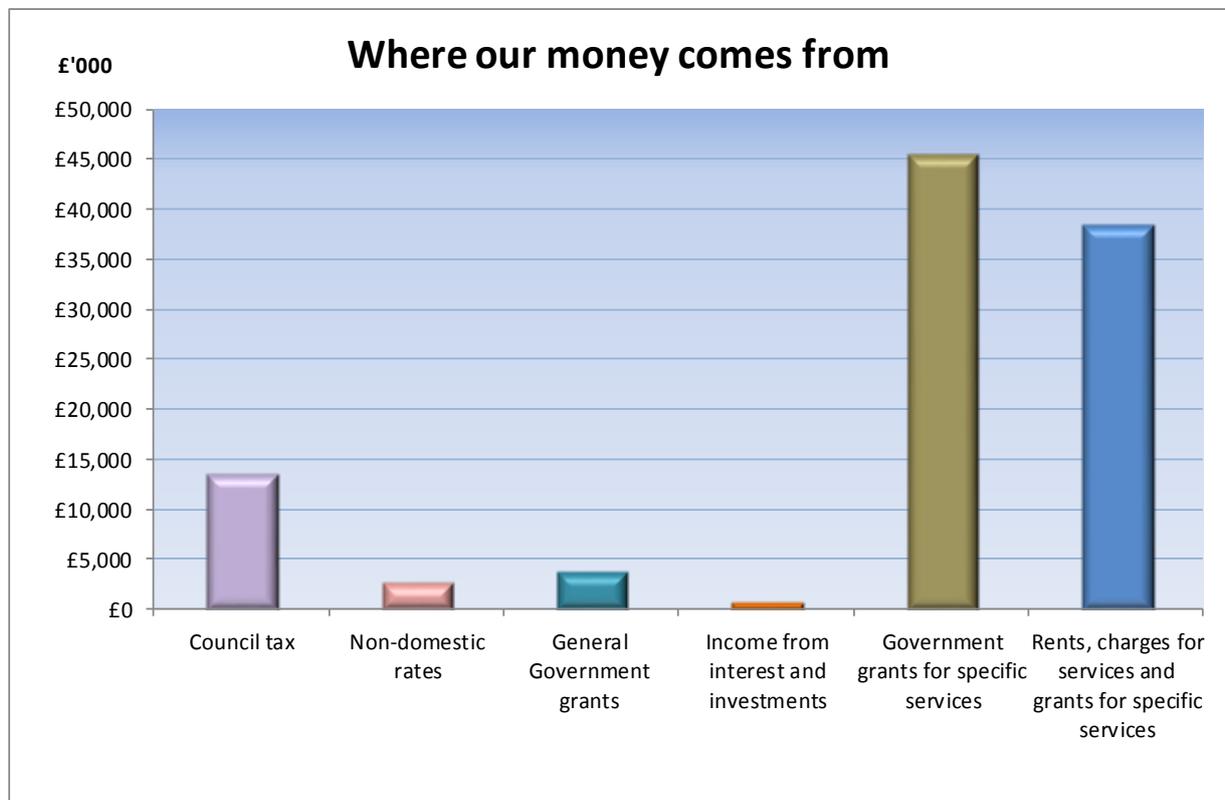
Performance indicator	Performance in 2014/15	Performance in 2015/16	Performance in 2016/17
Percentage of invoices due that were paid on time	97.4 %	96.13%	98.53%
Percentage of council tax due that we collected during the year	98.2 %	98.1 %	97.8 %
Percentage of NDR due that we collected during the year	97.2 %	97.9 %	97.4 %
Benefits claims completed online	30.4 %	47.38 %	56.5 %
Additional benefit subsidy received	£98,000	£118,040	£129,363 (unaudited)
Benefit overpayments recovered	84.9 %	84.8 %	85.11 %
Average time to process all new claims and change events in existing housing benefit	5.9 days	7.3 days	7.9 days

Council tax

The bar chart below shows how we spent your council tax in 2016/17. The amounts shown represent expenditure less any income that the service receives.



The bar chart below shows where our money came from in 2016/17. You will see that £13.5m of our total income comes from council tax, this includes £2.3m for Parish Councils. Of the total Council Tax collected only 11% comes to us. The remaining 89% goes to Essex County Council, Essex Police, Essex Fire and Rescue Service and Parish councils.



Reserves

We continually review our General fund balance and the money we have in reserves for specific expenses to make sure they are at the right levels, and that our reserves continue to meet our needs. The Movement in Reserves table gives the size of our reserves at 31 March 2017 and in note 10 we show that we have put money aside to use for specific purposes and are drawing this down when appropriate.

The future

A revised medium-term financial strategy that aims to identify all significant budget pressures will be presented to Council in July 2017. In October 2016, the Council signed up to Government's four-year Finance settlement agreement to provide greater certainty for future grant funding levels. As part of this agreement the Government intends to completely remove grant to our authority by 2018/19. In order to meet the spending cuts and to equalise resources between authorities, the Government will also charge us an additional tariff payment on Business Rates income from 2019/20. This, along with the economic situation, has contributed to projected budget shortfalls in future years. We are looking at ways of producing a balanced budget over the medium term.

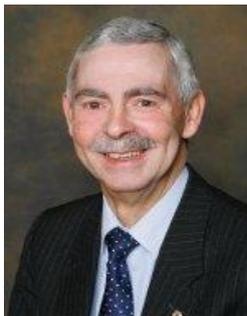
Following a consultation on the New Homes Bonus grant funding, the Government has reduced the amount paid to individual authorities and there is still great uncertainty over the level of future grant payments.

The Valuation office agency completed a revaluation of the Non-Domestic Rates during 2016/17 and consequently introduced new charges to businesses from April 2017. It is difficult to estimate the full impact of the revaluation and the potential appeals that will be made by businesses against the new rates. Furthermore, the impact of the new 100% Business Rates retention scheme could potentially expose us to more risks from fluctuations of Business Rates income. This makes accurate financial planning very difficult. Added to this, we have the ongoing effects of Welfare reforms and a continued real terms reduction in people's income requiring our services to be delivered even more competitively.

All this uncertainty in the budget puts pressure on the Council and we will have to make assumptions on these and other issues. However, if a shortfall arises, we may have to meet some one-off expenditure from our reserves as a short-term measure.

We continually review the way we work so we can provide more efficient services and limit the need to make savings by reducing services.

Financial Services will be involved in supporting a number of our major schemes and will continue to support other services across the Council throughout the year.



Councillor John Galley
Cabinet Member for Finance



Nick Eveleigh
Director of Financial Services

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.

The Council's Corporate Plan includes, as one of six key priorities, an objective to promote a more sustainable environment.

The Council is committed to helping to create a more sustainable future for the City, working proactively to reduce the adverse social, economic and environmental impact that climate change may have on local communities and businesses operating in the area.

Driven by a local climate impact profile used to assess the potential risks and implications of climate change on the area, the focus of the Council's efforts is on reducing waste, reusing resources, improving energy efficiency and lowering carbon emissions, whilst enhancing the quality and beneficial impact of our natural environment.

The success of this Plan in the longer term is measured in terms of:

- Reduced levels of non-recyclable waste collected and increased levels of recycling and composting
- Lower energy consumption

During 2016/17 the Council has:

- Continued the programme to introduce separate food waste collections and extended recycling services to flats to further reduce the volume of material sent to landfill and increase the proportion of material that is re-used, recycled or composted
- Changed the frequency of non-recyclable waste collected from general households to once every two weeks to encourage greater use of recycling services
- Reviewed the air quality action plan
- Replaced the humidity and heat reclamation plant at South Woodham Ferrers Leisure Centre
- Continued the replacement LED lighting programme [Civic Theatre and South Woodham Ferrers Leisure Centre]
- Made improvements to the temperature and air handling control at the Civic Theatre
- Lowered the overnight temperature of the swimming pool at South Woodham Ferrers Leisure Centre
- Updated pumps and air conditioning units at the Civic Centre and at Waterhouse Lane Depot with more efficient models

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. 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 174,000 living in approximately 73,000 households and is the focus for business, retail, leisure and culture in Essex. It will continue to be a major centre of development, with an estimated population of 192,000 by 2022.

Our annual statement of accounts summarises our financial affairs for 2016/17 and shows our financial position on 31 March 2017. It includes the following:

- **Annual report** - An introduction and summary to the Statement of accounts and the Council's position and achievements.
- **Environmental issues** - An overview of our effect on the environment.
- **Narrative Report** - An overview of the detailed statement.
- **Main financial statements:**
 - **Statement of responsibilities for the Statement of accounts** - Who is responsible for individual aspects of the accounts.
 - **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 expenditure and income 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 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 by those who provide loans to us.
- **Notes to the main financial statements** - These explain our accounting policies and some of the figures in the main financial statements.

As part of the presentational changes introduced by the 2016/17 Code, we now include '**Expenditure and Funding Analysis**' statement in note 1. This is a supporting statement that 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 showing 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.

We did not need to make any restatements for last year's accounts due to error, however following amendments to accounting standard IAS1 presentation of Financial Statement, we were required to change the presentational format of Comprehensive Income and Expenditure statement and Movement in Reserves statement and to restate 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.

We report to the Cabinet and the Audit 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, and**
- **Various auditors' reports on the accounts and other matters.**

SUMMARY TABLES

A simplified statement showing the change on our Comprehensive income and expenditure account and General fund balance from 1 April 2016 to 31 March 2017	Gross Expenditure £ 000	Income £ 000	Net Expenditure £ 000
Total Spending on Current services	104,940	(79,435)	25,505
Other Income and Expenditure	38,250	(69,014)	(30,764)
Total spending on services as presented in the Comprehensive Income and Expenditure account			(5,259)
Adjustments between The Funding and Accounting bases			(5,529)
Change in General fund (including Earmarked Reserves)			270

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 Cost of IAS 19 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 NNDR transactions on accrual basis, with the timing difference being adjusted through Council Tax and NDR adjustment account, reported on in the Movement in Reserve Statement.

Simplified Balance sheet statement

31 March 2017	
A simplified Balance Sheet	
£ 000	
What we own	
Assets	226,360
Stocks	291
Investments	46,944
	273,595
What we are owed	
Amounts due before 31 March 2017	16,982
Amounts due after 31 March 2017	1,932
	18,914
What we owe	
Amounts due before 31 March 2017	(22,060)
Amounts due after 31 March 2017	(4,972)
Provisions	(4,315)
Pension deficit	(120,409)
	(151,756)
Cash and equivalents in hand or (overdrawn)	23,190
Net assets	163,943
31 March 2017	
Our reserves	
£ 000	
Usable reserves	54,575
Unusable reserves	109,368
Total reserves	163,943

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

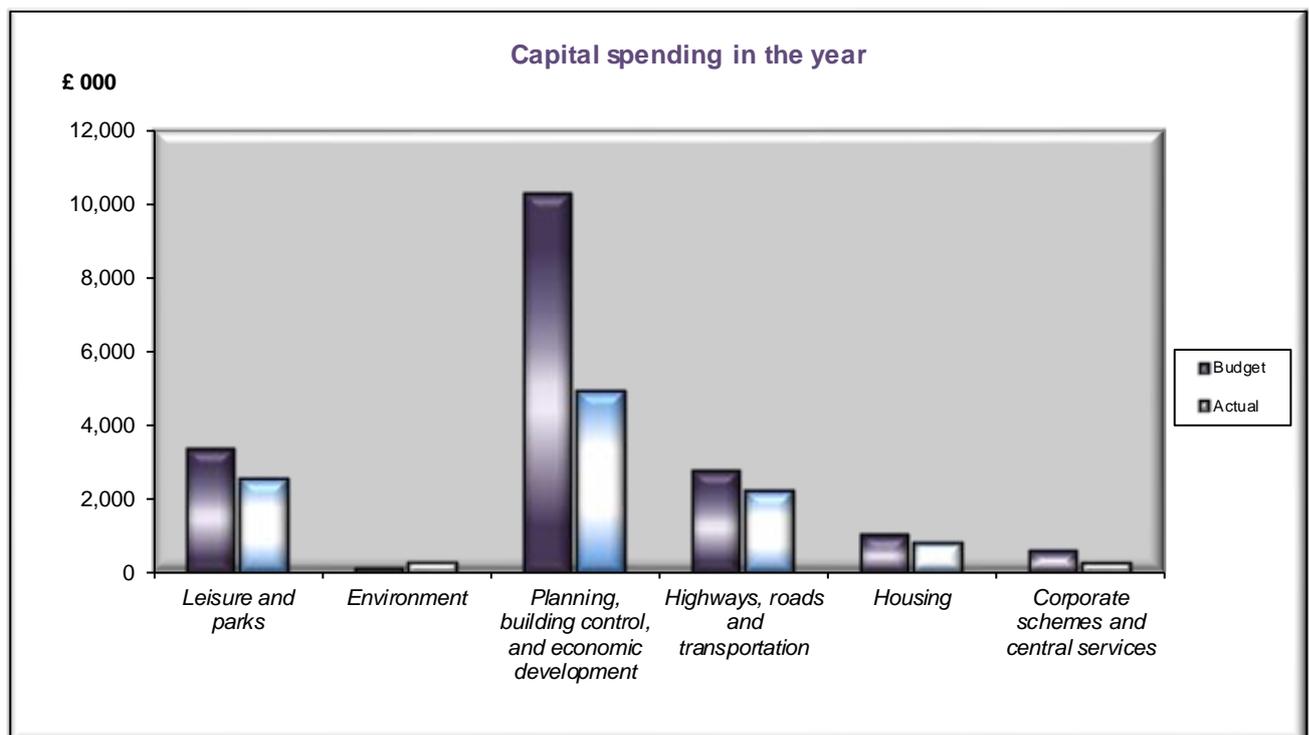
We produce our accounts in International Financial Reporting Standards (IFRS) format. This is to comply with agreed accounting practices. Where there is any change in accounting practice we restate last year's figures.

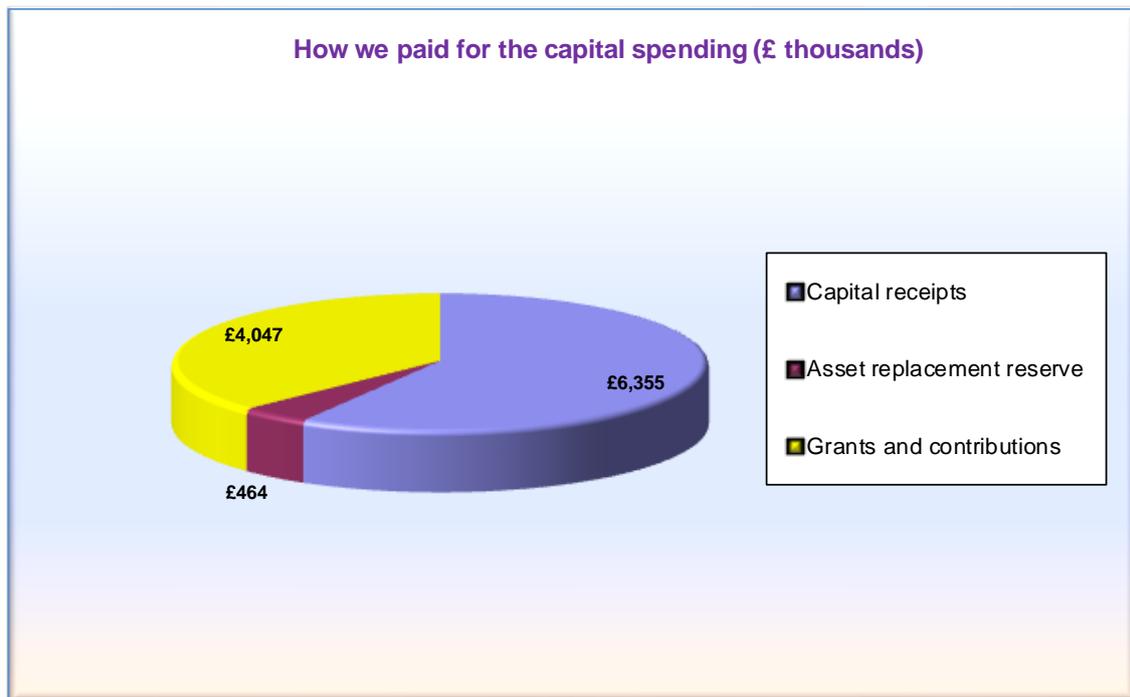
Borrowing

We have repaid all our loans. Our only borrowing is on finance leases.

Capital spending

During the year we spent £10,866,000 on capital schemes, against a budget of £18,000,000. 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).





Material unusual charges to the accounts

There have not been any of these.

Major changes in statutory functions

There have not been any of these.

Significant provisions or contingencies or material write-offs

We have a provision for NDR appeals.

Material events after the Statement of accounts was prepared

There are no such events.

Effects of the current economic climate

Our support grant from the Government has been cut substantially in 2016/17, as it was in previous years, and is expected to be completely removed over the next few years. Despite this we have still produced a balanced budget and expect this to continue into the future.

Auditors

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

Performance measures

For 2016/17 we have established 21 performance indicators that were regularly reviewed and reported to the Overview and Scrutiny Committee. These are financial and non-financial indicators that measure the progress made in terms of achieving the Council's Priorities.

The following six key priorities were established as part of the Council's Corporate Plan:

- Attracting investment and delivering infrastructure
- Facilitating suitable housing for local needs
- Providing high quality public spaces
- Promoting a more sustainable environment
- Promoting healthier and more active lives
- Enhancing participation in cultural activities

For 2016/17 we were above target in 14 of these indicators (2015/16, 14 of 20 indicators). Where targets are not met we provide explanations for this and establish appropriate remedial action.

The majority of the indicators were consistent with the previous year's performance. Further explanation is provided for the indicators that have failed to achieve the target.

We achieved our targets for the following key performance indicators during 2016/17:

Indicator	Achieved in 2015/16	Achieved in 2016/17	Target set as
<u>Net additional homes provided</u> To encourage a greater supply of new homes in England to address the long term housing affordability issue. This indicator measures the net increase in dwelling stock over one year. It is calculated as the sum of new build completions, minus demolitions, plus any gains or losses through change of use and conversions.	792	1002	776
<u>Number of households living in temporary accommodation</u> This indicator measures the numbers of households living in temporary accommodation provided under the homelessness legislation.	249	343	340
<u>Green' queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre for Concessionary Fares and Parking Permits.	98.75%	97.50%	90.00% customers to see an advisor within 15 minutes

Indicator	Achieved in 2015/16	Achieved in 2016/17	Target set as
<u>Blue' queue waiting time</u> Average waiting time to see an advisor at the Customer Service Centre for Housing, Revenues and Benefits.	98.00%	95.75%	90.00% customers to see an advisor within 30 minutes
<u>Average number of unique visitors to the Visit Chelmsford website</u> The Visit Chelmsford website was launched in 2014 and this indicator enables us to measure the site's performance.	5,434	8,639	6,000
<u>The average time taken in calendar days to process all new claims and change events in Housing Benefit and Council Tax Benefit</u> This indicator monitors our performance in processing all new claims and change events in Housing Benefit and Council Tax Benefit enabling us to make comparison to the national average performance.	7.31 days	7.91 days	process claims in under 9.00 days
<u>Number of Customer visits to our sport centres and sport activities</u> This indicator monitors visits to our sports centres and sports activities attendance.	1,436,105	1,492,958	1,424,999
<u>Theatre hire visits</u> Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres at shows or events where the venues are hired by a third party.	37,748	37,877	36,000
<u>Income from Theatres</u> This indicator monitors income achieved from Theatre admissions against the set budget.	105.34% of budget set	108.79% of budget set	£1,347,700
<u>Income from Riverside Leisure Centre</u> This indicator measures income achieved by the Riverside Leisure Centre against set budget.	92.95%	103.5%	£2,957,700
<u>Income from Hylands House and Visitor Centre</u> This indicator monitors income achieved from facility hire for events and rents against set budget.	106.08% of budget set	116.27% of budget set	£879,600
<u>The number of working days lost due to sickness absence</u> This indicator is used to monitor the level of sickness absence in local authorities.	7.04	6.95	less than 7.14 days
<u>Base budget income for Car Parking</u> Total amount of Car Parks fee income achieved against the set budget.	114.41% of budget set	104.09% of budget set	£6,300,000
<u>Base budget income for Cemetery and Crematorium</u> This indicator monitors income achieved from Cemetery and Crematorium fees against the set budget.	100.02% of budget set	101.38% of budget set	£1,624,800

We did not reach our targets for the following indicators during 2016/17:

Target	Supporting information
<p><u>Number of affordable homes delivered</u> Affordable housing is measured as the numbers of affordable dwellings provided in each year, through new build and acquisitions. This does not take account of losses through sales of affordable housing and demolitions.</p>	<p>There was a significant increase in the number of affordable homes delivered from 53 in 2015/16 to 226 in 2016/17. The target setting for this indicator is dependent on the upcoming housing developments in the Chelmsford area and the target was set to 265 in 2016/17. The supply of new affordable homes is forecast to increase significantly in 2017/18.</p>
<p><u>Percentage of waste reused, recycled & composted</u> The indicator measures percentage of household waste arising's which have been sent by the Council for reuse, recycling, composting or anaerobic digestion.</p>	<p>Long term strategy target of 50% was set for this indicator and in 2016/17 overall diversion rate of 43.16% was achieved, a marginal decrease from the 45.35% rate achieved in 2015/16.</p>
<p><u>Residual waste per household</u> This indicator is the number of kilograms of residual household waste collected per household. Local authorities have an important role to play in assisting their residents to reduce waste (as well as encouraging sorting of waste for recycling, re-use, home composting and other forms of home treatment of waste). This indicator monitors the Council's performance in reducing the amount of waste that is sent to landfill, incineration or energy recovery.</p>	<p>In 2016/17 the average kilograms per household of residual waste increased to 624.64kg from 549.56kg the previous year. The target for the year was 550kg.</p>
<p><u>Theatre promotion visits</u> Monitoring the level of visitor attendance at the Civic & Cramphorn Theatres for the Councils own promotion.</p>	<p>In 2016/17 Theatre promotion visits fell to 75,449 from 77,323 the previous year. The target for the year was 80,000 visits.</p>
<p><u>CSC abandoned calls</u> This indicator measures the rate of abandonment of incoming phone calls for the Customer Service Centre (CSC).</p>	<p>This indicator improved to 11% in 2016/17 from 11.25% in 2015/16, the target for 2016/17 was set to 10%.</p>
<p><u>CSC average waiting time for calls (in seconds)</u> This indicator enables the Service manager to monitor the average waiting time for calls.</p>	<p>The target set for this indicator was 40 seconds. There was a fall in waiting time for calls from 46 seconds in 2015/16 to 43 seconds in 2016/17.</p>
<p><u>Percentage of online contact forms responded to within one working day</u> This indicator is designed to measure the speed of response within the CSC to online contact forms. It is important that those customers who choose to self-serve receive a high level of prompt service.</p>	<p>The target set for this indicator was 90%. Performance for 2016/17 was 87.33% This is a new indicator this year so prior year data is not available.</p>

Revenue and Budget Process

The Council has a rigorous revenue and capital monitoring process. Management Team and Cabinet Members are given a detailed monthly report and a quarterly report is presented to the Audit Committee.

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

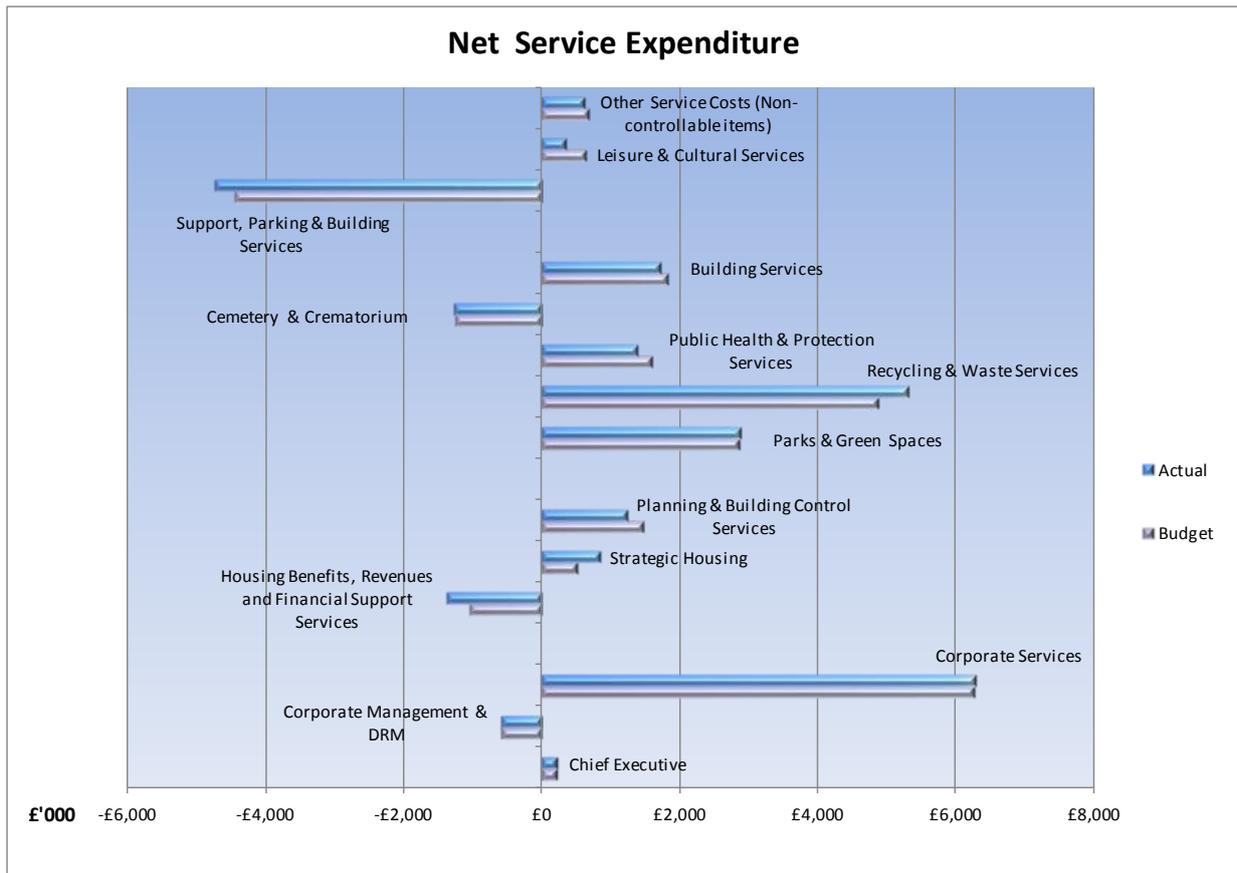
During 2016/17 as part of our outturn savings review and regular monitoring we identified potential savings of £312k. We realigned our budgets to reflect these savings as part of our budget review in November 2016.

Revenue Outturn position

As part of our revenue budget setting process we will again review our outturn savings so that potential ongoing savings can be identified and budgets realigned accordingly.

The Revenue outturn report identified an underspend of £727k against our £13,660k budget at the service expenditure level. The underspend is mainly from additional income collected compared to budget principally from car parking, planning fees and leisure centres, reduced expenditure on our utility costs and timing delay in budgeted expenditure. After allowing for budgeted transfers to earmarked reserves, our general fund balance has reduced by £259k.

The following graph shows the service revenue outturn.



Medium Term Financial strategy for 2016/17 to 2020/21

In preparation of our MTFS we aim to take a strategic approach to managing our finances aligning them with the objectives as set out by the Corporate priorities within the Council’s Corporate plan.

The Council faces significant budget pressures for a number of years due to changes to Global and UK economy and reductions in Local Government funding. To mitigate the impact of these changes we aim to prepare a robust financial strategy and took several measures to bridge the anticipated budget deficit.

- The timely and cost effective delivery of the redevelopment of the Riverside pool complex.
- Monitor the Government proposals for changes to business rate retention which include the potential transfer of additional services (burdens) and identify their impact where possible.
- Directors and Cabinet Members to identify income generation ideas for consideration and development by the Commercial Activity Steering group.
- Capital resources are used to achieve revenue budget savings or deliver significant service enhancements by undertaking schemes that produce additional income or lower running costs.

- Review of the property assets to release surplus assets, to achieve value for money and to examine options to acquire new assets that deliver additional financial and service benefits.

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 2016/17 we continued to invest in our workforce by employing several interns within various departments of the Council.

We have been assessed by the Investors in People (IIP) and the Council received the long service award and maintained its IIP Gold Award.

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

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, and
- approve the Statement of accounts.

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

Councillor Malcolm Watson
Chairman of the Audit Committee

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, and
- 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 2017 and the income and spending for the year ended 31 March 2017.

Nick Eveleigh
Director of Financial Services

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.

2015/16 (Restated)			Money spent on services direct to the public	Notes	2016/17		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
217	(2)	215	Chief Executive		242	-	242
-	(475)	(475)	Corporate Management & DRM		-	(592)	(592)
6,965	(592)	6,373	Corporate Services		7,538	(600)	6,938
			Financial Services				
5,009	(1,746)	3,263	Housing Benefits, Revenues & Financial		4,785	(1,740)	3,045
3,170	(2,253)	917	Strategic Housing		3,935	(2,938)	997
4,542	(2,396)	2,146	Planning and Building Control		6,631	(2,430)	4,201
			Public Places				
4,094	(624)	3,470	Parks & Green Spaces		4,094	(826)	3,268
11,831	(5,380)	6,451	Recycling & Waste Services		12,152	(5,501)	6,651
3,564	(747)	2,817	Public Health & Protection		2,821	(674)	2,147
742	(1,625)	(883)	Cemetery and Crematorium		708	(1,884)	(1,176)
2,161	(207)	1,954	Building Services		2,168	(155)	2,013
			Community Services				
3,011	(7,761)	(4,750)	Support, Parking		3,182	(7,531)	(4,349)
10,444	(7,775)	2,669	Leisure and Cultural Services		10,072	(8,418)	1,654
			Other Service Costs (including Housing Benefit subsidy)				
48,202	(47,670)	532			46,612	(46,146)	466
103,952	(79,253)	24,699	Spending on current services		104,940	(79,435)	25,505
6,475	(3,636)	2,839	Other operating expenditure	11	5,556	(4,885)	671
3,241	(12,007)	(8,766)	Financing and investment	12	3,454	(6,289)	(2,835)
-	-	-	Spending on discontinued operations		-	-	-
28,072	(54,627)	(26,555)	Taxation and general grants	13	29,240	(57,840)	(28,600)
141,740	(149,523)	(7,783)			143,190	(148,449)	(5,259)
			Items that will not be reclassified to the Total spending on services				
		(6,427)	(Surplus) or loss from our assets being revalued				(10,479)
		(7,137)	Remeasurement of the assets of the pension fund	33			24,892
			Items that may be reclassified to the Total spending on services				
		(357)	(Surplus) or loss from our available for sale assets being revalued				135
		(21,704)	Total income and expenditure	24			9,289

Movement in reserves statement

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

	General fund (Restated)	Capital receipts reserve	Capital grants unapplied (note 38)	Total usable reserves	Unusable reserves (note 20)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2015	21,728	17,464	11,554	50,746	100,782	151,528
Total comprehensive expenditure and income	7,783	-	-	7,783	13,921	21,704
Adjustments from council tax levied and accounting regulations (note 9)	(6,504)	(3,627)	4,679	(5,452)	5,452	-
Net increase or (decrease)	1,279	(3,627)	4,679	2,331	19,373	21,704
Balance at 31 March 2016	23,007	13,837	16,233	53,077	120,155	173,232

	General fund	Capital receipts reserve	Capital grants unapplied (note 38)	Total usable reserves	Unusable reserves (note 20)	Total reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2016	23,007	13,837	16,233	53,077	120,155	173,232
Total comprehensive expenditure and income	5,259	-	-	5,259	(14,548)	(9,289)
Adjustments from council tax levied and accounting regulations (note 9)	(5,529)	(1,174)	2,942	(3,761)	3,761	-
Net increase or (decrease)	(270)	(1,174)	2,942	1,498	(10,787)	(9,289)
Balance at 31 March 2017	22,737	12,663	19,175	54,575	109,368	163,943

Balance sheet

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

31 March 2016	Balance Sheet		31 March 2017
£ 000		Notes	£ 000
	Long-term assets		
141,531	Property, plant and equipment	14	152,827
68,355	Investment property	14	69,290
797	Intangible assets	14	653
3,508	Heritage assets	15	3,590
6,420	Long-term investments	16	6,280
3,453	Long-term debtors		1,932
224,064			234,572
	Current assets		
252	Stocks		291
33,277	Short-term investments	16	40,664
16,914	Short-term debtors	18	16,982
-	Assets held for sale	14	-
14,322	Cash in hand and cash equivalents	19	23,776
64,765			81,713
	Current liabilities		
(12,989)	Short-term creditors	20	(22,060)
(5,843)	Provisions	21	(4,315)
(520)	Cash overdrawn	19	(586)
(19,352)			(26,961)
	Long-term liabilities		
-	Long-term borrowing	16	-
(2,187)	Long-term creditors	39	(766)
-	Donated assets account	30	-
(3,497)	Capital grants received in advance	30	(4,206)
(90,561)	Liability relating to our pensions	33	(120,409)
(96,245)			(125,381)
173,232	Net assets		163,943

31 March 2016		Notes	31 March 2017
£ 000			£ 000
	Reserves		
53,077	Usable reserves (see Movement in Reserves Statement)		54,575
120,155	Unusable reserves	22	109,368
173,232	Total reserves		163,943

These financial statements replace the unaudited financial statements certified by Nick Eveleigh, Director of Financial Services on 08 June 2017.

Cashflow statement

This section shows what cash we spend and receive.

2015/16	Cash Flow	Notes	2016/17
£ 000			£ 000
	Operating activities		
	Spending		
(24,505)	Cash paid to and for employees		(24,933)
(47,997)	Housing benefit paid out		(46,438)
(223)	NNDR payments to the national pool		(224)
(2,245)	Precepts		(2,275)
(3)	Payment to the housing capital receipts pool		(3)
(28,540)	Tariff & Levy/ Safety Net		(29,240)
(21)	Interest paid		(10)
(25,370)	Other costs		(29,477)
	Income		
7,006	Rents (after rebates)		8,899
13,056	Council tax		13,661
30,840	NDR we received		31,636
2,336	Revenue support grant		1,359
46,555	DWP grants for rebates		44,912
3,370	Other government grants		3,596
20,150	Cash we received for goods and services		21,793
1,002	Interest we received		891
8,863	Other revenue cash payments or income		7,550
4,274	Net cash inflow or (outflow) from operating	23	1,697
	Investing activities		
	Spending		
(3,783)	Buying non-current assets		(3,843)
(2,069)	Other capital cash payments		(3,448)
-	Other payments		-
	Income		
777	Selling non-current assets		5,119
7,625	Capital grants we received		7,882
	Grants applied to fund capital spending		
(435)	Other contributions		(1,421)
(3,481)	Change in our investments		(7,382)
(1,366)	Net cash inflow or (outflow) from capital		(3,093)
2,908	Net cash inflow or (outflow) before financing		(1,396)
	Management of liquid resources		
	Financing activities		
(146)	Other liquid resources		10,784
	Spending		
-	Repaying loans		-
	Income		
-	New loans		-
(146)	Cash flow from financing activities		10,784
2,762	Increase or (decrease) in cash		9,388
11,040	Cash balance at the beginning of the year		13,802
13,802	Cash balance at the end of the year		23,190

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.

2015/16				2016/17		
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
215	-	215	Chief Executive	228	14	242
(475)	-	(475)	Corporate Management & DRM	(592)	-	(592)
5,681	692	6,373	Corporate Services	6,287	651	6,938
			Financial Services			
			Housing Benefits, Revenues & Financial Support			
(404)	3,667	3,263	Services	(1,365)	4,410	3,045
464	453	917	Strategic Housing	843	154	997
1,348	798	2,146	Planning and Building Control	1,243	2,958	4,201
			Public Places			
2,753	717	3,470	Parks & Green Spaces	2,890	378	3,268
4,909	1,542	6,451	Recycling & Waste Services	5,309	1,342	6,651
1,443	1,374	2,817	Public Health & Protection	1,385	762	2,147
(1,089)	206	(883)	Cemetery and Crematorium	(1,262)	86	(1,176)
1,754	200	1,954	Building Services	1,721	292	2,013
			Community Services			
(4,431)	(319)	(4,750)	Support, Parking	(4,732)	383	(4,349)
1,766	903	2,669	Leisure and Cultural Services	360	1,294	1,654
			Other Service Costs (including Housing Benefit subsidy)			
658	(126)	532		618	(152)	466
14,592	10,107	24,699	Spending on current services	12,933	12,572	25,505
2,245	594	2,839	Other operating expenditure	2,275	(1,604)	671
727	(9,493)	(8,766)	Financing and investment	(27)	(2,808)	(2,835)
-	-	-	Spending on discontinued operations			-
(18,843)	(7,712)	(26,555)	Taxation and general grants	(14,911)	(13,689)	(28,600)
(1,279)	(6,504)	(7,783)	Total spending on services	270	(5,529)	(5,259)

2 General Accounting policies

The Statement of accounts is a summary of our transactions for the financial year 2016/17 and our position at the year end, 31 March 2017. 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 2016/17, a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

The 2016/17 Code introduced several presentational changes to the statement of accounts.

The Comprehensive Income and Expenditure statement (CIES) is no longer prepared on the Service Reporting Code of Practice (SerCop) basis and instead reflects the reporting structure as presented in our internal revenue monitoring reports. We are required to produce a new supporting statement 'Expenditure and Funding analysis' that reconciles the net expenditure presented in CIES to the net expenditure chargeable to General fund as presented in our management outturn report.

We are required to prepare a more simplified Movement in Reserves Statement that shows Earmarked Reserves as part of the General Fund balance.

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.

Carbon reduction commitment scheme

We do not have to take part in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme as our energy usage has fallen below the minimum thresholds.

Changes to accounting policies and estimates

We only change accounting policies when the accounting standards require us to do so, or when we think a change in policy will improve the presentation of the accounts and the way we manage our finances. When we do change a policy, we restate the amounts we presented in previous years so that all of the amounts in these accounts can be compared. Please see note 3 for details of any accounting standards issued but not used in these accounts.

If we have made a material error in an amount we estimated in previous years, we will correct this by restating the previous year's amount.

Effects of changes in estimates

We have not changed the way we estimate amounts to be included in the accounts.

Employee benefits

Where an employee has not taken all their holidays or has accumulated hours at the end of the year, we charge the cost of this to the spending on services. To stop this being a charge to council tax, we reverse the entry out in the Accumulating compensated absences adjustment account.

Exceptional items

Where an exceptional item is material, we will show it separately in the Comprehensive income and expenditure statement. If it is not material, we will show it in a note to the accounts.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.

Asset type	Fair value
Property, plant and equipment	The amount that would be paid for land and buildings while they are being used for their existing purpose.
Leases	The value of the lease to another party.
Investment property	The market value of the asset in its most valuable use.
Intangible assets	Where there is no active market in the asset, it will be recorded at cost. Otherwise, the asset will be included at market value.
Non-current assets held for sale	The market value of the asset.
Stocks	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Debtors	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Financial instruments	Usually, the price at which the asset is sold.
Creditors	The amount for which an asset could be exchanged, or a liability settled, between willing and knowledgeable people in an open-market transaction.
Employee benefits	Pension fund assets and liabilities are measured at fair value in accordance with IAS19.
Pension fund plan investments	Retirement benefit plan investments are 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.

As there is no evidence to the contrary, 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.

Joint projects

We are holding money as the main authority for a joint project with several other local authorities to improve houses in Essex. Until the money is used, we show it as 'not spent' in our Balance sheet. As the money is spent this amount gets smaller. If we spend our share of the money in the Chelmsford area, we show the amount spent in our Comprehensive income and expenditure statement. The amounts other authorities spend are not shown in our Comprehensive income and expenditure statement because it is not our money.

Minimum repayment of principal (MRP)

We are required to charge our revenue budgets an annual MRP for the repayment of debt. We calculate the MRP using the Asset Life Method. This method requires MRP to be charged over the asset life. The asset life is determined in the year MRP commences and is not changed. MRP will not be charged until the asset becomes operational.

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.

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 incurred during the year that do not create non-current assets can be funded by capital resources under Government Statute. 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.

Stocks

We record stocks at their actual costs or the amount we could sell them for, whichever is the lower. Most of our stocks are controlled by a stores accounting system, and are shown at the last price we bought them for. Other stocks are shown at cost price. The difference between the two practices is not significant.

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.

We do not expect that the changes introduced by the 2017/18 Code will have a material impact on the accounts.

4 Critical judgements in applying accounting policies

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

- There is a lot of uncertainty about the future level of Government grant funding. The Government is committed to removing the Formula grant funding and the New Homes Bonus grant may reduce in the future. It is also unclear how Britain's decision to leave the European Union will impact on Local Government finances. We believe that we will be able to produce a balanced budget despite this and that our asset values do not need to be impaired as a result of needing to close facilities or reduce service provision.
- Leases are classified as finance or operational. The Council follows the tests laid under accounting standards, which require us to estimate asset life, rates

of return achieved by leasing companies and ownership rights. Leases, once classified, cannot be moved from one category to another. However, finance leases are recorded on the Balance sheet as if we owned the assets; operational leases are not.

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, plant and equipment	Assets are depreciated over their useful lives and that life depends on how we maintain the assets. In the current economic climate there is some uncertainty about whether we may be able to continue our current level of maintenance.	The average life of our assets is 43 years and the depreciation charge for the year is £3.5m. If this life were reduced by a year, the depreciation charged would increase by £0.1m.
Pensions liability	The valuation of the pensions liability depends on many assumptions. The more important of these are how many years pension will be payable for, the rate of increase in salaries and pensions and the rate of inflation.	See note 33 for the effects of variations in these items.
NDR appeals	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, we are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. Our share of business rates income is 40%.	We have created a provision for our estimate of the amount that might be repayable to 31 March 2017 following successful appeals. Our share of this provision is £4.3m (see Note 21). The estimate has been calculated using the Valuation Office Agency ratings list of appeals, and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made.

Arrears	<p>We had a balance on sundry debtors of £17.0m at the year end. We have made an allowance for doubtful debts of £2.0m, based on various percentages of different ages of debts. In the current economic climate these assumptions may change.</p>	<p>If the economic conditions deteriorate, a doubling of the allowance for doubtful debts would require us to set aside another £2.0m.</p>
Fair Value Measurement	<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).</p> <p>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 below.</p>	<p>The Council uses Level 2 observable inputs for valuing both its Investment properties and financial instruments. The 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. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>

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 I.

2015/16				Analysis of adjustments made to arrive at the Comprehensive Income and Expenditure Statement	2016/17			
Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Adjustments	Adjustments between the Funding and Accounting bases		Adjustments for Capital Charges	Net change for the Pensions Adjustment	Other Adjustments	Adjustments between the Funding and Accounting bases
(Note 1) £ 000	(Note 2) £ 000	(Note 3) £ 000	£ 000		(Note 1) £ 000	(Note 2) £ 000	(Note 3) £ 000	£ 000
-	-		-	Chief Executive	-	14		14
-	-		-	Corporate Management & DRM	-	-		-
381	311		692	Corporate Services	356	295		651
			-	Financial Services				-
(8)	250	3,425	3,667	Housing Benefits, Revenues & Financial Support	14	210	4,186	4,410
360	48	45	453	Strategic Housing	61	41	52	154
576	222		798	Planning and Building Control	2,762	196		2,958
			-	Public Places				
490	182	45	717	Parks & Green Spaces	414	165	(201)	378
1,081	416	45	1,542	Recycling & Waste Services	907	385	50	1,342
1,242	128	4	1,374	Public Health & Protection	642	116	4	762
170	14	22	206	Cemetery and Crematorium	52	12	22	86
65	52	83	200	Building Services	129	48	115	292
				Community Services				
(523)	167	37	(319)	Support, Parking	194	152	37	383
497	406		903	Leisure and Cultural Services	967	327		1,294
(6)	(112)	(8)	(126)	Other Services Costs (including HB subsidy)		(115)	(37)	(152)
4325	2,084	3,698	10,107	Spending on current services	6,498	1,846	4,228	12,572
758		(164)	594	Other operating expenditure	(1,680)		76	(1,604)
(8,864)	2,913	(3,542)	(9,493)	Financing and investment	(1,577)	3,110	(4,341)	(2,808)
(7,000)		(712)	(7,712)	Taxation and general grants	(7,081)		(6,608)	(13,689)
(10,781)	4,997	(720)	(6,504)	Total spending on services	(3,840)	4,956	(6,645)	(5,529)

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 MRP.

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 Adjustments

For the services lines this represents a removal of the 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 and 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.

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 (£46m)
- Government grant in respect of housing benefit paid to the Council (£44.9m)
- Income from sales, fees and charges and rents (£30.7m)
- Employee costs (£24.9m)

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. We did not have any such items in this year.

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 explained in note 10 to the main financial statements. These are usable reserves.</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 2015/16	General fund	Capital	Capital grants	Total usable	Unusable
	£ 000	receipts £ 000	unapplied £ 000	reserves £ 000	reserves £ 000
Reversal of items included in the Comprehensive income and expenditure statement (CI&ES)					
Depreciation and impairment of non-current assets	(3,415)	-	-	(3,415)	3,415
Revaluation losses on property, plant and equipment	1,399	-	-	1,399	(1,399)
Change in the market value of investment properties	7,456	-	-	7,456	(7,456)
Amortisation of intangible assets	(249)	-	-	(249)	249
Capital grants and contributions applied to capital financing	1,051	-	-	1,051	(1,051)
Movement in the donated assets account	-	-	-	-	-
Revenue expenditure funded from capital under statute	(2,069)	-	-	(2,069)	2,069
Gain or loss on the disposal of non-current assets	(1,485)	(47)	-	(1,532)	1,532
Unrealised Gain on Investments	-	-	-	-	-
Inclusion of items not included in the CI&ES					
Statutory provision for the financing of capital investment	226	-	-	226	(226)
Capital expenditure charged to the general fund	1,183	-	-	1,183	(1,183)
Adjustments involving the capital receipts reserve					
Asset sale proceeds credited to the CI&ES	723	(758)	-	(35)	35
Use of capital receipts to fund new capital spending	-	4,432	-	4,432	(4,432)
Capital receipts used to fund sale costs	-	-	-	-	-
Transfers to the housing capital receipts pool	(4)	4	-	-	-
Transfers from deferred capital receipts on receipt of cash	-	(4)	-	(4)	4
Adjustments involving the capital grants unapplied account					
Reversal of unapplied capital grants and contributions credited to the CI&ES	1,905	-	(1,905)	-	-
CIL grant	4,090	-	(4,090)	-	-
Grants applied to capital financing	-	-	1,316	1,316	(1,316)
Adjustments involving the deferred capital receipts reserve					
Deferred asset sale proceeds credited to the CI&ES	-	-	-	-	-
Adjustments involving the financial instruments adjustment account					
Difference between financing costs charged under statutory and accounting requirements	-	-	-	-	-
Adjustments involving the pension reserve					
Reversal of post-employment benefits charged to the CI&ES	(8,401)	-	-	(8,401)	8,401
Employer's pension contributions paid in the year	3,404	-	-	3,404	(3,404)
Actuarial gains or (losses)	-	-	-	-	-
Adjustments involving the collection fund adjustment account					
Adjustment for Council Tax collection fund income	(285)	-	-	(285)	285
Adjustment for Non-domestic rates collection fund income	997	-	-	997	(997)
Adjustments involving the unequal back-pay adjustment account					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	-	-	-	-	-
Adjustments involving the accumulating compensated absences adjustment					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	(22)	-	-	(22)	22
Total adjustments	6,504	3,627	(4,679)	5,452	(5,452)

Movements in 2016/17	General fund	Capital receipts	Capital grants unapplied	Total usable reserves	Unusable reserves
	£ 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	(3,565)	-	-	(3,565)	3,565
Revaluation losses on property, plant and equipment	761	-	-	761	(761)
Change in the market value of investment properties (+gain/-loss)	885	-	-	885	(885)
Amortisation of intangible assets	(245)	-	-	(245)	245
Capital grants and contributions applied to capital financing	1,290	-	-	1,290	(1,290)
Movement in the donated assets account	-	-	-	-	-
Revenue expenditure funded from capital under statute	(3,450)	-	-	(3,450)	3,450
Gain or loss on the disposal of non-current assets	(125)	(3,311)	-	(3,436)	3,436
Unrealised Gain on Investments	-	-	-	-	-
Inclusion of items not included in the CI&ES					
Statutory provision for the financing of capital investment	228	-	-	228	(228)
Capital expenditure charged to the general fund	464	-	-	464	(464)
Adjustments involving the capital receipts reserve					
Asset sale proceeds credited to the CI&ES	1,809	(1,869)	-	(60)	60
Use of capital receipts to fund new capital spending	-	6,355	-	6,355	(6,355)
Capital receipts used to fund sale costs	-	-	-	-	-
Transfers to the housing capital receipts pool	(3)	3	-	-	-
Transfers from deferred capital receipts on receipt of cash	-	(4)	-	(4)	4
Adjustments involving the capital grants unapplied account					
Reversal of unapplied capital grants and contributions credited to the CI&ES	2,309	-	(2,309)	-	-
CIL grant	3,481	-	(3,481)	-	-
Grants applied to capital financing	-	-	2,848	2,848	(2,848)
Adjustments involving the deferred capital receipts reserve					
Deferred asset sale proceeds credited to the CI&ES	-	-	-	-	-
Adjustments involving the financial instruments adjustment account					
Difference between financing costs charged under statutory and accounting requirements	-	-	-	-	-
Adjustments involving the pension reserve					
Reversal of post-employment benefits charged to the CI&ES	(8,334)	-	-	(8,334)	8,334
Employer's pension contributions paid in the year	3,378	-	-	3,378	(3,378)
Actuarial gains or losses	-	-	-	-	-
Adjustments involving the collection fund adjustment account					
Adjustment for Council Tax collection fund income	153	-	-	153	(153)
Adjustment for Non-domestic rates collection fund income	6,456	-	-	6,456	(6,456)
Adjustments involving the unequal back-pay adjustment account					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	-	-	-	-	-
Adjustments involving the accumulating compensated absences adjustment					
Difference between costs charged under statutory requirements and those actually charged to the CI&ES	37	-	-	37	(37)
Total adjustments	5,529	1,174	(2,942)	3,761	(3,761)

10 A detailed assessment of our earmarked reserves

The following table shows details of movements in these reserves.

Earmarked Reserves	Pensions	Insurance reserve	Future replacement of assets	Interest rate equalisation	Contingency	Chelmsford Development	NDR appeals	Other reserves	Total earmarked reserves
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2015	1	760	2,552	1,256	2,001	3,000	1,738	1,131	12,439
Transfers in	1,554	732	1,429		1,081	1,131	4,420	4	10,351
Transfers out	(508)	(553)	(1,182)	(1,256)	-	-	(1,158)	(262)	(4,919)
Balance at 31 March 2016	1,047	939	2,799	-	3,082	4,131	5,000	873	17,871
Transfers in	2,794	233	1,537	-	-	2,446	-	117	7,127
Transfers out	(367)	(295)	(463)	-	(696)	-	(5,000)	(317)	(7,138)
Balance at 31 March 2017	3,474	877	3,873	-	2,386	6,577	-	673	17,860

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 Insurance reserve

We use this reserve to cover the cost of policy excesses mainly related to fire and liability policies and self-insurance.

c Future replacement of assets

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

d Contingency reserve

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

e Chelmsford Development Fund

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

f NDR appeals

To manage timing differences from payments and income from Business Rate Retention scheme.

g Interest Rate Equalisation Reserve

This reserve has been combined with the Contingency reserve

11 Other operating expenditure

2015/16			Other operating expenditure	2016/17		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
2,245	-	2,245	Parish council precepts	2,275	-	2,275
2,843	(3,007)	(164)	(Gains) or losses on trading operations (note 25)	3,153	(3,077)	76
1,384	-	1,384	(Gain) or losses on disposal of non-current assets	125	-	125
-	(629)	(629)	(Gain) or losses on disposal of unattached assets	-	(1,808)	(1,808)
3	-	3	Payments to the Housing capital receipts pool	3	-	3
6,475	(3,636)	2,839		5,556	(4,885)	671

12 Financing and investments

2015/16			Financing and investments	Notes	2016/17		
Gross spending £ 000	Income £ 000	Net spending £ 000			Gross spending £ 000	Income £ 000	Net spending £ 000
-	(702)	(702)	Interest and investment income	16	-	(729)	(729)
2	-	2	Interest we have to pay	16	-	-	-
19	-	19	Interest on finance leases	16	10	-	10
2,913	-	2,913	Pension interest and remeasurement of the liabilities of the pension fund	33	3,110	-	3,110
-	(7,456)	(7,456)	Revaluation of investment properties		-	(885)	(885)
307	(3,849)	(3,542)	Investment properties	25	334	(4,675)	(4,341)
3,241	(12,007)	(8,766)			3,454	(6,289)	(2,835)

13 Taxation and non-specific grants

2015/16			Taxation & general grants	2016/17		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
-	(2,336)	(2,336)	Revenue support grant	-	(1,359)	(1,359)
-	(29,032)	(29,032)	National non-domestic rates	-	(32,662)	(32,662)
28,072	(588)	27,484	Government tariff, s31 grant, levy and safety net on non-domestic rates	29,240	(761)	28,479
-	(13,022)	(13,022)	Demand on the collection fund	-	(13,624)	(13,624)
-	(9,649)	(9,649)	Capital grants, New homes bonus, Council Tax freeze grant, contributions from the Business rates pool and other contributions	-	(9,434)	(9,434)
28,072	(54,627)	(26,555)	Total recharged services	29,240	(57,840)	(28,600)

14 Movements on our assets

Independent external valuers are used to revalue our properties and we will review a proportion of our assets every year. The valuations for 2016/17 were undertaken by Wilkes Head and Eve on 31st December 2016.

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 Property Services Manager (Mr. A Large FRICS) reviews our property assets every year. We only change these valuations if we think there is a big change in the asset's value.

Accounting policies

Assets held for sale

Any asset the Council thinks it can sell in its existing condition, is actively trying to sell, and will sell should be classified as 'held for sale'. We will record it as a surplus asset if that sale is likely to take longer than 12 months and it is no longer being used to deliver services, otherwise we will record it as a current asset – asset held for sale.

We revalue assets that we transferred into 'held for sale' before reclassifying them, based on their current use. If this amount is lower than the sale proceeds we expect, we revalue the asset again to a lower sale price. We charge this cost to Other Operating Expenditure in the Surplus or Deficit on the Provision of Services. It is reversed out before affecting council tax.

We do not charge depreciation on assets held for sale.

Once an asset is sold, we charge any gain or loss over the amount the Council has recorded in its accounts to the Surplus or Deficit on the Provision of Services. It is reversed out before affecting council tax.

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. The charge covers the estimated loss in value over time of the assets that each service has used (depreciation), spread out over the asset's life. The depreciation (or amortisation for intangible assets) is calculated on a straight-line basis, which means that for every year the Council estimates it will use an asset, the service is charged the same amount each year.

We make some capital payments that do not create a physical asset. Examples include improving items we do not own, such as roads, and paying grants to help people improve their

homes. We charge these payments to the Comprehensive income and expenditure statement in the year we make the payment, but fund them from capital resources.

Intangible assets

An intangible asset is created when we make a payment for something that we expect to benefit from for more than one year, but no physical asset is created (for example, computer software licences).

The asset is recorded at cost in the Council's accounts and is depreciated annually based on its estimated life. The assets are reviewed for impairment annually and if found to be less productive, we charge losses to the service using it. The cost is reversed out before affecting council tax.

The useful lives of our intangible assets are finite; we normally expect to use them up over 3-10 years, depending on the type of software. Our main IT systems, are expected to last up to 10 years from new. Other systems, such as website software, have shorter lives.

We charge the intangible assets to the computer service, and then recharge them across all service headings, so we do not show this charge in one place in the accounts.

All our intangible assets have been bought. We have not made any of them. There have been no impairments or revaluations.

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.
- Infrastructure such as bridges and roads 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 fair value, this being what they could be sold for in their existing use.

Assets are valued at fair value and we will revalue high value items every year and around one fifth of our assets every year until the end of five years when we will have revalued all our land and buildings. However, if there is 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.

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 10-66 years*
- Vehicles and equipment 3-20 years*
- Intangible assets 3-15 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 £ 000	Vehicles and equipment £ 000	Infra-structure £ 000	Community assets £ 000	Assets being built £ 000	Surplus assets £ 000	Total £ 000
Net book value on 1 April 2015 (after depreciation)	120,142	7,977	32	4,862	227	1,401	134,641
Total book value on 1 April 2015	121,541	16,087	32	4,862	227	1,402	144,151
Assets we have transferred	1,025	104	-	151	(1,171)	-	109
Assets we have bought or improved	1,001	1,660	-	-	1,315	-	3,976
Assets that were donated	-	-	-	-	-	-	-
Adjustment to accruals for assets we bought	-	-	-	-	-	-	-
Assets we have sold	(1,489)	(1,121)	-	-	-	-	(2,610)
Assets no longer required	-	-	-	-	-	-	-
Assets we have impaired	-	-	-	-	-	-	-
Assets revalued through the cost of provision of services	229	-	(32)	-	(1)	-	196
Assets revalued through the revaluation reserve	4,736	-	-	366	-	-	5,102
Total book value on 31 March 2016	127,043	16,730	-	5,379	370	1,402	150,924
Depreciation and impairment on 1 April 2015	1,399	8,110	-	-	-	1	9,510
Assets we have transferred	-	-	-	-	-	-	-
Revaluation adjustment	-	-	-	-	-	-	-
Amounts written out on assets we have sold	(28)	(1,057)	-	-	-	-	(1,085)
Impairments recognised in the cost of provision of services	-	-	-	-	-	-	-
Impairments recognised in the revaluation reserve	-	-	-	-	-	-	-
Depreciation written out to the cost of services	(1,200)	-	-	-	-	-	(1,200)
Depreciation written out to the revaluation reserve	(1,244)	-	-	-	-	-	(1,244)
Depreciation for the year	1,755	1,654	-	-	-	3	3,412
Depreciation on 31 March 2016	682	8,707	-	-	-	4	9,393
Net book value on 31 March 2016 (after depreciation)	126,361	8,023	-	5,379	370	1,398	141,531

PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)	Other land and buildings £ 000	Vehicles and equipment £ 000	Infra-structure £ 000	Community assets £ 000	Assets being built £ 000	Surplus assets £ 000	Total £ 000
Net book value on 1 April 2016 (after depreciation)	126,361	8,023	-	5,379	370	1,398	141,531
Total book value on 1 April 2016	127,043	16,730	-	5,379	370	1,402	150,924
Assets we have transferred	1,253	137		(534)	(856)		-
Assets we have bought or improved	909	1,193			2,252		4,354
Assets that were donated							-
Adjustment to accruals for assets we bought							-
Assets we have sold or disposed of	(632)	(114)					(746)
Assets no longer required		(1,243)					(1,243)
Assets we have impaired							-
Assets revalued through the cost of provision of services	238						238
Assets revalued through the revaluation reserve	8,911					21	8,932
Total book value on 31 March 2017	137,722	16,703	-	4,845	1,766	1,423	162,459
Depreciation on 1 April 2016	682	8,707	-	-	-	4	9,393
Assets we have transferred							-
Revaluation adjustment							-
Amounts written out on assets we have disposed of		(1,339)					(1,339)
Impairments recognised in the cost of provision of services							-
Impairments recognised in the revaluation reserve							-
Depreciation written out to the cost of services	(522)					(7)	(529)
Depreciation written out to the revaluation reserve	(1,458)					4	(1,454)
Depreciation for the year	1,908	1,653					3,561
Depreciation on 31 March 2017	610	9,021	-	-	-	1	9,632
Net book value on 31 March 2017 (after depreciation)	137,112	7,682	-	4,845	1,766	1,422	152,827

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	770	16,703	-	4,362	1,766		23,601
Carrying fair value at:							
31 March 2017 (valuation date 31/12/2016)	120,861	-	-	-	-	1,357	122,218
31 March 2016 (valuation date 31/12/2015)	10,342	-	-	262	-	66	10,670
31 March 2015 (valuation date 31/03/2015)	2,529	-	-	221	-		2,750
31 March 2014 (valuation date 1/04/2013)	3,220	-	-	-	-		3,220
31 March 2013 (valuation date 1/04/2012)		-	-	-	-		-
Total	137,722	16,703	-	4,845	1,766	1,423	162,459

The Council has not suffered any material impairment losses on its assets in 2016/17.

INVESTMENT PROPERTIES (NON-CURRENT ASSETS)	Assets being built	Assets	2015/16
	£ 000	£ 000	£ 000
Balance on 1 April	-	59,256	59,256
Additions			
Properties we bought	-	1,550	1,550
Properties we built	-	-	-
Properties we improved	-	202	202
Disposals	-	-	-
Net gain or (loss) from fair value adjustments	-	7,456	7,456
Transfers (to) or from	-	-	-
Stocks	-	-	-
Property, plant and equipment	-	(109)	(109)
Other changes	-	-	-
Balance on 31 March	-	68,355	68,355

Assets being built	Assets	2016/17
£ 000	£ 000	£ 000
-	68,355	68,355
40	-	40
-	-	-
-	2,785	2,785
-	(2,775)	(2,775)
-	885	885
-	-	-
-	-	-
-	-	-
40	69,250	69,290

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

	Quoted prices in active market for identical assets (Level 1) £ 000	Other significant observable inputs (Level 2) £ 000	Significant unobservable inputs (Level 3) £ 000	Fair value as at 31 March 2017 £ 000
Recurring fair value measurements using:				
Commercial Site	-	12,948	-	12,948
Development site	-	5,179	-	5,179
Pending Sale	-	-	-	-
Residential (market rental) properties	-	721	-	721
Retail Sites	-	50,402	-	50,402
Balance on 31 March	-	69,250	-	69,250

ASSETS HELD FOR SALE	Current assets	
	2015/16	2016/17
	£ 000	£ 000
Balance on 1 April	-	-
Assets moved to/from this heading from		
Property, plant and equipment	-	-
Intangible assets	-	-
Other categories	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets moved from this heading to		
Property, plant and equipment	-	-
Intangible assets	-	-
Other categories	-	-
Assets sold	-	-
Transfers from non-current to current category	-	-
Other	-	-
Balance on 31 March	-	-

INTANGIBLE ASSETS (NON-CURRENT ASSETS)	<----- 2015/16 ----->		
	Software licences	Work in progress	Total
	£ 000	£ 000	£ 000
Net book value on 1 April (after amortisation)	881	42	923
Total book value on 1 April	3,550	42	3,592
Assets we have transferred	62	(62)	-
Assets we have bought or improved	68	56	124
Assets that were developed internally	-	-	-
Adjustment to accruals for assets we bought	-	-	-
Assets no longer required	-	-	-
Assets we have impaired	-	-	-
Assets revalued through the cost of provision of services	-	-	-
Assets revalued through the revaluation reserve	-	-	-
Total book value on 31 March	3,680	36	3,716
Amortisation on 1 April	2,669	-	2,669
Assets we have transferred	-	-	-
Amounts written out on assets we have finished with	-	-	-
Impairments recognised in the cost of provision of services	-	-	-
Impairments recognised in the revaluation reserve	-	-	-
Impairments reversed in the cost of provision of services	-	-	-
Impairments reversed in the revaluation reserve	-	-	-
Amortisation for the year	250	-	250
Amortisation on 31 March	2,919	-	2,919
Net book value on 31 March (after amortisation)	761	36	797

<----- 2016/17 ----->		
Software licences	Work in progress	Total
£ 000	£ 000	£ 000
761	36	797
3,680	36	3,716
56	(56)	-
95	20	115
-	-	-
(4)	-	(4)
(317)	-	(317)
-	-	-
-	-	-
-	-	-
3,510	-	3,510
2,919	-	2,919
-	-	-
(307)	-	(307)
-	-	-
-	-	-
-	-	-
245	-	245
2,857	-	2,857
653	-	653

Funding our capital expenditure

We do not need to borrow to fund our capital spending, and we own all the assets in the Balance sheet. However, we have some finance leases.

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. If we finance this expenditure in future years, the expenditure results in an increased charge to the capital financing requirement, which is analysed in the second part of the note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING		
	2015/16	2016/17
	£ 000	£ 000
Opening capital finance requirement at 1 April	631	404
Expenditure on		
Property plant and equipment	3,974	4,355
Investment properties	1,752	2,825
Intangible assets	126	111
Revenue expenditure funded from capital under statute and Renovation Loans	2,128	3,668
Less sources of finance		
Capital receipts	(4,433)	(6,355)
Government grants and other contributions	(2,366)	(4,140)
Revenue funding	(1,182)	(463)
MRP	(226)	(228)
Capital financing requirement at 31 March	404	177

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 shows its heritage assets in the accounts 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 intangible assets

These are like heritage assets but there is no physical substance. An example would be a recording of an historical event. We do not have any heritage intangible assets of significant financial value.

Heritage Valuers

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

- David S. Moulson, MBE, BSc (pewter valuations)
- Sotheby's the auction house, Seabys (international coin sellers) and J & S Rogers (silversmiths)
- Robert Dalgety

Heritage assets by category

Heritage Assets	Archaeology and Numismatics	Natural History taxidermy, botanical and geological specimens	Pottery, drinking glasses and pewter	Social, agricultural & industrial history, including costume	Statues	Mayor's Office	Works of Art	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
1st April 2015	212	211	447	1,000	448	133	994	3,445
Additions								-
Disposals	(9)							(9)
Revaluations	5	4	9	21	10	3	20	72
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2016	208	215	456	1,021	458	136	1,014	3,508
Additions								-
Disposals	-							-
Revaluations	4	4	9	33	9	3	20	82
Impairments -Losses/reversals in revaluation reserve								-
Impairments -Losses/reversals in Surplus or Deficit on the provision of services								-
Depreciation								-
31 March 2017	212	219	465	1,054	467	139	1,034	3,590

Commentary on movements

The movement on heritage assets reflects the fact that no material purchases or donations were made in 2014/15, 2015/16 or 2016/17. The revaluations reflect the obtaining of new valuations for Toys and some Medals at the Museum and indexing them in line with insurance estimates of other heritage assets.

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.

Heritage Assets	2015/16	2016/17
Summary of Movements	£000s	£000s
Cost Acquisitions of Heritage Assets	-	-
Donations of Heritage Assets	-	-
Disposals of Heritage Assets	(9)	-
Impairments of Heritage Assets	-	-

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 or building societies. We have to show their value on the balance sheet, including interest yet to be paid to the Council. Any interest received or due on the balance sheet is shown in the Comprehensive income and expenditure statement. These types of investment are called loans and receivables.
- We also invest some money in Investment Funds. If the investment funds have a quoted market price and/or do not have fixed rate of return, then the Council accounts for them as available for sale or otherwise they would be loans and receivables.
- The income from the available for sale investments is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.

- If the value of an available for sale asset changes from the price that it was originally invested at then the balance sheet shows the investment at the new value. The difference being the gain or loss is charged to Available for Sale Asset Reserve. The gain or loss is only chargeable to the Comprehensive Income and Expenditure Statement when the investment is sold.
- If we make loans at below-market rates of interest, or with no interest at all, we show the outstanding balance on the loan as less than the amount that will actually be repaid. This reduction is the loss we are effectively making, as we are charging an interest rate on the loan that is less than the current open-market interest rate. We charge the loss in the loan's value to the Comprehensive income and expenditure statement, but we then take it out again and charge it to the Financial instruments adjustment account, so that there is no charge to council tax payers.
- All our borrowing is shown including any interest owed to the Council.
- Where an asset's value is impaired, we charge the asset's loss in value to the Comprehensive income and expenditure statement straight away.

2015/16 £ 000	SHORT-TERM	2016/17 £ 000
	Loans and receivables	
33,277	Short-term investments	40,664
14,255	Cash equivalents	23,709
67	Cash	67
10,108	Receivables	13,511
57,707		77,951
	Other financial liabilities	
(5,809)	Trade payables	(5,616)
(520)	Cash overdrawn	(586)
(6,329)		(6,202)

2015/16 £ 000	LONG-TERM	2016/17 £ 000
	Loans and receivables	
-	Loans and receivables	-
8	Mortgages	4
3,676	Other long-term debtors	1,928
6,420	Long-term investments	6,280
10,104		8,212
	Other financial liabilities	
-	Long-term borrowing	-
(1,959)	Long-term creditors	(766)
(1,959)		(766)

2015/16					Financial Assets & Liabilities	2016/17				
Financial liabilities	Financial assets					Financial liabilities	Financial assets			
Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss	Total		Liabilities at amortised cost	Financial loans and receivables	Available for sale assets	Assets and liabilities at fair value through profit and loss	Total
£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
21	-	-	-	-	Interest paid (note 12)	10	-	-	-	-
-	-	-	-	-	Losses on derecognition	-	-	-	-	-
-	-	-	-	-	Reductions in fair value	-	-	-	-	-
-	-	-	-	-	Impairment losses	-	-	-	-	-
-	-	-	-	-	Fees paid	-	-	-	-	-
21	-	-	-	-	Net cost of services - total cost	10	-	-	-	-
-	(702)	-	-	(702)	Interest received (note 12)	-	(729)	-	-	(729)
-	-	-	-	-	Gains on derecognition	-	-	-	-	-
-	-	-	-	-	Increases in fair value	-	-	-	-	-
-	-	-	-	-	Interest accrued on impaired assets	-	-	-	-	-
-	-	-	-	-	Fees received	-	-	-	-	-
-	(702)	-	-	(702)	Net cost of services - total income	-	(729)	-	-	(729)
-	-	(364)	-	(364)	Gains on revaluation	-	-	-	-	-
-	-	-	-	-	Losses on revaluation	-	-	135	-	135
-	-	-	-	-	Amounts recycled to cost of services after impairment	-	-	-	-	-
-	-	(364)	-	(364)	(Surplus) or deficit on revaluation of financial assets in other comprehensive income and expenditure	-	-	135	-	135
21	(702)	(364)	-	(1,066)	Net (gain) or loss for the year	10	(729)	135	-	(594)

Fair value

The fair value is calculated by comparing investments made at the year end to the interest rates available on 31 March 2017 for new investments that would end at the same time as those actually made. The difference in value is because the Council's investments were made at higher interest rates than would be available at the year end.

Fair Value	1 April 2015		31 March 2016		31 March 2017	
	Amortised cost £ 000	Fair value £ 000	Amortised cost £ 000	Fair value £ 000	Amortised cost £ 000	Fair value £ 000
Financial assets						
Investments and cash equivalents	47,766	47,766	53,791	53,880	70,740	70,846
Cash	72	72	67	67	67	67
Leasing debtor	-	-	-	-	-	-
Long-term receivables	1,021	1,021	3,677	3,677	1,928	1,928
Financial liabilities						
Cash	(941)	(941)	(520)	(520)	(586)	(586)
Borrowing	-	-	-	-	-	-

Following table provides a break down for the fair value input level for the financial assets.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value	Valuation technique to measure fair value	31st March 2016	31st March 2017
Local Authority Property Fund	Level 1	Unit Prices	6,420	6,280
Royal London Fund	Level 1	Unit Prices	4,994	4,999
			11,414	11,279

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 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

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

How do we manage credit risk?

We will only invest in certain types of investment. 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 organisations. 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 2016 Council).

Investments	Minimum Credit Criteria	Max. Limit £m	Max. maturity period
NatWest /Royal Bank of Scotland.	BBB	£3m	Instant Access
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5 day notice
CCLA Local Authority Property Fund	Unrated	£8m	n/a
Debt Management Agency Deposit Facility, Governments Bills or Gilts	UK Government	No Limit	5 years
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	No Limit	5 years
UK Banks 364 days	A-	£3m each	364 days
Building Societies	A-	£3m each	364 days
Money Market Funds (per fund)	AAA	£6m each	Instant access
Enhanced Money Market Funds (Variable Unit Price) Up to 3 funds	AAA	£6m each	2-5 day notice
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	AA-	£6m	3 years
Reverse Repurchase Agreements	AA-	£6m	364 days
Supranational Bonds	AAA	£6m	3 years
Challenger Banks e.g. Aldermore, Metro etc	Unrated	Delegate to Treasury Mgt committee authority to determine criteria to invest up to £3m	

The following table sets out the risk that an organisation we invest in cannot pay any return on the investment or cannot repay the investment at all. We have based our assessment of these risks on advice from our Treasury Advisors.

Organisations or people who could owe us money (these are explained below)	Amount	Has defaulted in the past	Historical experience adjusted for market conditions	Estimated maximum exposure to default and debts that we cannot collect	
				31-Mar-17	31-Mar-16
	£ 000	%	%	£ 000	£ 000
Bonds, Gilts, Deposits with banks, Fund Managers and building societies	70,653	Nil	Nil	Nil	Nil
Debtors (excluding prepayments)	13,511	17.60%	12.26%	1,656	1,551
Long-term debtors, former right-to-buy mortgages and other loans	2,159	18.49%	10.61%	229	222
				1,885	1,773

Debtors are our customers and taxpayers. In the past, some customers and taxpayers have failed to pay us money they owe us, so credit risk applies to them both. The level of past default is based on our provision for bad debts from our customers and taxpayers over the last five years. We have adjusted this to reflect the number of customers and taxpayers 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).

2015/16	Age of debt	2016/17
£ 000		£ 000
6,512	Less than three months	9,508
585	Three to six months	436
617	Six months to a year	834
2,394	More than a year	2,733
10,108		13,511

Long-term debtors are loans to people for right-to-buy mortgages (a scheme to help council tenants buy their homes), to organisations, and in respect of Community Infrastructure levy receipts due. The former loans are secured on property. We monitor repayment of all debts rigorously.

Liquidity risk

This is the risk that we don't have enough cash in our bank accounts to pay our bills or staff. There is no great risk of this as we have access to borrowing from other local authorities and the money markets. We have no long-term borrowings and we do not think we will need any in the near future.

2015/16 £ 000	Financial assets returned to the Council in	2016/17 £ 000
14,255	Less than three months, including cash	44,338
3,511	Three to six months	8,022
29,766	Six months to a year	12,013
6,420	More than a year	6,280
53,952		70,653

Market risk

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 make more of fixed rates when interest rates are falling and more of variable rates when interest rates are rising.

As our investments are in bank 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 2016/17. The effect of a 1% increase in interest rates would have resulted in an extra income of £704,000 (or £157,000 just on variable rate investments). If interest rates had fallen by 1%, the loss of interest would have been the same amount.

17 Major commitments under capital contracts

On the 31st March 2017, we were legally committed to the following schemes:-

Improved Car Parking Hylands' Estate and Park, £0.5m
Beaulieu Park Station Contribution, £0.6m

We have also agreed in principal to contribute to the following schemes, although none of the following are legally committed:-

Acquisition of Land, £5m
Museum Extension, £2m
Homelessness Initiatives, £2.7m
Improvements to Mill Yard, £3.1m
Flood Alleviation Scheme Contribution, £4.9m
Riverside Sports Centre Redevelopment, £20.2m.

18 Debtors

Accounting Policy

We reduce debtors for known uncollectable debts first, and then make a further reduction for other debts that we may not be able to collect.

2015/16 £ 000	Debtors	2016/17 £ 000
2,195	Government departments ***	723
4,227	Other local authorities ***	2,831
12,525	Other organisations and individuals	15,555
(2,033)	Debts we may not be able to collect	(2,127)
16,914		16,982

*** Balances with related parties

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 three months and where the amount we will receive is not subject to any material change in value. Cash and cash equivalents are shown net of bank overdrafts in the Cash flow statement.

2015/16 £ 000	Cash & cash equivalents	2016/17 £ 000
67	Cash held by officers	67
(520)	Bank current accounts	(586)
14,255	Cash equivalents (short-term deposits)	23,709
13,802		23,190

20 Creditors

2015/16	Creditors	2016/17
£ 000		£ 000
1,490	Government departments ***	9,034
3,297	Other local authorities ***	5,501
6,940	Sundry creditors	6,261
1,262	Receipts in advance	1,264
12,989		22,060

*** Balances with related parties

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 2015	4,426
Transfers in	1,417
Transfers out	-
Balance at 31 March 2016	5,843
Transfers in	-
Transfers out	(1,528)
Balance at 31 March 2017	4,315
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	Deferred capital receipts	Financial instruments adjustment account	Available for sale financial instruments reserve	Collection fund adjustment account	Unequal pay backpay account	Pension reserve (note 33)	Accumulating compensated absences adjustment account	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Balance at 1 April 2015	52,839	145,612	12	-	1,057	(5,591)	-	(92,701)	(446)	100,782
Change on the reserve during the year	5,849	10,340	(4)	-	357	712	-	2,140	(21)	19,373
Balance at 31 March 2016	58,688	155,952	8	-	1,414	(4,879)	-	(90,561)	(467)	120,155
Change on the reserve during the year	9,791	2,763	(4)	-	(135)	6,609	-	(29,848)	37	(10,787)
Balance at 31 March 2017	68,479	158,715	4	-	1,279	1,730	-	(120,409)	(430)	109,368
Explanation	The gains on revaluing our assets since 1 April 2007	Capital spending to be financed from future resources	The debt we are owed on our mortgage advances	The notional loss on loans made at subsidised interest rates	The difference between what we paid for our investments and what they are valued at	Adjusting for paid and accrued council tax and NNDR	The timing differences between us paying back pay and when we charge it to council tax	Our liability to pay future pensions	The value of the leave that our employees have not taken at the end of the year	

Revaluation reserve

2015/16 £ 000	Revaluation Reserve	2016/17 £ 000
52,839	Opening balance	58,688
6,427	Revaluation of assets	10,479
-	Impairment losses	-
-	Write-out of revaluations of assets we have	-
(578)	Difference between fair value and historic	(688)
-	Depreciation and amortisation chargeable to the revaluation reserve	-
58,688		68,479

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

Capital adjustment account

2015/16 £ 000	Capital Adjustment Account	2016/17 £ 000
145,612	Opening balance	155,952
(3,744)	Allowance for depreciation and amortisation	(3,810)
578	Less depreciation and amortisation charged to the revaluation reserve	688
(2,069)	Revenue expenditure funded from capital	(3,450)
1,459	Impairments and amortisation charged to revenue	761
-	Transfer from revaluation reserve on disposals	-
228	Adjustment plus MRP split on final	228
(16)	Repaid Capital loan receipts	(61)
7,980	Application of receipts and contributions	10,958
(1,532)	Assets disposed of	(3,436)
7,456	Movements in the value of investment	885
-	Movements in the value of donated assets in the CI&ES	-
155,952		158,715

23 Cashflow

2015/16 £ 000	I&E to cash flow	2016/17 £ 000
	Revenue shortfall or (surplus)	
4,153	Movement on the General fund	258
(80)	Provision for bad debts	(95)
2,069	Revenue funded by capital under statute	3,450
(226)	Minimum revenue provision	(228)
(981)	Asset replacement reserve	(372)
3	Housing Capital Receipts pool	3
(41)	Commuted sums	-
(5,431)	GF contribution to reserves	11
(534)		3,027
(712)	Our part of the collection fund	(6,609)
(1,246)		(3,582)
	Non-cash transactions	
(1,396)	Transfers to reserves	1,491
(146)	Net throughput on the collection fund	10,784
(1,542)		12,275
	Change in	
23	Stock	39
1,118	Debtors	(1,358)
(2,627)	Creditors	(9,071)
(1,486)		(10,390)
(4,274)	Net cash (inflow) or outflow from revenue activities	(1,697)

24 Expenditure and Income analysed by nature

The following table shows how we spent money on our services.

2015/16 (Restated) £ 000	Expenditure and Income Analysed by Nature	2016/17 £ 000
	Expenditure	
30,872	Employee benefits expenses	31,672
20,264	Other services expenses	20,879
3,968	Depreciation, amortisation, impairment	6,633
21	Interest payments	10
2,245	Precepts and levies	2,275
3	Payments to Housing Capital Receipts Pool	3
2,913	Pension interest and return on investment	3,110
(7,137)	Remeasurement of the assets of the pension fund	24,892
(13,128)	Gain or loss on the disposal of Assets	(13,047)
40,021	Total Expenditure	76,427
	Income	
(27,540)	Fees, charges and other services income	(30,616)
(702)	Interest and investment income	(729)
(13,022)	Income from Council Tax	(13,624)
(13,462)	Government grants and other contributions	(15,086)
(6,999)	Capital Grants and contributions	(7,083)
(61,725)	Total Income	(67,138)
(21,704)	(Suprlus) or Deficit on the Provision of Services	9,289

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.

2015/16			Trading accounts not shown in Spending on current services	2016/17		
Gross spending £ 000	Income £ 000	Net spending £ 000		Gross spending £ 000	Income £ 000	Net spending £ 000
			Other operating expenditure			
2,471	(2,583)	(112)	Grounds maintenance	2,773	(2,639)	134
372	(424)	(52)	Vehicle maintenance	380	(438)	(58)
2,843	(3,007)	(164)		3,153	(3,077)	76
			Financing and investment			
307	(3,849)	(3,542)	Investment properties	334	(4,675)	(4,341)
307	(3,849)	(3,542)		334	(4,675)	(4,341)
3,150	(6,856)	(3,706)	Total trading activity	3,487	(7,752)	(4,265)

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.

2015/16		Revenue expenditure	2016/17	
SEPP £ 000	Chelmsford £ 000		SEPP £ 000	Chelmsford £ 000
1,912	506	Expenditure	1,855	530
(2,158)	(744)	Income	(2,258)	(844)
(246)	(238)	Net position shown as a creditor	(403)	(314)

27 Councillors' allowances

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

2015/16	Councillors allowances	2016/17
£ 000		£ 000
318	Basic allowance	325
140	Special responsibility allowance	167
6	Other expenses	5
16	Mayor and Deputy Mayor allowance	11
480	Total we paid in the year	508

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	
	2015/16	2016/17	2015/16	2016/17
£50,000–54,999	18	13	1	2
£55,000–59,999	1	7	-	1
£60,000–64,999	5	3	1	1
£65,000–69,999	4	3	1	-
£70,000–74,999	-	1	-	-
£75,000–79,999	-	1	-	-
£80,000-84,999	1	-	1	-
£85,000-89,999	1	-	1	-
£90,000-94,999	-	-	-	-
£95,000 – 99,999	-	-	-	-
£100,000 - 104,999	1	-	1	-
£105,000 – 109,999	-	-	-	-
£110,000 - 114,999	1	-	1	-
£140,000 - 144,999	1	-	1	-

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
2015/16	£	£	£	£	£	£	£
Chief Executive (Mr S Packham)	133,089				1,727	17,637	152,453
Directors of:							
Corporate Services	119,459				1,727	15,947	137,133
Financial Services	113,293				7,899	15,947	137,139
Public Places	117,751				1,382	16,021	135,154
Community Services	113,469				4,386	15,947	133,802
Sustainable Communities	84,825				9,151	11,960	105,936

Chief officers	Salary, fees and allowances	Bonuses	Expense allowances	Compensation for loss of employment	Benefits in kind ***	Employer pension contributions ****	TOTAL
2016/17	£	£	£	£	£	£	£
Chief Executive (Mr S Packham)	135,739				2,034	17,972	155,745
Directors of:							
Corporate Services	121,874				2,034	16,250	140,158
Financial Services	115,748				8,786	16,250	140,784
Public Places	120,146				1,627	15,938	137,711
Community Services	116,027				5,093	16,250	137,370
Sustainable Communities	86,710				10,252	12,187	109,149

The Chief Executive post is part-time (75% of a full-time equivalent). The full-time cost of the post was £204,224.

The Director of Sustainable Communities post is part-time (75% of a full-time equivalent). The full-time cost of the post was £142,024.

*** 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.

2015/16 £ 000	Termination benefits	2016/17 £ 000
	Termination benefits	
519	Redundancy costs	367
42	Additional pension costs	31
561	Total spending	398
	No of employees whose employment was terminated	
17		22

2015/16		Exit packages	2016/17	
Leavers Number	Cost £ 000		Leavers Number	Cost £ 000
12	115	£0 - £20,000	18	178
8	334	£20,001 - £60,000	9	283
2	157	£60,001 - £200,000	-	-
22	606	Total	27	461

We made two employees compulsorily redundant in 2016/17, and ten 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.

2015/16	External audit costs	2016/17
£ 000		£ 000
	Fees we paid to the auditor	
78	Basic audit	81
-	Other Audit Services	-
78	Total we paid in the year	81

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.

2015/16		2016/17
£ 000	Grants and contributions	£ 000
46,556	Housing benefits grants	44,911
2,364	Other grants and contributions	2,925
48,920		47,836

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.

2015/16		2016/17
£ 000	Donated assets	£ 000
-	Opening balance	-
-	Additional contributions	-
-	Donations where conditions have been met	-
-		-

2015/16		2016/17
£ 000	Capital grants received in advance	£ 000
3,077	Opening balance	3,497
420	In-year movements	709
3,497		4,206

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 38 and in the Cash Flow in section 6 and the Collection Fund in section 8.

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

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

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 2016/17 we paid from the Chelmsford Development fund £450 to Little Baddow Parish Council and £2,350.20 to Good Easter Parish Council.

We give grants 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), £120,000
Chelmsford Council for Voluntary Services (CVS), £54,200
Chelmsford YMCA, £20,000
Essex Savers Net Credit Union, £10,000

During 2016/17 we paid Event Sound and Light Limited £56,654.32 a Member's son is a partner in this company, and we paid Colchester Arts Centre £85,527.09 a Chief Officer is a Trustee.

In addition, the following groups paid us rents: Chelmsford CAB £26,900 and Chelmsford CVS £10,540.

32 Leases
Accounting policies
Leases we get from other organisations

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

For finance leases we include the depreciated fair value of the asset in the Balance sheet, which is matched by a liability of the amount we have to pay the 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, being interest and 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 then is 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.

We have acquired a number of assets under finance leases. These are included in property, plant and equipment in the Balance sheet at the following amounts.

2015/16 £ 000	Finance Leases Payable	2016/17 £ 000
299	Other land and buildings	-
369	Vehicles and plant	184
668		184

We must make payments under the leases and these include settling the long-term liability under the lease and financing costs payable while the liability is outstanding. The lease payments are made up of the following amounts.

2015/16 £ 000	Leases	2016/17 £ 000
	Net present value of lease payments	
228	Current	-
-	Non-current	-
10	Financing costs payable in future years	-
238	Lease payments	-

The lease rentals payable and lease liabilities over future years are shown in the table below.

2015/16		Lease Rentals Payable and Liabilities	2016/17	
Lease payments £ 000	Lease liabilities £ 000		Lease payments £ 000	Lease liabilities £ 000
238	228	Lease payments due in less than a year	-	-
-	-	Lease payments due from 1 to 5 years	-	-
-	-	Lease payments due in more than 5 years	-	-
238	228	Lease payments	-	-

We also lease vehicles and equipment under operating leases. These assets are not included in the Balance sheet. The lease rentals payable over future years are shown in the table below.

2015/16 £ 000	Operational Leases Rentals Payable	2016/17 £ 000
78	Lease payments due in less than a year	297
146	Lease payments due from 1 to 5 years	813
-	Lease payments due in more than 5 years	54
224		1,164

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).

2015/16 £ 000	Operational Leases Income	2016/17 £ 000
355	Lease payments due in less than a year	299
217	Lease payments due from 1 to 5 years	239
3,398	Lease payments due in more than 5 years	3,710
3,970		4,248

Our spending on current services in the Comprehensive income and expenditure account includes the following lease payments.

2015/16	Lease Payments for Current Services	2016/17
£ 000		£ 000
519	Operating lease payment made	320
519		320

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. 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.

2015/16 £ 000	Charges to the Comprehensive income and expenditure account	2016/17 £ 000
	Spending on services	
	Service cost	
5,315	Current service cost	5,066
102	Previous service cost	126
-	(Gain)/loss from settlements	(29)
71	Administration expenses	61
	Other spending	
2,913	Net interest on the defined liability	3,110
8,401	Charge to the spending on current services in the comprehensive income and expenditure statement	8,334
	Other charges	
(8,293)	Remeasurement of the pension liability	47,900
1,156	Return on scheme assets (excluding interest)	(23,008)
(7,137)	Other charges to the comprehensive income and expenditure statement	24,892
1,264	Total charges to the comprehensive income and expenditure statement	33,226
3,404	Employer's contributions charged to the General fund	3,378

In addition to the gains and losses we have included in the Comprehensive income and expenditure statement, we have included a remeasurement loss identified by the actuaries of £24.9m in 2016/17 (a Surplus of £7.1m in 2015/16).

31 March 2016 £ 000	Movements on pension fund assets and liabilities	31 March 2017 £ 000
	Scheme liabilities	
237,842	Value at 1 April	235,624
5,315	Current service cost	5,066
1,289	Member contributions	1,296
7,503	Interest costs	8,124
	Remeasurement	
-	Scheme members	-
(8,293)	Financial returns	48,386
102	Past service (gains) or costs	126
(8,134)	Benefits paid	(8,262)
-	Liabilities extinguished on settlements	(93)
235,624	Value at 31 March	290,267
	Scheme assets	
145,141	Value at 1 April	145,063
4,590	Interest	5,014
	Remeasurement	
(1,156)	Return on assets (excluding interest)	23,008
-	Other	486
-	Changes in foreign exchange rates	-
(71)	Administration expenses	(61)
3,404	Employer contributions	3,378
1,289	Employee contributions	1,296
(8,134)	Benefits paid	(8,262)
-	Settlement prices received/ (paid)	(64)
145,063	Value at 31 March	169,858
90,561	Net pension liability	120,409

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	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of scheme liabilities	(190,907)	(212,905)	(204,878)	(237,842)	(235,624)	(290,267)
Fair value of assets	107,499	119,674	126,054	145,141	145,063	169,858
Surplus or (deficit) on the pension fund	(83,408)	(93,231)	(78,824)	(92,701)	(90,561)	(120,409)

The liabilities show our underlying long-term commitments to pay pensions. The net liability of £120.4m has a large effect on our net worth, resulting in an overall balance of £163.9m. 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 22 years. We expect to pay £7.2m to the fund next year.

The actuaries have made an estimate of the pensions that will have to be paid in future years based on their assumptions, for example, about life expectancy and salary levels. The pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, and are based on the latest full valuation in 2016. The next full valuation will be in 2019.

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

2015/16 %		2016/17 %
22.9	Years we expect to pay current pensioners Men	22.1
25.3	Women	24.6
25.2	Years we expect to pay pensioners retiring in 20 years Men	24.3
27.7	Women	26.9
3.2	Rate of inflation – RPI	3.6
2.3	– CPI	2.7
4.1	Rate of increase in salaries	4.2
2.3	Rate of increase in pensions	2.7
3.5	Discount rate	2.7
60	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 fund, 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)	11,240	(10,808)
Rate of increase in salaries (increase or decrease by 0.1%)	682	(676)
Rate of increase in pensions, or inflation (increase or decrease by 0.1%)	4,498	(4417)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(5,088)	5,185

The weighted average duration of the pension obligation for scheme members is 18 years in 2016/17 (17 years 2015/16).

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

31 March 2016 £ 000	Scheme assets	31 March 2017 £ 000
4,712	Cash and cash equivalents	5,113
	Stocks and shares (by type)	
11,747	UK investments	13,060
78,892	Overseas investments	94,476
90,639		107,536
	Bonds (by sector)	
6,963	UK Corporate	6,903
4,277	UK Government	6,426
11,240		13,329
	Property (by type)	
6,478	Listed	10,455
10,797	Unlisted	6,070
17,275		16,525
7,541	Private equity	8,481
	Other investment funds	
4,984	Infrastructure	5,835
-	Financing fund	-
2,052	Timber	2,918
2,199	Illiquid Debt	2,918
7,206	Other Managed Funds	7,546
-	Currency	-
16,441		19,217
(2,785)	Derivatives	(343)
145,063		169,858

31 March 2016	Stocks and Shares	31 March 2017
£ 000		£ 000
	Stocks and shares (by company size)	
90,639	Listed	107,536
-	Unlisted	-
90,639		107,536

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, CMI IJZ

34 Contingent liabilities

Accounting Policy

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

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over charging for some of the information provided in land searches. We have not yet made a final decision and do not know whether we will have to refund any of the charges we previously made. At this stage we cannot quantify any costs we may have to meet.

We have an outstanding employment case in respect of an ex-employee of the Council that may be subject to an employment tribunal hearing. We are not allowed to give the name of the person involved.

There is an outstanding claim made by the NHS trusts for mandatory relief on their Business Rates payable. We do not know at this stage if we will have to make any refunds.

We do not know how much we may have to pay on any of the contingent liabilities or when we may have to pay.

35 **Contingent assets**

Accounting Policy

A contingent asset 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 six appeals outstanding with HMRC over payments of VAT and we will also be claiming interest. We await the outcome of these claims.

36 **Exceptional items**

We do not have any such items.

37 **Community Infrastructure Levy (CIL)**

We started receiving CIL payments from 1 April 2014. We received £3,482,000 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.

38 **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 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.

2015/16 £ 000	Grants	2016/17 £ 000
	Grant received in advance	
3,497	Money received as part of planning agreements	4,207
	Capital grants unapplied	
3,688	Money received as part of planning agreements	2,620
5,252	Growth Fund grant	5,251
-	Government grants	322
2,734	Empty Homes grant	2,757
4,515	Construction Industry Levy	7,997
44	Other	228
16,233		19,175
19,730		23,382

39 Long-term creditors

2015/16 £ 000	Long-term Creditors	2016/17 £ 000
1,654	Section 106 contributions	461
228	Leases	-
305	Property transaction creditor	305
-		-
2,187		766

40 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.

Following amendments to accounting standard IAS1 presentation of Financial Statement, we were required to change the presentational format of Comprehensive Income and Expenditure statement and Movement in Reserves statement and to restate last year's figures in the new format. These changes did not result in a change to the Comprehensive Income and Expenditure total.

8 - Collection fund

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

2015/16			Collection Fund	Notes	2016/17		
Council Tax	Non-Domestic Rates	Total			Council Tax	Non-Domestic Rates	Total
£ 000	£ 000	£ 000			£ 000	£ 000	£ 000
(94,736)	-	(94,736)	Income				
			Council tax	1	(100,172)	-	(100,172)
			Transfers from the General fund				
-	-	-	Council tax benefit		-	-	-
-	(76,991)	(76,991)	Non-domestic rates	2	-	(79,261)	(79,261)
-	(108)	(108)	Transitional protection		-	170	170
(94,736)	(77,099)	(171,835)			(100,172)	(79,091)	(179,263)
			Spending				
			Council Tax precepts and demands				
67,793	-	67,793	Essex County Council		71,462	-	71,462
12,966	-	12,966	Chelmsford City Council		13,479	-	13,479
9,180	-	9,180	Essex Police Authority		9,618	-	9,618
4,143	-	4,143	Essex Fire Authority		4,280	-	4,280
			Non-domestic rates precepts and demands				
-	39,287	39,287	Central Government		-	38,653	38,653
-	31,429	31,429	Chelmsford City Council		-	30,922	30,922
-	7,072	7,072	Essex County Council		-	6,958	6,958
-	786	786	Essex Fire Authority		-	773	773
			Subsidy paid towards the costs of collecting				
-	222	222	National non-domestic rates		-	224	224
			Increase or (decrease) in our provision for amounts that we may not be able to collect				
95	-	95	Council tax		133	-	133
-	26	26	Non-domestic rates		-	(74)	(74)
			Amounts written off				
154	-	154	Council tax		134	-	134
-	726	726	Non-domestic rates		-	1,106	1,106
-	3,543	3,543	Provision for appeals		-	(3,819)	(3,819)
			Distribution of previous year's Council Tax surplus or (shortfall)				
1,780	-	1,780	Essex County Council		(37)	-	(37)
340	-	340	Chelmsford City Council		(7)	-	(7)
236	-	236	Essex Police Authority		(5)	-	(5)
109	-	109	Essex Fire Authority		(2)	-	(2)
			Distribution of previous year's Non-domestic rates surplus or (shortfall)				
-	(4,243)	(4,243)	Central Government		-	(5,896)	(5,896)
-	(3,394)	(3,394)	Chelmsford City Council		-	(4,716)	(4,716)
-	(764)	(764)	Essex County Council		-	(1,061)	(1,061)
-	(85)	(85)	Essex Fire Authority		-	(118)	(118)
96,796	74,605	171,401			99,055	62,952	162,007
			Movements on the Collection Fund				
2,060	(2,494)	(434)	(Surplus) or shortfall for the year		(1,117)	(16,139)	(17,256)
(2,448)	14,822	12,374	(Surplus) or shortfall at start of the year	3	(388)	12,328	11,940
(388)	12,328	11,940	(Surplus) or shortfall at end of the year	3	(1,505)	(3,811)	(5,316)

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.

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 2016/17, the council tax base was 63,236 (in 2015/16 it was 62,382). The basic amount of council tax for a property in band D was £1,563 (£1,508 in 2015/16). This is multiplied by the appropriate proportion for the particular band to give the actual amount due 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	4,473	3,662	6 / 9	2,442
B	9,888	8,316	7 / 9	6,468
C	22,214	20,208	8 / 9	17,963
D	16,329	10,637	9 / 9	10,637
E	10,072	9,493	11 / 9	11,603
F	5,461	5,249	13 / 9	7,582
G	3,704	3,541	15 / 9	5,901
H	359	320	18 / 9	640
Total	72,500	61,426		63,236

2 Non-domestic rates (NDR)

NDR is a national charge. The Government sets an amount for each pound of rateable value – 49.7p in 2016/17 (49.3p in 2015/16). 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 2017, our NDR income after relief totalled £79,261,000 based on the total non-domestic rateable value for our area of £186,748,106.

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.

2015/16			Contributions to the collection fund - surpluses and shortfalls	2016/17		
Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000		Council Tax £ 000	Non-Domestic Rates £ 000	Total £ 000
-	6,164	6,164	Central Government	-	(1,906)	(1,906)
(53)	4,931	4,878	Chelmsford City Council	(205)	(1,524)	(1,729)
(280)	1,110	830	Essex County Council	(1,088)	(343)	(1,431)
(38)	-	(38)	Essex Police Authority	(147)	-	(147)
(17)	123	106	Essex Fire Authority	(65)	(38)	(103)
(388)	12,328	11,940		(1,505)	(3,811)	(5,316)

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	(1,909)
Chelmsford City Council	40	(1,528)
Essex County Council	9	(344)
Essex Fire Authority	1	(38)
	100	(3,819)

9 - Independent auditors' report

Independent auditor's report to the members of Chelmsford City Council Opinion on the Authority's financial statements

We have audited the financial statements of Chelmsford City Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cashflow Statement,
- Collection Fund; and
- Related notes 1 to 40 for the core statements, 1 to 4 for the Collection Fund.

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 2016/17.

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 for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chelmsford and the Chelmsford's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Director of Financial Services Responsibilities set out on page 24, the Director of Financial Services is responsible for the preparation of the Statement of Accounts, which includes 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chelmsford City Council Annual Report and Statement of Accounts for the year ended

31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chelmsford City Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Chelmsford City Council Annual Report and Statement of Accounts for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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.

We have nothing to report in these respects.

Conclusion on Chelmsford City's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority 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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Chelmsford City 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chelmsford City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Chelmsford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects Chelmsford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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.

Debbie Hanson, Executive Director

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

The maintenance and integrity of the Chelmsford City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 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 ten members of the Council (including the Leader), who 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 financing costs

These are costs, such as interest, which we charge because we have spent money on fixed assets.

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.

Curtailments

The cost of the extra pension or lump sum an employee receives if their retirement benefits are increased to above the basic pension-scheme benefit.

Debtors

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

Deferred charges

Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

Deferred contributions

Amounts paid to us for future activities.

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.

Formula grant

The money we receive from the Government. This includes revenue support grant and our share of National non-domestic rates.

Green flag

An award that recognises how good our parks are.

Gross spending

The total cost of providing a service.

Gross up

Changing a cost that is made up of two parts, into its separate parts. In this case, increasing the pension contributions to the full cost of pensions (for IAS19 purposes), and then reducing the cost later in the accounts for the money paid to the pension fund.

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.

LCTS (Localised Council Tax Support Scheme)

The means tested scheme that replaced Council tax benefit, and reduces the Council tax bill of those who qualify.

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.

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. The system of accounting for business rates changed in 2013/14.

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.

Nominal value

Where an asset cannot be sold, it is given a very low value in the Balance sheet to recognise that it has no resale value.

Non-distributed costs

We must make an extra payment to Essex County Council to maintain the value of the pension fund. Under the accounting rules, we do not get this cost back from our services.

Non-operational assets

Any asset that is not an operational asset, or an asset that we do not need any more, for example, depots we no longer use.

Operational assets

Assets that we use in our day-to-day activities for delivering our services to the public, for example, the town hall.

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.

Realised gain

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

Registered social landlord

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

Repurchase of borrowing

Repaying a loan from a lender before it is due. We will usually do this if it means we can pay less interest.

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.

Revenue contribution to capital outlay (RCCO)

Capital spending that is directly paid for from revenue.

Revenue spending

Spending on the day-to-day running of services – mainly wages, running expenses of building and equipment, and debt charges. These costs are met from the council tax, government grants and our own fees and charges.

Reverse out

We have to prepare the accounts in a certain way to comply with the law. This means we have to put amounts in the accounts that we do not have to raise council tax for. These

amounts are taken out - that is reversed out - to get the amount we have to charge to council tax.

Surplus

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

Tangible assets

Assets we plan to own or use for more than one year.

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.

II - Our structure chart



CHELMSFORD CITY COUNCIL
AUDIT OF ACCOUNTS 2016/17
NOTICE OF CONCLUSION OF AUDIT

The Audit of the Council's accounts for 2016/17 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 9.00 a.m. and 4.30 p.m. from Mondays to Thursdays and 9.00 a.m. and 4.15 p.m. on Fridays.

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

Dated 29th September 2017

S W Packham
Chief Executive

Civic Centre
Duke Street
Chelmsford
Essex
CM1 1JE



AUDIT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2017

The Council's accounts are subject to external audit. This audit is being carried out by Debbie Hanson, Audit Director, Ernst & Young LLP, 400 Capability Green, Luton, Beds, LU1 3LU and will be conducted under the provisions of the Local Audit and Accountability Act 2014, Sections 26 and 27 and the Accounts and Audit (England) Regulations 2015 (SI No. 234) Members of the public and local government electors have certain rights in the audit process.

For the year ending 31st March 2017 any person interested has the opportunity to inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them. These documents will be available on application to the Director of Financial Services, Civic Centre, Duke Street, Chelmsford, Essex, CM1 1JE between 9.30 am and 4.30 pm commencing Monday, 12th June, 2017 and ending on Friday, 21st July, 2017.

During this period, local government electors for the area of the Council or their representatives may:-

- a) ask the auditor questions about the accounts. Please contact the auditor at the address given above to make any arrangements to ask any questions.
- b) object to the Council's accounts asking that the auditor issue a report in the public interest and/or apply to the court for a declaration that an item in the accounts is contrary to law. Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given above and copied to me at the address given below.

Ann Coronel
Legal and Democratic Services Manager

Civic Centre,
Duke Street,
Chelmsford,
Essex,
CM1 1JE

26th May 2017