

# Cabinet Agenda



27 January 2026 at 7pm

Council Chamber, Civic Centre, Chelmsford

## **Membership**

Councillor S J Robinson (Chair and Leader)  
Councillor L Foster (Fairer Chelmsford  
and Deputy Leader)

## **and Councillors**

Councillor C Davidson (Finance)  
Councillor N Dudley (Active Chelmsford)  
Councillor D Eley (Safer Chelmsford)  
Councillor S Goldman (Economic Development and Property)  
Councillor R Moore (Greener Chelmsford)

Local people are welcome to attend this meeting, where your elected  
Councillors take decisions affecting YOU and your City.

There is also an opportunity to ask your Councillors questions or make a  
statement. These have to be submitted in advance and details are on the  
agenda page. If you would like to find out more, please email  
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# THE CABINET

27 January 2026

## AGENDA

### PART 1 – Items to be considered when the public are likely to be present

#### 1. Apologies for Absence

#### 2. Declarations of Interest

All Members must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

#### 3. Minutes and Decisions Called in

Minutes of meeting on 11 November 2025. No decisions were called in.

#### 4. Public Questions

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Cabinet is responsible. The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to [committees@chelmsford.gov.uk](mailto:committees@chelmsford.gov.uk) at least 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

#### 5. Members' Questions

To receive any questions or statements from councillors not members of the Cabinet on matters for which the Cabinet is responsible.

## 6. Deputy Leaders Item

### 6.1 Local Lettings Plans

## 7. Economic Development and Property Item

### 7.1 One-year extension to the current South Essex Parking Partnership Joint Committee Agreement

## 8. Finance Items

### 8.1 Budget Report 2026/27

### 8.2 Capital, Treasury Management and Investment Strategies 2026/27

### 8.3 Discretionary Exception to application of second home Council Tax premium

## 9. Greener Chelmsford Item

### 9.1 Community Infrastructure Levy – Governance update

## 10. Active Chelmsford Item

### 10.1 Community Infrastructure Levy – Spend of Neighbourhood CIL

## 11. Leaders Item

### 11.1 Devolution – Approval of terms of reference for the nominating body for the non-constituent authorities

## 12. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency and which does not constitute a key decision.

## 13. Reports to Council

The officers will advise on those decisions of the Cabinet which must be the subject of recommendation to the Council.

MINUTES OF  
CHELMSFORD CITY COUNCIL CABINET

on 11 November 2025 at 7pm

Present:

Cabinet Members

Councillor S Robinson, Leader of the Council (Chair)

Councillor L Foster, Deputy Leader of the Council

Councillor C Davidson, Cabinet Member for Finance

Councillor N Dudley, Cabinet Member for an Active Chelmsford

Councillor S Goldman, Cabinet Member for Economic Development and Property

Councillor R Moore, Cabinet Member for a Greener Chelmsford

Cabinet Deputies

Councillor J Hawkins, Cabinet Deputy for Support Services

Councillor J Lardge, Cabinet Deputy for Cultural Services

Councillor T Sherlock, Cabinet Deputy for Sustainable Transport

Opposition Spokespersons

Councillors J. Armstrong, G Bonnett, J Jeapes, M. Steel, A. Thorpe-Apps and R. Whitehead

Also present: Councillors H. Clark, R. Hyland and A. Sosin

**1. Apologies for Absence**

Apologies for absence were received from Councillors Eley, Potter, Raven and Wilson.

**2. Declarations of Interest**

Members of the Cabinet were reminded to declare at the appropriate time any interests in any of the items of business on the meeting's agenda.

### 3. Minutes and Decisions Called-in

The minutes of the meeting on 14 October 2025 were confirmed as a correct record. No decisions had been called in.

### 4. Public Questions

No public questions had been submitted for the meeting.

### 5. Members' Questions

Councillor Jeapes asked a question regarding the closure of the Essex Regiment section of Chelmsford Museum. In response the Cabinet Deputy for Cultural Services stated that the Museum of Chelmsford had acted as a custodian of the extensive collections since 1973 and that some items had been on display and some in storage. It was noted that with over 50,000 objects, it was not sustainable for the Museum of Chelmsford to manage alongside its own collections and that the museum's agreement with the Essex Regiment Trust had ended in March 2024, before which a long term solution had been sought. The Cabinet heard that the decision had not been driven by admission charges or funding issues, instead about finding the best way to care for such a large and important collection and that the Royal Anglian Regiment Museum Trust were best placed to take on the responsibility. It was noted that a dedicated Committee would be set up to decide how and where the items would be stored and shown and that the Museum of Chelmsford would retain a selection of items in its main galleries. [The Cabinet heard that more information and answers to common questions could be found online.](#) In response to a follow up question, the Cabinet Deputy for Cultural Services confirmed that they would write to the member of the public who had raised their concerns with Councillors, but that they had not received the original email.

#### 6.1 Treasury Management Mid-Year Review 2025/26 (Finance)

##### Declarations of interest:

None.

##### Summary:

The Cabinet considered a report on the Treasury Management activities undertaken in the first part of 2025/26 and the extent of compliance with the approved Treasury Management Strategy. The Treasury Management and Investment Sub-Committee had concluded that no changes to the Strategy were required.

##### Options:

1. Accept the recommendations contained within the report.
2. Recommend changes to the way by which the Council's investments are to be managed.

##### Preferred option and reasons:

Recommend the report to Council without amendment for consideration and thereby meet statutory obligations.

**Discussion:**

It was noted that the CCLA investment had delivered a disappointing return and noted since the report had been produced over 60% of it had now been de-invested and that the management of the remainder of the Treasury function and the fund was an operational decision for the Council's S151 Officer.

RESOLVED that the report on the Treasury Management activities in 2025/26 be noted and the Council be requested to review the report and approve the 2025/26 Treasury Strategy without change.

(7.06pm to 7.08pm)

**6.2 Local Council Tax Support (LCTS) Scheme 2026/27 (Finance)****Declarations of interest:**

None.

**Summary:**

The Cabinet was informed that the Council was required to approve, by 11 March 2026, a Local Council Tax Support Scheme for 2026-27. The Cabinet heard that the report was being considered at an earlier stage than in previous years, to allow time for consultation on a revised scheme if that was selected ahead of the February Full Council meeting. It was proposed that the Scheme adopted for 2025-26 be retained in its current form.

**Options:**

Retain the present scheme or adopt an amended version.

**Preferred option and reasons:**

The existing scheme would be affordable to the Council and fair to recipients of Council Tax support.

**Discussion:**

The Cabinet heard that there would be a cost to make the scheme more generous and that with LGR on the horizon, it was anticipated that significant work would be required ahead of 2028-29 to harmonise schemes for other Councils into a new scheme, and that as a result it was the preferred option to stay with the current scheme for now. In response to a question, it was confirmed that those above Band D who received support, would proportionally get a lower benefit and pay higher amounts of Council Tax than those on lower bands. It was also noted that the support to higher band taxpayers was a very small proportion of the overall spend.

**RECOMMENDED TO THE COUNCIL** that the Local Council Tax Support Scheme for 2025-26 be retained as the Scheme for 2026-27.

(7.09pm to 7.12pm)

## 7.1 Review of the Council's Statement of Community Involvement (Greener)

### Declarations of interest:

None.

### Summary:

The Cabinet considered a report on the feedback received to consultation on the revised draft Statement of Community Involvement (SCI) and were asked to approve it for publication. The Cabinet heard that the Chelmsford Policy Board had considered the item on 6<sup>th</sup> November and recommended that the Cabinet approve it. It was noted that the revised document updated key information on how the Council would consult on planning matters and met Government guidance on the timing of revision of SCI documents.

### Options:

To approve or not approve the revised Statement of Community Involvement for publication.

### Preferred option and reasons:

To approve the revised Statement of Community Involvement for publication, as it updates key information on how the Council will consult on planning matters and meets Government guidance on the timing of revision of SCI documents.

RESOLVED that the revised Statement of Community Involvement be approved for publication

(7.13pm to 7.15pm)

## 7.2 Masterplan Procedure Review (Greener)

### Declarations of interest:

None.

### Summary:

The Cabinet considered a report which presented an updated Masterplan Procedure and their approval was sought to publish it. The Cabinet heard that the Chelmsford Policy Board had considered the item on 6<sup>th</sup> November and recommended that Cabinet approve it. It was noted that the updated procedure addressed the need to accelerate housing delivery while maintaining a focus on quality and key masterplanning principles. It was also noted that it would give flexibility proportionate to the scale and complexity of a proposed development, via three clear routes for approval. The Cabinet also noted the green sheet of amendments, which highlighted that the approval of a masterplan would be by an officer in delegation with the Cabinet Member.

### Options:

1. Approve the updated Masterplan procedure for publication.
2. Approve the updated Masterplan procedure with any amendments for publication.
3. Not approve the updated Masterplan procedure for publication.

**Preferred option and reasons:**

To approve the updated Masterplan Procedure as it addresses the need to accelerate housing delivery while maintaining a focus on quality and key masterplanning principles. The updated procedure would give flexibility proportionate to the scale and complexity of the proposed development.

**Discussion:**

In response to questions, it was noted that the masterplan process was an additional process in between the allocation of sites via the Local Plan and the detailed planning applications. It was also noted that many sites were not being delivered on time and it was hoped that by reviewing the process it would allow some sites to be delivered quicker, although the Council would prefer that the Government gave powers to Council's to help enforce the build out of sites.

RESOLVED that the updated Masterplan Procedure be approved for publication.

(7.16pm to 7.24pm)

**8.1 Review of Statement of Licensing Policy (Safer)****Declarations of interest:**

None.

**Summary:**

The Cabinet considered a report from the Licensing Committee, who had reviewed the Council's Statement of Licensing Policy under the Licensing Act 2003, which required review every five years. The policy had been subject to public consultation, reflected all legislative requirements and was appropriate for the types of premises in Chelmsford, that required licensing under the Licensing Act 2003, therefore the Licensing Committee had recommended it for approval.

**Options:**

Recommend that Council adopt the attached policy, not adopt it or amend the policy before recommending it.

**Preferred option and reasons:**

The policy as presented reflects all legislative requirements and is appropriate to the types of premises in Chelmsford required to be licensed under the Licensing Act 2003.

RESOLVED that the Council be recommended to adopt the latest version of the Statement of Licensing Policy under the Licensing Act 2003.

(7.25pm to 7.26pm)

## 9. Urgent Business

There were no items of urgent business.

## 10. Reports to Council

Items 6.1, 6.2 and 8.1 were subject of recommendations to Council.

## Exclusion of the Public

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for items 11.1 and 11.2 on the grounds that they involved the likely disclosure of exempt information falling within paragraph 3 of Part 1 of the Schedule 12A to the Act (information relating to the financial or business affairs of any particular person including the authority holding that information).

## 11.1 Sale of the Council's Freehold Interest in Property Fronting Westway

*Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council.*

### Declarations of interest:

None.

### Summary:

The Cabinet were asked to approve the disposal of a property, for a sum consistent with an independent RCIS valuation. It was noted that the disposal would realise a significant capital receipt, which could be used to support capital projects, reduce borrowing, or enhance the Council's overall financial sustainability.

### Options:

#### 1. Retain the Freehold Interest

*Retaining the freehold would allow the Council to continue receiving the annual ground rent income. However, given the long leasehold interest, the Council retains minimal strategic control over the property and its future use.*

#### 2. Dispose of the Freehold Interest (Recommended)

*Disposal of the Council's freehold interest to the existing long leaseholder would generate an immediate capital receipt, consistent with an independent RICS valuation. The receipt can be used to support capital projects, reduce borrowing, or enhance the Council's overall financial sustainability.*

**Preferred option and reasons:**

That Cabinet approve the disposal of the Council's freehold interest in the property under delegation to the Director of Public Places, following consultation with the Cabinet Member for Economic Development and Property.

**Discussion:**

In response to a question about the planned use for the capital receipt, it was noted that a specific plan was not yet in place, but the sum would reduce the Council's annual revenue capital financing costs which in turn would protect funding of day-to-day Council services.

**RESOLVED** that;

1. The disposal of the property be approved and;
2. The Director of Public Places, be delegated authority to dispose of the property, following consultation with the Cabinet Member for Economic Development and Property.

(7.27pm to 7.32pm)

The meeting closed at 7.32pm

Chair



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## Cabinet

**27 January 2026**

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### Local Lettings Plans

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#### Report by:

Deputy Leader and Cabinet Member for Fairer Chelmsford

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#### Officer Contact:

Paul Gayler, Strategic Housing Services Manager, [paul.gayler@chelmsford.gov.uk](mailto:paul.gayler@chelmsford.gov.uk)  
Tel: 01245 606375

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#### Purpose

To establish a legally compliant and consistent process for the use of Local Lettings Plans that would enable the Council to make best use of existing and new housing stock whilst still meeting its legal duties to households in housing need, and to approve the document as presented in Appendix 1.

#### Options

1. Agree to the process, set out in Appendix 1, for creating Local Lettings Plans, and approve the document as presented in Appendix 1.
2. Amend and agree the process, set out in Appendix 1, for creating Local Lettings Plans, and approve the document
3. Not approve the process for creating Local Lettings Plans and continue the allocation of housing through the existing Allocations Policy.

## Preferred Option and Reasons

That Cabinet agree to the process, set out in Appendix 1, to approve the document for creating Local Lettings Plans, as this allows the Council to make best use of existing and new housing stock whilst still meeting its legal duties to households in housing need.

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### 1. Background

- 1.1 Part 6 of the Housing Act requires all Local Housing Authorities to have a policy for the allocation of social housing which takes into account its legal duties to those who are homeless and in most urgent housing need. The Council should not allocate any homes outside of this policy.
- 1.2 The prevailing principle of any allocation policy is that applicants are given priority according to their need with reasonable preference being awarded to those who are homeless. Where applicants have the same level of priority consideration is then given to those at this level who have been waiting the longest, i.e. having the earliest 'effective date' when they were awarded this level of priority.
- 1.3 Generally this is accepted as being a fair and reasonable way to balance the need for housing with supply. In 'exceptional circumstances' the policy allows for the Council's Strategic Housing Services Manager to agree to an allocation to be made otherwise in accordance with the policy, ensuring that there is flexibility when needed to avoid any unintended consequences but this is restricted to individual cases and inevitably rarely used.
- 1.4 Whilst an allocations policy manages the needs of applicants, there can be times when housing authorities and social landlords also need to consider how best to manage some of the local housing stock. Most households in housing need will require homes that are intended for what is usually described as general needs but there can be times when local circumstances may justify some additional criteria to be applied and therefore the use of a Local Lettings Plan.
- 1.5 As the title suggests, Local Lettings Plans do not apply to all of the properties in the local authority's area but should be restricted to a particular locality based on either the needs of that particular area or the need for a particular type of property that is unique to, or rarely available outside of a particular location.

### 2. Examples of Local Lettings Plans

- 2.1 The value of being able to deploy a Local Lettings Plan lies with its flexibility to respond to very local and sometimes temporary issues. For this reason it is

inadvisable to be too prescriptive as to the detail of any future such plan but some examples below may help to demonstrate their use and benefit.

- 2.2 Addressing anti-social behaviour: when there has been an identified problem, for example in high density housing or a particular part of an estate, a local lettings plan may be helpful in achieving a better balance of households to dilute and help with the management of this problem
- 2.3 Regeneration and redevelopment of an area: when existing tenants need to leave their homes as part of a redevelopment of an area, some may need to remain as close to local services and support and a local lettings plan can enable them to move to homes in the same area reducing delay in plans to develop new homes
- 2.4 Making best use of existing housing stock: there may be a concentration of a particular type of homes in a certain location that if allocated otherwise than in accordance with the existing policy could create better outcomes, for example level access properties or bungalows that could meet the needs of existing tenants with lower priority but then make available larger homes that would not otherwise become available for homeless families.
- 2.5 These are only simplistic examples, it is important that the prevailing way of allocating homes is always through the existing allocations policy of the housing authority with plans and strategies aligned to ensure current and future supply responds to the overall and most urgent housing needs of the district. For this reason a Local Lettings Plan should always be seen as something that is adopted as a temporary measure.

### 3. Process for Local Lettings Plans

- 3.1 For the reasons outlined above it is difficult to predict when a Local Letting Plan will be needed or the situation it is intended to resolve but it is important that the Council has a process to ensure that this would be legally compliant and not unreasonably disadvantage Housing Register applicants.

- 3.2 Adopting a process which has the oversight of the Director in consultation with the relevant Portfolio Holder achieves the optimum balance between oversight and expediency. This also enables any proposed plan to be amended or rejected if it then transpires that the aims or outcomes of a plan would be ineffective or counterproductive.
- 3.3 For a proposed plan to be approved it must also have limited duration to avoid general needs housing becoming restricted to a limited use that could eventually restrict the Council's ability to meet the wider needs of the majority of the Housing Register's applicants.
- 3.4 Appendix 1 details the process to be followed when creating a Local Lettings Plan.

#### 4. Conclusion

- 4.1 A Local Lettings Plan allows a local housing authority to respond flexibly to very local and temporary issues such as anti-social behaviour, management of tenants during regeneration, and maximisation of housing stock.
- 4.2 Due to Local Lettings Plans allowing allocation outside of the Council's Allocations Policy they need to be restricted to a particular locality based on either the needs of that particular area or the need for a particular type of property that is unique to, or rarely available outside of a particular location.
- 4.3 It is difficult to predict when a Local Letting Plan will be needed or the situation it is intended to resolve but it is important that the Council has a process to ensure that this would be legally compliant and not unreasonably disadvantage Housing Register applicants. Therefore, it is proposed to adopt a process that achieves the optimum balance between oversight and expediency.

#### List of appendices:

None

#### Background papers:

None

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#### Corporate Implications

Legal/Constitutional: This is an executive matter which is within the remit of Cabinet to determine. Establishing a process for the use of Local Lettings Plans ensures the Council exercises any

discretion for the allocation of housing in a responsible and accountable manner. This policy is permitted under Section 166A(6)(b) of the Housing Act 1996 and is referenced in paragraph 4.27 of the statutory guidance issued under Section 169 of the same Act.

Financial: Use of a Local Lettings Plan can make best use of housing stock reducing financial cost to the Council

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: Adoption of a Local Lettings Plan can be useful in responding to short-term risks

Equality and Diversity: Local Lettings Plans will be subject to an equality and diversity impact assessment at the time they are drafted.

Health and Safety: None

Digital: None

Other: None

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### Consultees:

None for the proposal to adopt a process, but the implementation of a Local Lettings Plan would involve consultation and agreement with the relevant Registered Provider

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### Relevant Policies and Strategies:

Chelmsford City Council's Housing Allocation Policy

Chelmsford City Council's Housing Strategy and Homelessness Strategies

## Appendix 1

### Operation of Process for Local Lettings Plans

Whilst the concept is simple, ensuring the outcomes are achieved in a way that doesn't create an unfair advantage or disadvantage between applicants to whom the Council has a legal duty to accommodate can become quite complex. For this reason a degree of flexibility is often necessary taking into account the personal requirements of all applicants who may be affected along with the cooperation of their landlords.

#### Key steps:

- 1) Identify opportunity to improve supply or address problematic issues, e.g. chain lettings, respond to unmet need, anti-social behaviour.
- 2) Consult with Registered Provider on feasibility of a lettings plan.
- 3) Identify existing applicants who would benefit from a lettings plan and those who would otherwise be in priority for the allocation of these homes.
- 4) Identify alternate options for any applicants who would be excluded by the proposed plan if implemented.
- 5) Assess impact of a proposed plan – ensuring no applicants are unreasonably disadvantaged and compliance with Equalities Act.
- 6) Confirm with Registered Provider and where relevant any other Registered Providers or other landlords who may be involved.
- 7) Prepare a report for approval by Director of Sustainable Communities in consultation with the Cabinet Member for a Fairer Chelmsford, which includes information on:
  - Need for local lettings plan
  - Impact of proposed plan including EQIA
  - Period plan will operate for
  - Date for reviewing operation of plan – outcomes
- 8) In cases where plans are approved, work with Registered Provider on agreeing whether homes will be advertised or allocated as a transfer including those which are released or needed as an alternative option for those who would otherwise be entitled to those with pre-existing priority.
- 9) Identify applicants who will be allocated homes in the local letting plan including possible substitutes.
- 10) Identify applicants for other homes where relevant.

- 11) Conduct preliminary allocation of homes and confirm with Director and Portfolio holder on implementation of local lettings plan or where necessary any amendments.
- 12) Implement local lettings plan and review outcomes.
- 13) End local lettings plan with formal notification to Registered Provider or agree time limited extension with approval from Director in consultation with Cabinet Member.



## Chelmsford City Council Cabinet

27<sup>th</sup> January 2026

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### One-year extension to the current South Essex Parking Partnership Joint Committee Agreement.

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#### Report by:

Cabinet Member for Economic Development and Property

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#### Officer Contact:

Nick Binder SEPP Services Manager, 01245 606303,  
[nick.binder@chelmsford.gov.uk](mailto:nick.binder@chelmsford.gov.uk)

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#### Purpose

To seek approval to extend the current Operational Period of the South Essex Parking Partnership (SEPP) by one year up until 31<sup>st</sup> March 2028

#### Options

1. Approve the extension of the current Operational Period of the South Essex Parking Partnership by one year up until 31<sup>st</sup> March 2028.
2. Not approve the extension of the current Operational Period of the South Essex Parking Partnership by one year up until 31<sup>st</sup> March 2028.

#### Preferred option and reasons

Cabinet Approve the extension of the current Operational Period of the South Essex Parking Partnership by one year up until 31<sup>st</sup> March 2028, thereby enabling parking enforcement to be continued to be carried out by SEPP up until local government reorganisation.

## Recommendations

Cabinet approves the extension of the current Operational Period of the South Essex Parking Partnership by one year up until 31<sup>st</sup> March 2028.

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### 1. Introduction

- 1.1 The South Essex Parking Partnership (SEPP) has been operational since 1st April 2011 when SEPP and the North Essex Parking Partnership (NEPP) were established to operate on-street parking enforcement across the county on behalf of Essex County Council (ECC).
- 1.2 The operations delivered by SEPP are governed by a Joint Committee Agreement signed up to by each of the partners – Basildon Borough Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford City Council, Essex County Council, Maldon District Council and Rochford District Council. Chelmsford is the Lead Authority for SEPP, employs all the Partnership's officers and provides legal, HR and financial support to the operation of SEPP.

### 2. Joint Committee Agreement

- 2.1 A new Joint Committee Agreement was signed by all partners in 2022 for a further five-year period from 1 April 2022 to 31 March 2027. This agreement has the option to extend for an additional 12 months on three consecutive occasions to a maximum term of eight years (31 March 2030). The new agreement also provided the scope for SEPP to continue with the additional responsibility for the maintenance of parking related signs and lines and the implementation of new parking related Traffic Regulation Orders.
- 2.2 The Term is set out in Section 3 of the agreement as follows:

**3. The Term**

- 3.1 The Joint Committee shall be operational for a period of five years ("the Operational Period") commencing on 1 April 2022 ("the Commencement Date") unless, with the written consent of all the Partner Authorities, the Operational Period is extended for an additional 12 months on three consecutive occasions, to a maximum term of eight years.
- 3.2 The decision whether to extend the Operational Period shall be taken by the Council not less than fifteen months before the end of the Operational Period.
- 3.3 The Joint Committee's consent must be obtained in writing to the proposed extension and shall be delivered to the Council not less than twelve months before the end of the Operational Period.

2.3 The current 5-year term will take the agreement up to 31 March 2027. The proposal is to extend the agreement for a further one year to take the term of the agreement until 31 March 2028 to coincide with the timeline of the Local Government Reorganisation within Essex.

2.4 In line with Clause 3.2 of the agreement, the decision to extend the Joint Committee Agreement must initially be taken by the Council (ECC) within 15 months (by 31 December 2025) before the end of the operational period. The South Essex Parking Partnership Manager received written notification on 24 December 2025 from Essex County Council confirming that it is their intention to extend the current Joint Committee Agreement by one year until 31 March 2028. This decision remains subject to formal agreement via their relevant Governance procedures.

2.5 The Joint Committee's consent (as per 3.3 of the Agreement) must be obtained in writing to the proposed extension and shall be delivered to the Council (ECC) not less than twelve months (by 31 March 2026) before the end of the operational period. Therefore the decision to extend the Operational Period for a further one year, up to 31 March 2028 must be taken by the Joint Committee Members at its meeting on 12 March 2026. The SEPP Joint Committee is therefore seeking written confirmation from all partners in advance of this to inform their decision.

**3. Maintaining Business Continuity and Local Government Reform**

- 3.1 With the introduction of Local Government Reorganisation it is anticipated that on 1 April 2028 the existing SEPP & NEPP Partnership Councils and Essex County Council will be dissolved and replaced with new unitary Councils. The current on-street functions that SEPP deliver on behalf of ECC will therefore fully transfer to the new unitary authorities and will be the responsibility of those unitary authorities from 1 April 2028.
- 3.2 The decision to extend the current SEPP Joint Committee Agreement is to ensure that the service continuity and legal enforcement of the parking restrictions can be maintained throughout the Partnership areas for financial

year 2027/28 when thereafter the function will transfer and operate from 1 April 2028 under the new unitary authorities.

#### 4. Financial Position

- 4.1 The financial forecast (Business Plan 2026/27) demonstrates that the South Essex Parking Partnership can enter into a one-year extension to the Operational Period and remain financially self-sufficient throughout this period, fully funding the parking enforcement operation and TRO function while continuing to offer the same level of service provision with zero financial risk to any of the SEPP partner authorities.

#### 5. Risk of a Partner Authority withdrawing from the Partnership

- 5.1 It should be noted that under clause 3.1 of the Joint Committee Agreement the Operational Period of SEPP can be extended for an additional one-year if (and only if) each and every Partner Authority provides their written consent to the extension. In the event that one or more of the Partner Authorities withdraws their consent then the current Agreement will terminate automatically on 31 March 2027. The legal and practical ramifications of such termination are highlighted in paragraphs 5.2 – 5.4 below.
- 5.2 If the Agreement were to terminate on 31 March 2027 (i.e. because of lack of unanimous consent for the proposed one-year extension) then the default position is that all of the functions currently delegated to and undertaken by SEPP would automatically return back to ECC. It follows that if unanimous consent for the extension is not forthcoming then ECC would be compelled to consider and decide on an alternative delivery model for the functions (see paragraph 5.3 below). In this scenario, it is considered likely that ECC would seek to enter into a new Joint Committee Agreement (in similar if not identical terms to the expired Agreement) for the one-year period up to 31 March 2028 with the remaining willing Partner Authorities. In short, the functions relating to on-street parking enforcement, the making of TROs and signs and lines maintenance would continue to be delivered by a (new) Joint Committee within the geographical area currently covered by SEPP. Crucially, however, any Partner Authority that had not signed up to the new Agreement would not have the benefit of an elected Member from that Authority sitting on the Joint Committee. They would therefore be excluded from directly overseeing, influencing, or participating in the work and decision-making of the new Joint Committee – notwithstanding the fact that some of the Committee's decisions and policy making would invariably relate to parking enforcement, TROs, and signs and lines maintenance within that Authority's own district.

5.3 Under the current terms of the Joint Committee Agreement, the Partnership can fully function as long as at least three Partner Authorities remain ( current quorum for meetings is three) but in the event that either all of the Partner Authorities were to withhold their consent to an extension of the Agreement, or there are too few willing Partner Authorities for a new Joint Committee Agreement to be feasible then the Agreement would terminate automatically on 31 March 2027. ECC would become responsible for the functions currently carried out by SEPP for the short period until local government reorganisation takes effect. It follows that in this particular scenario ECC's only options would be to carry all or some of the functions in-house or find an alternative delivery model for the functions e.g. use of an external provider.

5.4 It is also important to note that the legal and practical ramifications for SEPP staff in the event that the Agreement terminates on 31 March 2027 and ECC becomes responsible for the functions currently carried out by SEPP. This would potentially be very disruptive to all staff involved when it's considered that a further transfer will become necessary when the new unitary authorities operate from 1st April 2028. Agreeing to a one-year extension will maintain business continuity and protect staff from unnecessary transfer disruption in an already uncertain environment prior to the introduction of the new authorities in April 2028.

## 6. Conclusion

6.1 The current SEPP Joint Committee Agreement will take the term up to 31 March 2027. The proposal is to extend the agreement for a further one year to take the term of the agreement until 31 March 2028 to coincide with the timeline of local government reorganisation within Essex.

6.2 In line with Clause 3.2 of the agreement, the decision to activate the one -year extension clause, must initially be taken by the Council (ECC) within 15 months before the end of the operational period. It is expected that the Partnership will receive formal written notice of this decision by ECC.

6.3 The Joint Committee's consent (as per 3.3 of the Agreement) must be obtained in writing to the proposed extension and shall be delivered to the ECC by 31 March 2026. Therefore, the decision to extend the Operational Period for a further one year, up to 31 March 2028 must be taken by the Joint Committee Members at its meeting on 12 March 2026. The SEPP Joint Committee is therefore seeking written confirmation from all partners in advance of this to inform their decision.

## List of appendices:

None

**Background papers:**

None

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**Corporate Implications**

Legal/Constitutional: This decision is an executive matter that falls to Cabinet to decide. The legal implications are set out in the report.

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: None

Equality and Diversity: None

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

Health and Safety: None

Digital: None

Other: None

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**Consultees:**

None

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**Relevant Policies and Strategies:**

None

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## Chelmsford City Council Cabinet

27<sup>th</sup> January 2026

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### Budget Report 2026/27

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Report by:  
Cabinet Member for Finance

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Officer Contact:  
Phil Reeves Financial Services Manager (s151 Officer), 01245 606562,  
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### Purpose

The primary purpose is to make recommendations to Council for the 2026/27 Revenue and Capital Budgets, including the level of 2026/27 Council Tax

### Options

To agree or vary the proposals contained within this report whilst paying regard to the financial sustainability of any amendments.

### Preferred option and reasons

Recommend the report to Council for consideration so meeting statutory obligations

### Recommendations

1 That Cabinet recommends to Council the Revenue and Capital Budgets for 2026/27, as set out in Appendix 1, including:

- the new **revenue and capital investments in services** identified in **Section 5**;
- the **Capital Programme in Section 11**;
- the **Revenue Budgets in Section 10**.

i. An increase in the average Band D level of Council Tax for the City Council to £234.85 (+2.97%), which is within the referendum threshold, in **Section 9**.

- ii. The movement in reserves and the Medium-Term forecast shown in **Section 7** and note the s151 Officer's assessment.
- iii. The inclusion of special expenses, parish-tier council precepts, and other precepting authority charges, once confirmed, as detailed in **Section 9**. (These will not be available until Full Council.)
- iv. A delegation to the Chief Executive to agree, after consultation with the Leader of the Council, the pay award for 2026/27 within the normal financial delegations.
- v. A delegation to manage the use of the LGR reserve. The proposal is set out in **Section 7**.

2 That Cabinet approves:

- i. A delegation to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to update the budget report as required to reflect:
  - final Government funding announcement
  - parish-tier council precepts; and
  - Business Rate Retention income following submission of the NNDR1 return.

Any resulting budget variations will be managed through the use of, or contribution to, reserves to maintain a balanced budget.

- ii. A delegation to the s151 Officer after consultation with the Cabinet Member for Finance to prepare a formal budget and council tax resolution for submission to Full Council.

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## Background

- .1. Each year, Cabinet is required to make a proposal to Council to agree:
  - Chelmsford City Council Tax rates; and
  - Revenue and Capital budgets for the next financial year.

This report contains such proposals for a budget for 2026/27. Full details of the budget are in Appendix 1.

## Summary

- .2. The budget report in Appendix 1 provides the funding for core Council services, which support the aims of Our Chelmsford, Our Plan.
- .3. This is anticipated to be the last budget to be set by Chelmsford City Council that is not constrained by Local Government Reorganisation (LGR). The budget process for 2027/28 is expected to be significantly more restricted due to the anticipated imposition of a Section 24 notice as part of the LGR process. This will introduce joint controls with partner authorities over many material financial decisions and transactions. While the precise arrangements are not yet known, the report discusses how Section 24 restrictions have operated in previous reorganisations elsewhere in the country.
- .4. The budget proposal sets a legally balanced budget for 2026/27. Forecasts of the expected deficits for the years up to 2030/31 are included in the report. The

Council's current financial position is significantly stronger than anticipated at the time of the February 2025 budget, reflecting improved income generation initiatives and higher-than-expected Government funding.

- .5. The Budget is shown in Appendix 1 in this report and is divided into sections. **Section 1** provides a high-level summary of the budget, which is not repeated here.
- .6. Legally, the Council must receive a Council Tax proposal in February. This report therefore makes that recommendation. The Government rules allow Chelmsford City Council to raise Council Tax by up to 3% or £5.00, whichever is greater, without triggering a local referendum. It is proposed to increase the City Council's Council Tax by 2.97% or just over 13 pence per week (£6.78 per year) in 2026/27, which reflects the long-standing practice of increasing Council Tax in line with the assumptions the Government makes when allocating funding to local government.
- .7. The report does not yet include special expenses, the precepts from Parish/Tier councils, Essex Police, Fire and Crime Commissioner and Essex County Council as the precepts are not yet available.

#### **Commentary from the Cabinet Member for Finance**

This is the first time in many years that a January budget report to Cabinet has not had to convey bad news; we have become used to budgets setting out proposals to enable the City Council to survive challenging financial circumstances, real-terms cuts in Government support, choices between cuts to services or increases in fees and charges, and so on. Several of the last few years' budgets have been "the most difficult on record", with each more difficult than the previous year.

So, it's a great relief and a pleasure this year to be able to report what appears to be good news. The draft Government Settlement, received just days before Christmas, was very significantly more encouraging than we were expecting. The Government seems to have accepted the strong lobbying from this council, at both Chief Executive and political levels, that funding councils according to need should take account of homelessness as well as deprivation. For the first time in many years, the grant we receive from Government now recognises the high costs the housing crisis causes for Chelmsford's residents and the City Council.

With more money to spend than we expected, we have rapidly reviewed the services that have been under greatest pressure, and this report includes proposals to increase spending in areas that we know are of concern to residents. We propose to increase the budgets for:

- street care, so we can replace a valued service that made our streets tidier until Essex County Council withdrew funding, and
- dog bins, so we can increase the number of bins we are able to empty regularly.

And we propose to provide some one-off funding, in response to requests from business, to expand initiatives to make our High Street safer and to offer grants to businesses to improve the urban area, as well as increasing the pot from which we provide grants to charities to support the vital work they do in our communities.

We will also spend the next few months assessing the options and priorities for further investment in the services that residents rely on.

### Conclusion

- .8. Cabinet is asked to review the Budget Report and agree to the recommendations.
- .9. The financial position forecast in this report is perhaps the best it has been in over a decade but risks remain, including:
  - ongoing pressures on homelessness services;
  - uncertainty arising from the LGR process; and
  - the need to place the new unitary authority on a sound financial footing.Maintaining financial discipline during 2026/27 will be essential.
- .10. During 2026/27 officers and members should consider if any temporary or one-off investment in services is needed. Any investment must provide the new Unitary Council with the best possible start to benefit the residents of Chelmsford.

### List of appendices:

Appendix 1 – Budget Report 2026/27

Appendix 2 - Council tax resolution (intentionally blank)

### Background papers:

Nil

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### Corporate Implications

Legal/Constitutional: To meet the legal requirements placed on the Council to set a balanced budget and approve a level of Council Tax for the coming year

Financial: As detailed in the report

Potential impact on climate change and the environment: The Council's budget supports the Council in delivering its environmental objectives

Contribution toward achieving a net zero carbon position by 2030: The report provides funding for initiatives to contribute towards this goal.

Personnel: Within the Budget, employee costs are the largest single expenditure. The limited financial resources and increasing inflationary pressures will make it difficult to maintain existing staffing levels

Risk Management: A review of the risks is identified

Equality and Diversity: N/A

Health and Safety: N/A

Digital: N/A

Other: N/A

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**Consultees:**

Management team, Section 151 Officer and Monitoring officer

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**Relevant Policies and Strategies:**

Capital, Investment and Treasury Management Strategies 2026/27

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## 1. Introduction to the Council's 2026/27 Budget

### Executive Summary

The report identifies a sound financial position notwithstanding the continuing risks from inflation, homelessness, and Local Government Reorganisation (LGR) remaining. Improved income generation by the Council and increased government funding allow some investment in enhancing Council services.

The improved financial position should be credited to work that the authority has done to generate more income and lobbying of Government to include in its funding calculation homelessness costs, which have been a factor in higher allocation.

The announcement of the new Government funding arrangements on the 17<sup>th</sup> of December makes producing a budget by early January challenging. More time is needed for the organisation to effectively understand the implications of the revised financial position, and this work will need to continue beyond the legal deadline to set a budget for 2026/27. It is important to note the Government settlement is provisional and could be changed before Council in February 2026. If necessary, reserves will be used under delegation by the s151 officer, in consultation with the Cabinet Member for Finance, to balance the budget.

Some specific funding has been provided to enhance the following services: homelessness prevention, dog waste bins, and street care. Given the limited time available, the details of how these operational enhancements will be implemented will be made by directors in consultation with the appropriate Cabinet members. This will be after the budget has been approved. This reflects the lack of time to consider the Government funding settlement.

The budget also includes the reinstatement of a significant annual contribution from the revenue budget for capital asset replacement. The contributions were ceased due to the financial pressures on the Council. These new contributions will result in some £7m less borrowing over the next 7 years.

The Council continues its practice in this budget of increasing charges and Council tax, but these have been restricted to an average of 3% in most services. The exceptions are shoppers' car parking tariffs and Crematorium charges which have been frozen.

The Council's reserves are judged by the s151 officer to remain healthy and there is some capacity for using reserves for one-off investment in services.

Looking beyond 2026/27, the forecast for 2027/28 shows only a minor deficit which should not require significant action to manage provided the Council remains prudent with its spending. However, LGR does mean the position becomes more complex in 2028/29 as Chelmsford City Council will merge with other authorities.

The s151 officer judges the estimates in the report to be robust and the reserves adequate. However, the last decade of political and economic turmoil across the globe has shown forecasts to be fallible and members should remain vigilant and flexible to circumstances as they change.

## **Background**

It is expected that in March the City Council will be informed of the Government's decision on the new unitary-council configurations for the Essex region. LGR has been shown elsewhere to dominate all aspects of a council's decision-making until the mergers take place (vesting day), which for Essex councils is on the 31<sup>st</sup> March 2028.

During 2026/27, the Council is expected to move to a form of joint governance for material financial transactions with those councils who will form the new unitary. It is not possible at this time to identify how decision-making may change in practice. Members should note that 2027/28 will be the last budget set by Chelmsford City Council and, in practice, the creation of the new unitary council will constrain financial decision-making further. This report identifies in **Section 7** a new specific financial reserve to help manage the one-off LGR costs, and **Section 8** provides some explanation of the nature of the restrictions on financial decision-making. Much of the cost of LGR will fall post-Vesting day and, even up to that point, costs may well be shared amongst the constituent authorities of the new unitary.

The budget process for 2026/27 started in early spring of 2025 in the context of considerable uncertainty.

- New local funding allocations 2026/27 were being planned by Government but with local authorities in the dark over how each individual authority would be affected. These new allocations were expected to reduce funding for district councils in the South-East and East of England, redirecting resources to councils that provide social care and to more deprived areas.
- The Government had announced that Local Government Reorganisation would be taking place in the period up to 1<sup>st</sup> April 2028, but it was unclear how this process would work.
- It was unclear if inflationary pressures would continue to ease. This was a significant issue given that costs in the Council tend to rise faster than its income.

The financial outlook did start to improve as spring passed as the previous actions and policies implemented by the Council were delivering significant financial gains over the assumptions made in the 2025/26 budget. For example:

- additional funding of £0.8m above budget from Extended Producer Packaging levies was received. This was in part due to the extensive recycling arrangements the City Council operates.
- Garden waste income is now expected to be net £0.9m higher than budgeted.
- The Council's leisure and cultural services are now expected to deliver £0.7m more than originally budgeted for. This is due to continued growing demand.

By the time of the October Cabinet, which received an update on the Council's finances, there were indications that the City Council might gain from the proposed changes to Government funding. This was a surprise, given the Government intention to provide more funding to assist social care authorities and deprived areas. The Council's financial plans reflected the assumption of frozen Government funding but recognised there was a potential upside. Previous experience from the National Insurance compensation funding, which fell far short of the cost, had shown the risk of taking any pre-final announcement commentary at face value.

The provisional settlement announced on the 17<sup>th</sup> December shows that Chelmsford is one of a minority of district councils who have gained significantly. The Government has provided significant three-year transitional protection to all Councils who lose under the provisional settlement, so losses have not yet been fully realised.

Provisionally, the City Council's headline gain in 2026/27 over its 2025/26 budget is £3.3m a year. The Government has also provided a three-year settlement, so the Council now has strong indications of Government funding for 2 years post 2026/27, which means an increase of £0.245m in 2027/28 and a further £0.187m in the following year. The reasons for the gains are complex and not yet fully transparent. **Section 2** explains the new funding arrangements.

There are some caveats to the £3.3m headline funding gain:

- The figures are provisional so could be reduced between now and the February Council meeting, if the losing authorities manage to obtain concessions from Government.
- The additional funding includes a £0.7m increase earmarked for homelessness prevention. This has been passported through to the service budget and so does not provide support for other existing budget issues. In the longer term, the extra funding may reduce the demand for temporary accommodation.
- The Government committed last January to provide greater freedom for local authorities to set their own planning charges with implementation expected in 2026/27. Unfortunately, this has not happened, which means that the Council is £0.8m worse than its financial planning assumed for 2026/27. Indications from Government now suggest the change will still happen but not until 2027/28.

After considering the expected budget position and these caveats, the provisional settlement provides net additional funding of £1.8m to support existing services (excluding homelessness prevention funding).

The improved finances should be used to make the Council more financially resilient and provide scope to enhance several targeted services. This will help undo some of the damage done by years of austerity and growing service demand. More certainty also means there is an opportunity to free up reserves to meet the initial costs of LGR.

## **Key Actions Proposed in the 2026/27 Budget**

More time is needed for the organisation to effectively understand the implications of the revised financial position. During 2026/27, there will need to be a reconsideration of the budget and financial outlook, but in many respects that is the normal process.

Below is a list of the key actions in the proposed 2026/27 budget:

- Increasing homelessness prevention funding by £1.956m including the £0.7m of Government funding.
- Investing in maintaining and improving service standards £1.259m detailed in **Section 5**.
- Re-establishing annual revenue contributions of £1m to fund replacement equipment (Asset Replacement reserve), resulting in £7m less external borrowing than would have otherwise been the case.
- Increasing Council tax by just under 3%, the increase assumed in the Government funding settlement mechanism.
- Increasing fees and charges in most service areas by on average 3%, the exceptions being
  - shoppers' car parking tariffs; and
  - Crematorium charges: both of which are proposed to be frozen in 2026/27.
- Creation of a £6m reserve to fund LGR costs. The impact of the planned Section 24 restrictions on the Council is still unclear. A flexible response to LGR is needed.
- Freeing up reserves that are no longer needed to manage the risks of Government funding loss. Members will need to consider in 2026/27 the wider financial strategy and any appropriate additional reserve use. The provisional funding settlement could be revised down early in 2026, which may mean higher reserve use than currently budgeted.

## Budget 2026/27 and Multi-year Forecast

The table below is a summary of the changes from the 2025/26 budget to arrive at the 2026/27 budget. It also provides a forecast of the later years. The development and planning of the new Unitary Councils require the City Council's financial position to be projected beyond the point it will cease to exist. The table also identifies the sections in this report where more detailed explanations of the figures are available.

**Table 1**

Budget Gap Budget 2026/27 and Forecast (change from preceding year)						
	See Report Section	Budget	New Forecast	New Forecast	New Forecast	New Forecast
		2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
<b>Summary Variances</b>						
<b>A) Change in Government Funding</b>	Sec 2, pg9	-3,295	-245	-187	-187	-187
<b>B) Cost Pressures and change in activity levels</b>						
Pay & Cost - inflation & retention pressures	Sec 3, pg13	2,420	1,712	1,524	1,572	1,624
Homelessness Prevention and Temporary Accommodation	Sec 3, pg15	1,956	784	784	784	784
LGR Funded from Reserves	Sec 7, pg41	140	5	-145	0	0
Other Material variations	Sec 3, pg15	-391	-470	-218	0	0
Net Income (non-price -growth/+loss)	Sec 4, pg17	-1,888	-1,915	-200	0	0
New Service Enhancement & Capital Investment	Sec 5, pg19	1,259	-211	-98	136	136
Unapproved Unfunded Initiatives	Sec 6, pg34	0	-60	341	283	1
Capital Financing (including contributions to capital)	Sec 6	1,145	883	976	315	-10
<b>Total Budget Gap before actions</b>		<b>1,346</b>	<b>483</b>	<b>2,777</b>	<b>2,903</b>	<b>2,348</b>
<b>C) Changes in Reserve Use</b>						
Reserve changes - Additional use (lower contributions) / + less use (increased contribution)	Sec 7, pg39	904	1,533	596	152	241
<b>Budget Gap remaining</b>		<b>2,250</b>	<b>2,016</b>	<b>3,373</b>	<b>3,055</b>	<b>2,589</b>
<b>D) Funding Generated By Council to Meet Gap</b>						
Income - New and increased Fees and Charges	Sec 4, pg18	-1,257	-1,140	-1,174	-1,209	-1,245
Council tax increase and growth	Sec 9, pg51	-632	-625	-646	-669	-693
Council Tax deficit variations	Sec 9, pg51	-362	-16	0	0	0
Funding Generated By Council		-2,251	-1,781	-1,820	-1,878	<b>-1,938</b>
<b>E) Annualised Budget Gap forecast</b>		<b>0</b>	<b>235</b>	<b>1,553</b>	<b>1,177</b>	<b>651</b>
<b>F) Net Gap, If the prior year is not balanced</b>		<b>0</b>	<b>235</b>	<b>1,788</b>	<b>2,965</b>	<b>3,616</b>

### **Commentary on the table**

**Table 1** shows changes over each preceding year in thousands of pounds. The budget and projections are made at this point in time, and income and expenditure can be expected to vary as events unfold.

**Row A:** Government Funding: There is a provisional gain of £3.3m identified and small 'inflationary' increases in the following years. The new funding arrangements are complex and discussed in more detail in **Section 2** of this report.

**Row B:** These are additional net amounts required to fund the cost pressures in maintaining existing service plans. It also allows for growth in income volumes before any price increases are factored in.

**Row C:** Reserves are used to fund expenditure. Also, contributions can be made to set aside money to manage future risks. This row shows the budget gap after changes in reserve use over the preceding year. The row above C, a positive (cost) is a result of less use of reserves or increased contributions to reserves. A negative figure is where reserve use is increased or contributions reduced compared to the previous year.

**Rows below D:** The movements shown in items A to C result in a budget shortfall of £2.25m in 2026/27. This requires the additional funding which is identified in rows headed D including fees and charges and Council Tax increases.

**Row E Annualised budget gap:** The 2026/27 budget is fully balanced, so is zero. However, forecasts of later years are shown. The 2027/28 gap of £0.235m is minor relative to the size of the Council and given there will be forecasting error. The later years will be a matter discussed as the LGR process occurs in the next few years.

**Row F cumulative gap:** This shows the consequence if no attempt was made to balance the budget.

### **Medium-term Financial Strategy**

As noted earlier in the report, the financial position is more positive than that seen for many years. Forecasting the financial position beyond 2026/27 is hindered by the lateness of the Government funding announcement and the difficulties LGR creates.

The Council financial strategy is summarised below and is identified in **Section 7**, alongside identifying reserves to manage risk. The following key actions should be considered by the City Council:

- A small forecast deficit of £0.2m in 2027/28 which does not currently require significant action.
- The financial planning does assume Council Tax and fees and charges will continue to be increased on average by 3% per annum.
- The 2026/27 budget includes £0.7m of extra funding passported through to the Homelessness prevention function. It should be noted that the 2026/27 budget includes significant investment in homelessness prevention activities. A review of these budgets will take place in 2026/27, and the outcomes will be part of the 2027/28 budget.
- Reserves and their use will need to be considered in the light of all the prevailing financial issues, including LGR. The use of reserves should continue to only fund short-term financial issues or one-off investment in services.
- The s151 officer continues to recommend a minimum balance of £9m in the general reserve (contingency) which is expected to be exceeded in the forecast period. The current forecast is a balance of circa £12m across the planning period and consideration should be given to any appropriate use of surplus reserves.
- Continue to maintain financial discipline to protect reserve levels and ensure the forecast budget gaps remain manageable in size.
- As a matter of good practice, budget planning on a longer-term basis should be undertaken, but many of the decisions and actions to start to address the deficits for 2028/29 and beyond will be for the new Unitary Council. At the earliest opportunity, the City Council will engage

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with the merging authorities to develop options to balance the 2028/29 budget and develop appropriate governance arrangements.

- For Capital Planning, there are significant items that will need to be considered by the Council's members up to vesting day:
  - Replacement and refurbishment costs. These cost issues should be considered when developing plans for the Unitary authority, as asset rationalisation should be targeted as part of the LGR process.
  - Crematorium and Cemetery; the existing facilities are approaching the end of their useful life, and the cemetery is running out of burial plots. A business case report is being prepared for a future Council meeting to consider the costs and options. The revenue forecasts in this report would be misleading without making an allowance for the possible significant future costs for maintaining this service. For the sake of simplicity, the central case assumption is a full replacement on a new site (this is not a decision being made in this report). Indicative market evidence suggests a planning/forecast capital cost of £12m should be allowed for, with £0.7m per annum in revenue financing cost. The cost and timing of any scheme will of course be subject to change based on the decisions of the Full Council.
  - Disposal of Chelmer Waterside; no proceeds have been allowed for in the forecasts. As the site is currently being marketed

## **Appendix 1 Report contents.**

This Report is split into sections to explain how the budget for 2026/27 was balanced, the risks, and the outlook. The report also updates the capital programme.

**Section 2** identifies the main Government funding sources for 2026/27 and later years.

**Section 3:** Inflation and Financial Pressures. This provides more detail on the budget variances.

**Section 4:** Increased Charges. This provides an overview of some of the actions necessary to fund the cost pressures and inflation.

**Section 5:** Identifies the new investments in services that are funded by capital resources in the 2026/27 budget proposals.

**Sections 6 to 8:** Identifies the medium- to long-term financial planning issues that the Council needs to consider, including reserves.

The Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer (CFO) (also known as s151 officer) to make a report to the authority when it is considering its budget and Council Tax for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act, 'reserves' include 'general balances.') The Act requires the Council to have regard to the report in making its decisions. The report is contained in **Section 8**.

**Section 9:** Identifies the detail of the Council Tax proposals and the associated legal matters, including meeting the legal requirement to declare a Business Rate Surplus or Deficit.

The budget includes proposals to increase an average band D Council Tax by £6.78 per year after allowing for rounding of Council Tax bills into ninths.

## Agenda Item 8.1

**Sections 10 & 11** contain the budgets for revenue services and the capital programme.

## 2. Government Funding

### **Funding Settlement / Core Funding (spending power)**

The Council received a provisional Government funding settlement for 2026/27 in the week before Christmas, announcing provisional funding allocations for the next three financial years.

For the past decade, annual settlements were based on the 2013/14 assessment of need and not reflective of current circumstances. The sector has consistently called for an updated formula as well as multi-year settlements to enable more effective financial planning.

This is the first multi-year funding settlement using a new formula with updated methodology and data to assess each council's need and align funding accordingly. The revised approach aims to simplify the calculation by reducing the number of formulas within it. There are now specific formula for temporary accommodation, using homelessness and TA demand indicators, to recognise the key cost pressure for district authorities. This will have been a factor in the improved funding for Chelmsford and is a point the Council lobbied the Government to recognise.

As part of the funding review, the Government has also decided to simplify the grant distribution by rolling several grants either into the main Revenue Support Grant (RSG) or as a consolidated grant covering a specific area. For Chelmsford, this mainly affected grants received for housing services.

The Housing Prevention grant is made up of two parts and will be split: the element of the grant intended to support TA costs will be consolidated into the RSG; the remainder of the grant will be merged into a separate Homelessness, Rough Sleeping and Domestic Abuse grant with other grants for housing services. There is a risk with any grant consolidated into the RSG that any future reductions in Government spending will result in a reduction in the RSG and therefore a loss of funding.

A core element of the funding review is a reset of the Business Rate Retention system. Since the introduction of the current business rates scheme in 2013/14, individual councils benefited by being able to retain a proportion of growth in their business rates above the frozen 2013/14 baseline. The scheme also allowed councils to form pools with neighbouring authorities and those pools benefited from an even higher proportion of the growth retained locally. Chelmsford's 2025/26 budget included £2.25m for income from business rates above the baseline, including pool benefit. Under the reset, the baseline will be set at 2025/26 estimated income, effectively removing any benefit of growth since the scheme started.

To avoid cliff-edge loss in funding, the settlement includes transitional arrangements phasing change in funding for each authority over 3 years in equal amounts. The baseline for 2025/26 includes business growth lost as part of the reset.

The Government settlement is determined by the Government's measure of local authority funding, 'Core Spending Power' (CSP), which combines various funding streams available to each authority including assumed Council tax income. Increases in CSP should, according to the Government, capture a more rounded picture of the financial position of an authority. The CSP was restated to match the Government's new funding methodology .

## Agenda Item 8.1

Under the revised methodology, the Government have removed business rates income from growth in tax base and consolidated several grants into the overall funding assessment. However, Chelmsford has been identified as a council with high local need and has benefited from the redistribution of the funding. Findings from an external analytics provider, show Chelmsford as one of the few outliers even within Essex authorities to have gained additional funding under the new methodology. The increase is primarily reflected in the RSG element of the funding which has risen by £3.1m. The amount of business rates the council can retain locally has also increased from £4.5m to £6.3m, but this gain largely offsets the loss of business rates growth that has now been reset. Overall, total funding has increased by £3.3m compared to 2025/26.

As this is the first settlement using the new methodology, it is anticipated that councils experiencing funding reductions will lobby for revisions. The government may respond with adjustments that may alter final allocations between now and February Council.

**Table 2** below shows the restated baseline and the movement in funding to budget and the restated 2025/26 baseline.

**Table 2**

	New to CSP?	2025/26 Finance Settlement		Provisional 2026/27 Finance Settlement			
		Core spending power	Funding included in the budget exl Council Tax	Core Spending power - New Baseline	Core Spending power	Additional/- Reduced funding in the budget exl Council Tax	
		2025/26	2025/26	2025/26	2026/27	2026/27	
<b>Grant funding</b>							
RSG	No	0.208	0.208	0.208	7.135	6.926	6.926
RSG - New grants rolled in	Yes			0.907		-0.907	0.000
Employer NIC compensation grant	Consolidated	0.263	0.282	0.263		-0.263	-0.282
Temporary Accommodation element of HPG	Yes			0.875		0.000	-0.875
New homes bonus	Consolidated	1.046	1.046	1.046		-1.046	-1.046
2025/26 Funding floor	Consolidated	1.650	1.650	1.650		-1.650	-1.650
							<b>3.074</b>
<b>Business rates</b>							
BR funding baseline	No	3.753	3.753	3.753	6.287	2.534	2.534
S31 grant for multiplier compensation	No	0.725	0.725	0.725		-0.725	-0.725
Retained business rates above CSP baseline	Yes			4.524		-4.524	-2.250
							<b>-0.440</b>
<b>Grants not in RSG</b>							
Prevention & relief element of HPG and other housing grants	Yes	0.037	0.876	1.119	1.538	0.419	0.662
							<b>0.662</b>
<b>Core Spending Power excluding Council Tax</b>		<b>7.682</b>	<b>11.665</b>	<b>14.195</b>	<b>14.960</b>	<b>0.765</b>	<b>3.295</b>
Council Tax	No	16.439		16.439	17.144	0.705	
<b>Core Spending Power</b>		<b>24.121</b>	<b>11.665</b>	<b>30.634</b>	<b>32.104</b>	<b>1.470</b>	<b>3.295</b>

A short description of each element of the funding is below:

- A. Settlement Funding Assessment is split between RSG, an un-ringfenced grant and Baseline Funding Level. The amount is determined by a needs assessment which includes estimates of local resources such as council tax, population, and other local data. The Council collects over £85m of business rates but will only retain £6.2m locally.
- B. Grants rolled into RSG – some grants previously received by the Council but outside of CSP calculations are now included. For Chelmsford, this represents £0.9m of various grants for housing services. There is a risk that these grants could be lost if there are

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reductions in funding in later years when CSP is cut or frozen and they are no longer allocated based on old grant allocation assessments. Grants rolled into CSP outside RSG – again, some grants previously received outside of the CSP calculation are now included, but remain as separate, stand-alone grants outside RSG. These individual grant elements will continue to be allocated based on their existing methodologies. For Chelmsford, these are predominately grants for housing services.

C. Council Tax Requirement excluding parish and tier precepts – This is not a government grant, but instead the amount of Council Tax the Government assumes the city will generate using the maximum increase allowable in Council tax under the Council tax referendum principles. The Government assumes that authorities will apply the full increase each year of the multi-year settlement.

## Other Key Funding Outside Core Spending Power

### Retained Business Rate Growth (Above Baseline Funding)

Under this scheme, the Government allows local authorities to retain some of the growth in Business rate income in their area. Gains and losses can occur in year but do not feed fully into the Council's finances for up to two years. Following the funding reset, the new baseline is based on the estimated 2025/26 business rates income set in January 2024. Unless an authority has experienced growth since, there is unlikely to be any additional gain. There is, however, an increased risk of underperformance against the baseline due to volatility in business rates income, mainly driven by ratepayers appeals. To prevent local authorities suffering from unmanageable losses in income, the Government provides protection through the 'safety net' mechanism. For 2026/27, the safety net is set at 100%, ensuring no council loses funding if income falls below the baseline. This will reduce to 97% for 2027/28 and return to pre-reset levels of 92.5% from 2028/29 onwards.

The actual estimate for business rate income for the coming year can only be made in late January under the scheme rules. Consequently, the January Cabinet report and budget must be based on assumptions for business rate retention.

Given this is the first year after new valuations, it is reasonable to assume there will be limited or no growth (gains) achieved in 2026/27. So, the budget does not include any retained income to support ongoing service expenditure. Any unexpected losses after 2026/27 will be managed through the general fund reserve.

In previous years, there has been an Essex business rate pool which enabled member councils to retain more business rate growth locally. The scheme rules have been amended by Government for 2026/27 and is no longer forecast to provide a benefit to Essex authorities, so the pool has been disbanded.

## **Future Funding beyond 2026/27**

The Council is in a much stronger position than in previous years to plan for future years of funding, as the Government has provided a three-year settlement. This provides provisional figures for 2027/28 and 2028/29 alongside next year's allocation. While this offers greater certainty, there remains a risk that some of the data may be updated during the multi-year period, resulting in potential changes. As the Council is not subject to loss of funding through transitional arrangements, funding is expected to remain stable over the 3 years, with modest annual increases mainly driven by inflation adjustments.

**Table 3** below shows CSP provisional allocations over the next three financial years.

**Table 3**

	Core Spending power - New Baseline 2025/26 £m	Core Spending power 2026/27 £m	Core Spending power 2027/28 £m	Core Spending power 2028/29 £m	Additional/- Reduced funding in CPS 2027/28 £m	Additional/- Reduced funding in CPS 2028/29 £m
<b>Funding within Central budgets:</b>						
RSG	3.168	7.135	7.183	7.194	0.048	0.011
RSG - Grants rolled in	0.907				0.000	0.000
BRR funding baseline	9.002	6.287	6.432	6.561	0.144	0.130
Prevention & relief element of HPG and other housing grants	1.119	1.538	1.591	1.637	0.053	0.046
<b>Core Spending Power excluding Council Tax</b>	<b>14.196</b>	<b>14.960</b>	<b>15.205</b>	<b>15.392</b>	<b>0.245</b>	<b>0.187</b>
<b>Change year on year</b>			<b>0.245</b>	<b>0.187</b>		
Council Tax	16.439	17.144	17.879	18.645	0.735	0.766
<b>Core Spending Power</b>	<b>30.635</b>	<b>32.104</b>	<b>33.084</b>	<b>34.037</b>	<b>0.980</b>	<b>0.953</b>

### 3. Key Financial Pressures & Expenditure Variations

This section details the main inflation and cost pressures identified when drafting the 2026/27 budget.

#### Pay & Cost – Inflation & Pressures

Inflation and cost pressures felt across the Council are included in the table below, with commentary explaining the key variances. Housing temporary accommodation costs are excluded from this table and are covered in more detail in the next section.

**Table 4 Pay and Cost Pressures 2026/27 (changes + adverse/-favourable from 2025/26 budget)**

Pressure	Budget 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s	Forecast 2029/30 £000s	Forecast 2030/31 £000s
Pay Inflation/Pressures: 3.5% in 26/27, 3% in 27/28, then 2.5% from 28/29	1,574	1,413	1,216	1,254	1,295
Other Inflation	609	243	248	255	262
Software - additional Costs	237	56	60	63	67
<b>Total</b>	<b>2,420</b>	<b>1,712</b>	<b>1,524</b>	<b>1,572</b>	<b>1,624</b>

#### Pay Inflation

The cost of the annual pay award has for the last few years been heavily influenced by high inflation and by significant annual increases in the National Living Wage (NLW) which is set by Government.

Unlike other parts of the public sector, the Government does not fund council increases in NLW or pay. The increases in NLW were 6.62% in 2022/23, 9.68% in 2023/24, 9.79% in 2024/25, 6.73% in 2025/26, and for 2026/27 it will be 4.10%. All these increases are significantly above the pay awards offered by the Council, highlighting the pressure this puts on the budget. The 2025/26 pay award allowed for changes to the bottom points of the Council pay grades to provide future proofing against changes to the NLW, meaning that the 2025/26 minimum scale point hourly rate is already above the 2026/27 proposed NLW of £12.71 an hour.

The budget for 2026/27 includes an additional £1.574m to fund an assumed 3.5% pay award (£1.512m), and other minor cost pressures from staffing (£0.062m).

The annual average pay award at the Council 2010-2021 was 1.25%. This low level may have created a catch-up factor affecting future awards. At the time, these small increases helped to close budget gaps. As the last few years' pay awards have been above the amount included in the budget, the forecast for 2027/28 assumes a 3% pay award and then falls in 28/29 to 2.5% as pay pressures are expected to ease. New unitary councils will be in place from 1<sup>st</sup> April 2028, and any pay awards will be at their discretion. There will be a need to equalise grades between the merging authorities.

#### Other Inflation

The Council is a complex organisation with many different activities being undertaken. Each activity will experience different rates of inflation and demand pressures. In the two decades before the pandemic

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(used as a time marker, not necessarily the cause), the Council budget did not require significant budget increases for inflation. However, inflation on non-pay spend is now a financial problem. The table below sets out the changes in the 2026/27 required to fund inflation on non-pay costs and the general allowance for inflation. Beyond 2026/27, inflation is still assumed to be a problem but a lesser one.

**Table 5 – Other Inflation**

Other Inflation	Budget 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s	Forecast 2029/30 £000s	Forecast 2030/31 £000s
Building Maintenance @ 2.5% post 26/27	111	64	65	67	68
Insurance Realignment and Tender in 2026/27	93	0	0	0	0
Fleet Repair & Maintenance @ 2% NDR @ 2%	16	16	17	17	17
	41	66	68	69	70
Other Inflation	348	97	98	102	105
<b>Total</b>	<b>609</b>	<b>243</b>	<b>248</b>	<b>255</b>	<b>261</b>

### Software Additional Costs

Software is a key area of spend across the Council, with a total budget of £2.35m proposed for 2026/27. A significant number of software licence contracts are linked to inflation and so increase each year, and other licences that have come up for renewal have been renewed at a higher price.

The £237k additional budget required in 2026/27 should cover the new renewal prices of the larger contracts with future years' increases expected to be annual inflationary increases.

### Homelessness Prevention and Temporary Accommodation

The Council is estimated to need to spend £7.5m in 2026/27 on Housing services which mostly relates to temporary accommodation (TA) for the homeless and prevention work.

Homelessness costs have risen from £1.365m, or 7.23%, of net spend Council spend in 2020/21 to 26.75% of net council spend in 2026/27.

The numbers of households in temporary accommodation are difficult to predict. Housing Services are working on several new initiatives both in 2025/26 and 2026/27, particularly around Supported Housing schemes, that are expected to limit the extent of TA increases for those years. A prudent approach of an extra 40 cases per year for 2027/28 onwards has been assumed given the uncertainty and difficulty around TA projections.

The most significant reason for increasing the budget for Housing in 2026/27 is the additional cost per case. The average cost of a new case for the 2025/26 budget was assumed at £13k per year, whereas the current rate now sits at slightly over £15k a year. This results in a £713k increase being needed for 2026/27 compared to the 2025/26 budget. A level of inflation has been allowed for in future years for further increases in cost per case. The increase in cost per case is a result of demand exceeding supply for temporary accommodation.

From 2026/27, the government has increased central funding for prevention of homelessness by £0.7m. This is a ringfenced grant and the spend associated has been added into the service budget in

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2026/27 onwards. As the Government funding announcement was so late, officers will, during 2026/27, identify how this new funding can be effectively used, with the aim of limiting growth or reducing numbers in temporary accommodation. Given increasing caseload and the need for work on homelessness prevention, additional staff are being put forward in the 2026/27 budget. These have been mostly approved by supplementary estimates in 2025/26.

The Council receives various grant funding for asylum seeker accommodation in Chelmsford. Previously, much of this grant was unbudgeted and now a level of this grant income has been assumed for 2026/27 onwards, which is less than the amount received in 2025/26 as the government plans to reduce the use of hotels.

**Table 6** – Homelessness, Prevention and Temporary Accommodation

Pressure	Budget	Forecast	Forecast	Forecast	Forecast
	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
Cost per case (catch- up in 2026/27)	713	184	184	184	184
Caseload from 2027/28 40 extra per year	232	600	600	600	600
Supported Housing & Other Grants	418	0	0	0	0
Ringfenced Spend from Grant Funding	698	0	0	0	0
Staffing	159	0	0	0	0
Asylum Seeker Grant Income	-264	0	0	0	0
<b>Total</b>	<b>1,956</b>	<b>784</b>	<b>784</b>	<b>784</b>	<b>784</b>

### Other Material Variations

There are several other material expenditure variations that apply to 2026/27 budgets as shown in the table below.

**Table 7**

Other Material Variations	Budget	Forecast	Forecast	Forecast	Forecast
	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
Pensions Primary Rate Reduction	-176	-220	-218	0	0
Energy Price and Usage Changes	-462	0	0	0	0
Insurance Claims Realignment	50	0	0	0	0
Other	197	-250	0	0	0
<b>Total</b>	<b>-391</b>	<b>-470</b>	<b>-218</b>	<b>0</b>	<b>0</b>

The contribution rate paid by the City Council for employees who are members of the Local Government Pension Scheme is reducing in 2026/27 with further falls in the following two years. At that point, a new valuation will be made, and rates are not expected to increase. The latest actuarial review of the fund has identified a strong position, with a surplus of assets over expected liabilities. Regulations regarding such matters are cautious and a small valuation surplus is seen as the ideal position.

Energy is now bought over a longer time period of up to 2 years in advance, therefore allowing for more opportunity to access cheaper prices when available and reducing budget risk. Energy costs for 2026/27

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are lower than 2025/26 budgeted costs. Not all the energy has been purchased yet for 2026/27, but a significant proportion has been at a lower price than the 2025/26 prices. A reserve of £0.5m is in place to cover the risk of fluctuations as the forward energy is purchased.

An actuarial review of the Council's insurance claims provision highlighted that further claims could be felt in future years and so a further £50k increase has been added to this budget for 2026/27 onwards.

The other line in the table above mostly covers one-off items that will be incurred in 2026/27 and then reversed in 2027/28 (local plan costs rose in 2026/27 and are expected to fall in 2027/28).

## 4. Income Generation and Increased Charges

### Income Variations – Non-Price Related

**Table 8** identifies additional income to be generated by extra activity (not price), compared to the 2025/26 budget. Negative figures are gains over the 2025/26 budget and positive numbers are lower income. All figures are presented in net terms so may include some expenditure variations that are directly needed to generate the income stream.

The further changes expected in 2027/28 and later years from the Council's commercial property income as buildings are re-let, plus the expected introduction by government of rules allowing the council to fully recover the cost of Planning.

Items of note in 2026/27 are:

- The reduction in Crematorium income due to reduced caseload because of new local competitors such as a new crematorium at Maldon and from national direct (simple) cremations. The Crematorium will be the subject of a business case later in 2026/27 and the issues will be explored further in that.
- Planning income was expected to rise in line with inflation or to allow full cost recovery however only the discretionary elements have been increased, reflecting the failure of Government to legislate to allow this.
- Leisure centre income: this has seen significant volume growth in the last few years and is expected to continue in 2026/27 at 4%.

**Table 8**

Net Income Gains	Budget	Forecast	Forecast	Forecast	Forecast
	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
Crematorium	916	0	0	0	0
Trade Waste	76	0	0	0	0
Garden Waste Subscription Charge	-918	0	0	0	0
Extended Producer Responsibility Grant	-837	0	0	0	0
Leisure Centres	-306	0	0	0	0
Theatres	-375	0	0	0	0
Property	-307	-897	-200	0	0
Planning Cost Recovery Charges	0	-800	0	0	0
Other Income	-137	-218	0	0	0
<b>Total</b>	<b>-1,888</b>	<b>-1,915</b>	<b>-200</b>	<b>0</b>	<b>0</b>

### Income Variations – Price Changes and New Charges (table 9 below)

The table below shows the gains resulting from increased and new charges across the Council. The average increase is 3% except for new charges on theatre ticketing and frozen prices for the Crematorium and shoppers' car parking tariffs.

Table 9

New and Increased Fees and Charges	Budget	Forecast	Forecast	Forecast	Forecast
	2026/27	2027/28	2028/29	2029/30	2030/31
	£000s	£000s	£000s	£000s	£000s
Leisure Centres	-471	-321	-328	-340	-385
Car Parks	-195	-251	-258	-266	-274
Recycling Sales, Credits, Trade & Food Waste	-155	-105	-115	-119	-122
Theatres and Museums	-106	-103	-106	-109	-112
Garden Waste Subscription Charge	-80	-80	-83	-85	-88
Cemetery & Crematorium	0	-51	-53	-54	-56
Planning and Local Land Charges	-8	-57	-65	-69	-71
Theatre New Ticketing Fee Structure	-150	0	0	0	0
Other Income	-92	-172	-166	-167	-137
<b>Total</b>	<b>-1,257</b>	<b>-1,140</b>	<b>-1,174</b>	<b>-1,209</b>	<b>-1,245</b>

## 5. 2026/27 Service Enhancement & Capital Investment

This section summarises the additional revenue and capital investments included in the 2026/27 budget to support service delivery, address population growth pressures, and maintain or improve Council assets. The total net revenue impact of these proposals is £1.259m in 2026/27, as shown in **Table 10**.

**Table 10**

Service Enhancement & Capital Investment	Budget 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s	Forecast 2029/30 £000s	Forecast 2030/31 £000s
<b>Revenue Items</b>					
Supplementary Estimates Approved in 2025/26	314	0	0	0	0
Supplementary Estimate Central Provision	200	0	0	0	0
City Growth (Recycling & Waste, Parks & Street Care)	124	106	106	106	106
Other Revenue Service Enhancements	208	0	0	0	0
One-Off Revenue Items	250	-250	0	0	0
<b>Capital Items (Revenue Impact)</b>					
One-Off Revenue Impact of Capital Schemes	162	-162	0	0	0
New Capital Proposals ongoing financing	0	95	96	30	30
Purchase of Housing Units (surplus) over financing (see capital programme)	0	0	-300	0	0
<b>Total</b>	<b>1,259</b>	<b>-211</b>	<b>-98</b>	<b>136</b>	<b>136</b>

### Revenue Investments in Services

The budget must allow for the additional costs either to improve services or to fund the consequence of the City's growing population:

Supplementary Estimates Approved in 2025/26:

- £20,000 for Voicescape texting service for Council Tax reminders
- £96,500 for Cyber Security contract
- £59,400 for Planning Enforcement post
- £112,300 for Benefits Officers
- £26,200 for Health and Safety post

The central supplementary estimate provision has also been increased by an ongoing £200k for 2026/27 budgets to allow for further new initiatives to be drawn up throughout the year. There is already a £300k central provision for supplementary estimates in place.

City Growth:

- £43,800 to Street Care for City Growth
- £80,300 to Waste and Recycling for City Growth

Other Revenue Service Enhancements:

These enhancements are directed to specific services. The late Government funding announcement means directors, in consultation with Cabinet, will determine how the funding is to be used in 2026/27.

Ongoing Revenue service enhancements

- £55,000 for increased provision for Dog Bins across the Council area
- £85,000 for increased Street Care provision
- £68,000 for Theatre expenditure to support income generation

One-Off Revenue Items:

- £100,000 towards additional initiatives aimed at reducing anti-social behaviour
- £100,000 towards an urban area grant scheme
- £50,000 towards additional discretionary grants for 2026/27

## **Capital Investments in Services**

Council approval is sought annually each February for the Capital Strategy, which provides details of overall funding and capital expenditure plans. A summary of how revenue and capital expenditure are linked is included in **Section 6** of this report. The costs in **Table 10** are the revenue financing or associated costs of new capital proposals, and the new schemes are identified in **Tables 11 and 12** below. The replacement programme and existing scheme budgets have been revised for cost and are shown in **Section 11**.

### **Approval of New Capital Schemes**

**Table 11a** shows the new capital schemes budgets with any internal or external funding for which approval is sought. Until tendered, many costs are provisions, which means that they are being approved before they are fully robust estimates. Variations in costs should be expected as officers develop firmer scoped works. **Table 11b** identifies any external funding or existing funding being used.

The ongoing impact of the new schemes (**Table 11c**) is an additional net revenue cost of £202k per year. This is the full ongoing effect of the impact of the proposed schemes. The impact of the new schemes on revenue budgets is allowed for in **Section 6**.

**Table 12** provides a narration and indicates for each scheme the delegation arrangements.

**Table 11a****CAPITAL PROGRAMME - New Schemes Identified for Approval**

Spend Details	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s	Later Yrs £000s	Total Spend £000s
<b>New Schemes (see table 12 narrative for details)</b>								
<b>Unfunded Proposals</b>								
1 Chelmsford Sports and Athletics Centre (CSAC) Various Enhancements			82					82
2 Riverside Leisure Centre Various Enhancements			30					30
3 Riverside Sports Hall Roof Solar Panels			570					570
4 Theatre Roof Solar Panels			60					60
5 * Modular Units x 18 Units on Meteor Way Car Park	50		4,436					4,486
6 * Supported Housing/Temporary Housing Provision			7,650					7,650
<b>New Schemes to be Funded from Grants, CIL or S106</b>								
7 Springfield Hall Park New 3G Pitch			1,030					1,030
8 Pool Pods Riverside and SWFLC and Associated Works (DFG Grant Underspend)			100					100
9 CHESS Grant Assisted Laundry Facilities (DFG Underspend)			85					85
10 CSAC Air Conditioning Studio 1 (neighbourhood CIL)			17					17
11 Purchase Allotments Princes Road (neighbourhood CIL)			64					64
12 Purchase Lake Central Park (neighbourhood CIL)			133					133
13 Making Spaces for Girls - 4 proposed sites Savernake, John Shennan, Lionmede and Melbourne (neighbourhood CIL/CAP CIL)		60	60					120
14 Melbourne Park Conversion of Toilet Block to Operational Parks Building (neighbourhood CIL/CAP CIL and S106)			128					128
15 City Centre Park Improvements - Central Park Chess Garden and associated planting and seating £35k and Strategic Cycle Rack Provision £8k (neighbourhood CIL/S106)			43					43
16 Melbourne Park 3G Pitch Surface replacement (S106)			337					337
17 Restoration Works Central Park Bridge (S106)	126							126
18 Rivers and Waterways Art Project (S106)			36					36
19 City Centre Public Art Project (S106 and Neighbourhood CIL)	5		107					112
<b>Provision for Works Identified from Building Condition Surveys - Various Works - delegation to Officers to spend</b>								
20 Civic Centre - Various		297	221	73		336	32	959
21 Parks' Pavilions - Beaulieu Park		21						21
22 Chelmsford Sports and Athletics Centre			10	74			84	168
23 Hylands Pavilion							105	105
24 South Woodham Ferrers Leisure Centre (SWFLC)	18	273	121	147				559
25 Theatre - Various	79	503						582
26 Car Parks		192	175	110	221			698
<b>Sub Total</b>	<b>181</b>	<b>15,575</b>	<b>1,242</b>	<b>378</b>	<b>368</b>	<b>336</b>	<b>221</b>	<b>18,301</b>

\*Schemes where Delegation to Cabinet to agree a Business Case. Then officers undertake the project

**Table 11b**

<b>Funding Details</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>Later Yrs</b>	<b>Total Spend</b>
	£000s	£000s						
<b>Gross Cost New capital Scheme Proposals</b>		<b>15,575</b>	<b>1,242</b>	<b>378</b>	<b>368</b>	<b>336</b>	<b>221</b>	<b>18,301</b>
<b><u>Previously Approved Capital Budget</u></b>								
3,4 Solar panels - Green Initiatives Fund			-630					-630
7 Housing Initiatives -Kingfisher House budget Vired			-7,650					-7,650
19 City Centre Public Art Project S106		-5	-57					-62
5 Modular Units - Brownfield Land Release Grant		-50	-192					-242
<b><u>Funding From Revenue</u></b>								
N/A								0
<b><u>Funding From S106 Already Received</u></b>								
7 Springfield Hall New 3G Pitch			-270					-270
14,16-19 See above		-126	-394					-520
<b><u>Funding from Neighbourhood CIL and Cap CIL Already Received and Agreed as suitable use by Community Funding Panel 18/11/2025</u></b>								
10-15 See above			-424	-60				-484
19 City Centre Public Art Project			-50					-50
<b><u>Funding from Grants Already Held</u></b>								
8 Pool Pods -DFG Underspend			-100					-100
9 CHESS Accessible Laundry Grant - DFG Underspend			-85					-85
<b><u>Potential Funding</u></b>								
7 Springfield Hall New 3G Pitch Football Foundation			-660					-660
7 Springfield Hall New 3G Pitch - Springfield Football Club			-100					-100
<b><u>Balance of New Scheme Proposals -shortfall requires additional borrowing</u></b>								
	<b>0</b>	<b>4,963</b>	<b>1,182</b>	<b>378</b>	<b>368</b>	<b>336</b>	<b>221</b>	<b>7,448</b>

\* Scheme delegation to Cabinet

Any additional funding from the Community Infrastructure Levy (CIL) or S106 that is subsequently identified will be applied and reported at outturn in July 2026.

**Table 11c**

<b>New Schemes Identified for Approval - Revenue Impact of Scheme</b>	<b>Estimated Ongoing Impact on Revenue</b>		
	<b>Ongoing Net Impact</b>	<b>Notional Impact on Band D Property</b>	
	<b>£000s</b>		
1 CSAC Enhancements	9	0.12	
2 Riverside Enhancements	2	0.03	
3 Riverside Sports Hall Roof Solar Panels	-66	-0.91	
4 Theatre Roof Solar Panels	-9	-0.12	
5 Modular Units x 18 Units on Meteor Way Car Park	0	0	
6 Supported Housing/Temporary Housing Provision	0	0	
<b>New Schemes to be Funded from Grants, CIL or S106</b>			
7 Springfield Hall New 3G Pitch	0	0	
8 Pool Pods Riverside and SWFLC (DFG Grant Underspend)	4	0.06	
9 CHESS Accessible Laundry Facility		0	
10 CSAC Air Conditioning Studio 1 (neighbourhood CIL)	0	0	
11 Purchase Allotments Princes Road (neighbourhood CIL)	-1	-0.01	
12 Purchase Lake Central Park (neighbourhood CIL)	0	0	
13 Making Spaces for Girls - 4 proposed sites Savernake, John Shennan, Lionmede and Melbourne (neighbourhood CIL)	0	0	
14 Melbourne Park Conversion of Toilet Block to Operational Parks Building (neighbourhood CIL and S106)	0	0	
15 City Centre Park Improvements (neighbourhood CIL)	0	0	
16 Melbourne Park 3G Pitch Surface replacement (S106)	0	0	
17 Restoration Works Central Park Bridge (S106)	0	0	
18 Rivers and Waterways Art Project (S106)	0	0	
19 City Centre Public Art Project (S106 and Neighbourhood CIL)	0	0	
<b>Provision for Building Condition Surveys Various Works</b>			
20 Civic Centre - Various			
21 Parks' Pavilions - Beaulieu Park			
22 Chelmsford Sports and Athletics Centre			
23 Hylands Pavilion	263	3.62	
24 SWFLC			
25 Theatre - Various			
26 Car Parks			
<b>Total Estimated Additional Revenue Impact</b>			<b>£2.79</b>
<b>Total Financing Costs</b>			

The ongoing net impact relates to the period after 2031/32.

## **Table 12 – New Capital Proposals Narratives**

### **Overview of Capital Bid Proposals 2026/27 and Later Years**

#### **Scheme Proposals Requiring New Borrowing**

##### **1. Chelmsford Sports and Athletics Centre Enhancements £82k**

This will upgrade flooring, replace carpet with a rubber surface.

Office Air Conditioning - Both offices this summer have reached in excess of 35 degrees, window reflective vinyl and blackout blinds have been installed to reduce the heat and this has helped but temperatures have still been above 28 degrees.

Fall Protection and Access Equipment - Due to a recent update to legislation, some of the roof access and fall arrest equipment failed its yearly service inspection. The proposal is to replace most of the roof access and fall arrest equipment with modern, compliant, up-to-date facilities to ensure compliance, safety, and reduce future maintenance.

**It is requested that delegated authority is given to the relevant Director to spend within the approved budget.**

##### **2. Riverside Ice and Leisure Centre Enhancements £30k**

This includes upgrades to cleaning systems, ice rink barriers system, pool speaker systems and redecoration of parts of ice rink.

**It is requested that delegated authority is given to the relevant Director to spend within the approved budget.**

##### **3. Riverside Ice and Leisure Centre – Sports Hall Roof Solar Panels £570k**

This proposal is to install solar panels on the sports hall roof at Riverside Ice and Leisure Centre. Estimated array size 400 kWp. Estimated annual saving would be £66k.

##### **4. Theatre Roof Solar Panels £60k**

This proposal is to also install solar panels on the theatre roof, of about 50kWp, which would save £9k in revenue for a full year.

Proposals 3 and 4 are reliant upon the re-roofing of the two buildings. The budget for Riverside roof is included in the existing building condition surveys provision and the budget for the theatre is being requested and included in scheme numbers 20-26 Various Condition Survey Works.

There is a budget provision in the Green Initiatives Fund in the approved capital schemes which will be used for the solar panels.

Net Zero Carbon – Both schemes will have a positive effect on climate change by reducing the Council's reliance on grid electricity which is currently purchased from grid average mix (not specifically from renewable sources). The reduction in carbon emissions from generating our own electricity also lowers the Council's carbon emissions, contributing to the Council's net zero aims.

**For both schemes 3 and 4 it is requested that delegated authority is given to the appropriate Director to spend within the approved budgets.**

## **5. Modular Units Meteor Way Car Park Site £4.486m**

This is a proposal to increase the provision of temporary accommodation available by providing 18 modular units on the car park site at Meteor Lane. There will need to be groundworks to make the site viable and services will also need to be established on the site. There is currently an approved budget of £250k funded by a government grant towards the cost of the site preparation with costs likely to come in at around £800k.

**It is requested that delegated authority is given to Cabinet to approve a business case which shows the proposal generate savings and to spend within the approved budget.**

## **6. Supported Housing/Temporary Accommodation Provision £7.650m**

Following the result of a full survey, the Council has had to withdraw from the purchase of a block of flats which would have been used for supported housing. It is proposed that the existing budget is amended to enable officers to look for different suitable property to be purchased to reduce the cost of providing temporary accommodation. A business case would need to demonstrate a significant saving from the purchase.

**It is requested that delegated authority is given to Cabinet to approve business cases which show any proposals generate savings and to spend within the approved budget.**

## **Proposed New Schemes to be Funded from Grants, S106 and CIL**

It should be noted that the Community Funding Panel has reviewed the requests for the use of Neighbourhood CIL and strategic CIL at a meeting on the 18<sup>th</sup> November 2025. It was agreed that the schemes proposed were an appropriate use of the funding and should be taken forward to Cabinet for approval. See item 10.1 elsewhere on this agenda.

**It is requested that delegated authority is given to the relevant Director to spend within the approved budget and to use agreed contributions towards the cost of the proposals.**

## **7. Springfield Hall Park New 3G Pitch £1.030m**

The Football Foundation has identified a significant shortfall in available floodlit artificial grass pitches. There are currently 4 full-sized floodlit artificial grass pitches/facilities available in the district and up to 8 additional facilities are required to meet current and medium-term demand. This proposal is for the construction and commissioning of a new 3G artificial pitch at Springfield Hall Park for community use and use by Springfield Football Club. This will be fully funded by a grant from the Football Foundation, Springfield Football Club and S106. The overall aim of the project is to add wider capacity to artificial grass availability across the district but also to relieve pressure of grass pitches; for example, by providing evening flood-lit training opportunities. There is currently little or no evening sports facility use at Springfield Hall Park and the addition of the proposed artificial pitch will enable evening use. It is proposed that the facility will be owned, managed, and maintained by the City Council with club and community access arrangements similar to the Melbourne Park pitch, providing hire-fee income to the City Council to offset management, maintenance and future carpet replacement costs.

## **8. Riverside Ice and Leisure Centre and South Woodham Ferrers Leisure Centre - Pool Pods and Associated Works £100k**

This proposal is to purchase pool pod platform lifts for the learner pool at Riverside and the pool at South Woodham Ferrers to make them more accessible. This proposal has been

approved by ECC as an appropriate use of the Disabled Facility Grant (DFG) funding as a Social Care Capital Project.

This proposal will be funded from the DFG balance.

#### **9. CHESS Grant for Provision of Assisted Laundry Facilities - up to £85k**

This proposal is to provide a grant to CHESS to enable them to provide accessible facilities for the homeless. The funding will help homeless people, including disabled, to maintain their personal hygiene. Providing laundry facilities that are accessible to a disabled person housed at New London Road will help in building their independence and feeling of self-worth. The site is owned and managed by CHESS Homeless. This proposal has been approved by ECC as an appropriate use of the DFG funding as a Social Care Capital Project.

This proposal will be funded from the balance held on Disabled Facility Grants.

#### **10. Chelmsford Sports and Athletics Centre – Air Conditioning Studio 1 £17k**

Studio 1 air conditioning needs to be upgraded and improved with a system that can cool to UKactive guidance of 16-19 degrees. This will have a positive impact on staff and members of the community who use the space for classes. Estimated life span of 15 years prior to replacement.

This proposal will be funded from Neighbourhood CIL and has been agreed by the Community Funding Panel.

#### **11. Purchase Allotments Princes Road Chelmsford - £64k**

This proposal is to purchase land fronting Princes Road and adjoining John Shennan Playing Fields totalling approx. 2.9 acres. The land will continue to be leased to the Princes Road Allotment Association, but at an enhanced rent receivable of £1k per annum subject to annual RPI increases. The purchase will safeguard the allotments as another buyer could consider development and bring the tenancy to an end.

This proposal will be funded from Neighbourhood CIL and has been agreed by the Community Funding Panel.

#### **12. Purchase Lake Central Park £133k**

Currently, the Council occupies land in Central Park from Network Rail originally let by way of a lease for a term of 20 years from 13<sup>th</sup> Sep 1997. The original rent was £3k per annum, now £5.5k. The land comprises the lake adjacent to the viaduct and land directly beneath and adjoining the viaduct arches (approx. 5.5 acres). The opportunity arose to purchase the freehold interest, allowing the Council complete control of the land with no rent liability. The land directly beneath the viaduct will continue to be held by way of a long lease as Network Rail may require occasional access for operational reasons.

This proposal will be funded from Neighbourhood CIL and has been agreed by the Community Funding Panel.

#### **13. Making Space for Girls - 4 Proposed Sites £120k**

This proposal is to roll out the Make Space for Girls project in Savernake Park (Waterhouse Farm), John Shennan Playing Field (Moulsham Lodge), Lionmede Recreation Ground (Trinity), and Melbourne Park (St Andrews). These locations are based on analysis of crime statistics, antisocial behaviour, and local need. The project provides safe and inclusive locations within our green spaces, for girls and gender-diverse young people, that are designed through consultation with our local students and young people. The Partnership

has chosen to work with Hylands School (based on need and deprivation, and with the school catchment covering both Savernake and Melbourne Park) for the full consultation, with light-touch consultation in the other areas. Allocation of £30k including contingency is requested per site to deliver a project such as seating, swings, lighting, and associated planting.

This proposal will be funded from Neighbourhood CIL (£110k) and CIL Cap (£10k) and has been agreed by the Community Funding Panel.

#### **14. Melbourne Park Conversion of Toilet Block to Operational Parks Building £128k**

This proposal is to repurpose the disused public toilet block to provide staff welfare accommodation, storage and garaging to support the grounds maintenance operation. Part of the existing changing room and toilet building is unsafe and is closed for future use and the garaging and grounds maintenance part of the building is non-compliant with water regulations. The repurposing of the existing building will also avoid future demolition cost estimated at £35-£40k. The estimated cost to keep part of the Melbourne Pavilion currently used for the grounds' maintenance operation is estimated to be £38k – this would not be required in the short term if the project to repurpose the disused public toilets goes ahead.

This proposal will be funded from Neighbourhood CIL (£6k) and CIL Cap (£100k) and has been agreed by the Community Funding Panel. The balance will be from S106 £22k.

#### **15. City Centre Park Improvements £43k**

Strategic Cycle Rack Provision £8k - To provide 2 areas of new cycle rack provision within two parks: at Central Park adjacent to the café, and at Tower Gardens adjacent to the new cycling proficiency track area. This is to assist with encouraging cycle use and to provide safe/secure location for cycle storage commensurate with park use requirements.

Central Park Chess Garden and Associated Planting and Seating £35k - To provide a community space that is focused on chess as an activity for all ages and abilities that can be used at all times of the year. The space will create opportunities for social inclusion and assist in improving the environment.

These proposals will be funded from either S106 or Neighbourhood CIL.

#### **16. Melbourne Park 3G Pitch Surface £337k**

The original Melbourne 3G facility, carpet and equipment was commissioned in July 2013. The carpet lifespan has on average a 10-year lifespan and, whilst appropriate management and maintenance of the facilities has extended its lifespan to 13 years, it is anticipated the replacements are required in 2026. Without a new surface, the facility will become unsafe and will not pass Football Association accreditation which is necessary for competitive sports use. The replacement of the 3G carpet and associated sports equipment is a funding condition from when the Football Foundation first provided the grant funds to construct the facility.

This proposal will be funded from S106 contributions.

#### **17. Restoration Works Central Park Bridge £126k**

Seymour Street Bridge is of architectural and historic interest, recognised from a national perspective by being grade II listed. It requires extensive repairs, which would ensure its

long-term future. This would maintain the busy pedestrian crossing and would avoid long-term health and safety issues and more costly repairs in the future.

This proposal will be funded from S106 contributions.

**18. Rivers and Waterways Art Project £36k**

This proposal is for the installation of painted artwork on the Barrack Square bridge façade and surrounding area to improve visual appearance of the current concrete façade and make improvements to the river frontage in Bell Meadow to add to the wider City Centre River environment. It will also improve the access platforms by Essex Records Office to enable continued navigation and recreational river use.

This proposal will be funded from S106 contributions

**19. City Centre Public Art Project £107k**

The proposal is to boost the budget for a public art project for the City Centre at the location of either Cornhill (adjacent to Market Square and High Chelmer) or the Meadows Retail Car Park stair tower. The City Centre environment is in constant need of new investments in the public realm to keep the public interested and stimulated to ensure people return and for new visits.

This proposal will be funded from Neighbourhood CIL £50k which has been agreed by the Community Funding Panel and the balance from S106.

**20-26 Provision for Works Identified from Building Condition Surveys £3.092m**

Building Services has identified additional works that are required to keep the Council's owned and operated estate safe and operationally reliable. These are for works to be undertaken in 2026/27 and later years.

There are still further assets which have been identified as in poor condition but are not included for funding because the operational future of the buildings is not assured. Examples of these include the air conditioning units at the end of their life at the crematorium and boiler and other works required at Waterhouse Lane depot. These assets have been discussed with the relevant Heads of Service and will be kept under review for essential Health and Safety requirements.

The next round of condition surveys is due in 2028/29 and will improve the accuracy of costs and longer-term forecasting. The works have been packaged into a number of different budgets reflecting timing and complexity of delivery.

Net Zero Carbon – the Council is not currently pursuing Air Source Heat Pump (ASHP) technology as a replacement for existing fossil fuel boilers due to the current high cost. Boilers will be replaced with like-for-like technology as they are at the end of their predictable/operational life for the next 5 years. These should be more energy efficient. The switch from gas boilers to electric heaters/calorifiers will reduce the Council's reliance on fossil fuels.

These spends will be monitored, and any slippage managed.

Given the high inflation and need to work up proposals further and in some cases to tender, it is important to note there is still uncertainty regarding costs and it is requested that a

provision is established that can be drawn down as costs and timing of projects become more certain. The projects could also be impacted by decisions made during the LGR process.

The estimated cost of these works is £3.1m for 49 works packages across the sites shown on **Table 11a**. These works include some larger items such as car park resurfacing and roof replacements. To maintain the operation of facilities, it is important to get approval of budgets for the projects as soon as possible. Many of the projects in later years are not fully costed, and further development of schemes is needed. Variations to the budget will be dealt with via the normal processes.

20 Civic Centre Various Works £959k – Roof, Boiler Room refit, Air Handling Units, External Traffic Safety works.

21 Parks Pavilions Beaulieu Park £21k – Cold Water System.

22 Chelmsford Sports and Athletics Centre £168k – Air handling heating and cooling improvements.

23 Hylands Pavilion £105k – Air Conditioning System.

24 South Woodham Ferrers Leisure Centre £559k – Roof and exterior works, Air handling units and associated works and Staff facilities.

25 Theatres £582k – Back of House essential works to maintain facilities to commercially expected standards.

26 Car Parks £698k – Resurfacing Fairfield Road, Coval Lane, Parkway and Baddow Road. Waterproofing and concrete repairs Meadows and Townfield Street MSCPs.

The five largest estimated packages, which make up 37% of the £3.1m, are:

Fairfield Road Car Park Resurfacing £221k

Council Chamber Air Handling Unit Roof Replacements £184k

Civic Centre and Theatre Flat Roof £221k

Civic Centre Old Library Building Boiler Room Refit £263k

South Woodham Ferrers Leisure Centre Roof £263k

The works packages will be scheduled following liaison with the Heads of Service/Premises Managers depending on the operational requirements of the service areas.

**It is requested that delegated authority is given to the relevant Director in consultation with the appropriate Cabinet members. to deliver the works within the budget provision identified.**

## 6. The impact of Capital Expenditure on the Revenue Budget

The Council is required by statute to produce a Capital Strategy each year that must be approved by Council at the same time as the budget, but not in the same report. The strategy gives an overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services. It also identifies how the associated risks are managed and the implications on the financial sustainability of the Council.

The strategy commits the Council to only undertake capital investment in support of its priorities and where it supports asset maintenance, invest-to-save schemes, or strategic intent (such as the provision of affordable housing or Climate Emergency initiatives). Capital spending plans, whether funded from internal resources or through borrowing, will be affordable, prudent, and sustainable.

The key consideration when approving the capital programme is the cost of financing capital expenditure and this section of the budget report identifies that cost.

The Council's capital programme is shown in **Section 5 (Table 11a, 11b and 11c, proposed new schemes)** and **Section 11** (Replacement Programme and previously approved schemes). The capital programme is different from revenue budgets in that borrowing and asset sales may be used to fund expenditure.

The actual methods of financing capital expenditure can differ from the estimates depending on the life of assets being financed, resources available, and the relative costs of each resource. The s151 Officer will determine the optimal mix of resources at the end of the financial year.

The impact on the Council's revenue budget from undertaking capital investment is via:

- Additional running costs, income, or savings resulting from the acquisition of equipment or on completion of a capital project.
- Funding of capital schemes:
  - A. Borrowing costs. Interest and principal repayments (Minimum Revenue Provision (MRP)) are a revenue cost.
  - B. Direct Revenue Financing of capital schemes. An expenditure line in the Council's Revenue budget which, in effect, funds capital expenditure.
  - C. Feasibility or design works spent on schemes that no longer qualify as capital cost. Any expenditure that does not result in creation of an asset for the Council, or for a third party, will need to be charged to revenue resources. This is a requirement under government accounting practice.

### A. Borrowing Costs

For any scheme that is not self-financing or where the Council does not have enough capital receipts, grants, or external contributions available to fund it, the Council must either internally borrow surplus cash held or borrow externally. Both types of borrowing have revenue implications.

The Council's capital programme does require the use of borrowing. The revenue cost of borrowing is split into two parts. The first part is the interest forgone from not investing surplus cash that the Council internally borrowed, or if the Council externally borrowed, the interest cost on any external loans.

The second part is that the Council is required under regulation to set aside instalments to pay down debt. This is a charge to the revenue budget called the Minimum Revenue Provision (MRP) and is payable on internal and external borrowing.

The capital programme is split between one-off schemes and replacement programmes for vehicles, plant, and equipment, needed to run the Council's services. The useful life of the asset determines how quickly we need to repay the debt through MRP. As most equipment tends to have a relatively short useful life, the MRP we charge to the revenue for the cost of borrowing for the replacement programme is significantly higher than MRP for longer-life asset such as land (see **Table 16**).

Below is a forecast of the net financing position of the authority. Previous forecasts tended to have a bias to showing borrowing levels higher than those that occurred, which is mostly due to expenditure occurring later than expected and timing of CIL receipts. This risk remains, so MRP and interest costs could be less than those shown.

The MRP charge is made to revenue in the year after the asset is complete or becomes operational.

Borrowing costs for leases related to Private Social Landlord (PSL) properties are not reflected in the tables below as the costs associated with these leases are reflected in service revenue budget alongside income from the tenants using those properties. This is to ensure that the complete cost of housing services can be reported.

**Table 13 Borrowing for existing capital programme and replacement items**

Existing Schemes and Replacements-Internal and External Borrowing Combined	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms						
<b>Opening Cumulative Borrowing Exc. PSL's</b>	<b>37.576</b>	<b>41.160</b>	<b>44.536</b>	<b>70.447</b>	<b>76.731</b>	<b>81.683</b>	<b>80.553</b>
New Annual Borrowing Approved Schemes	4.666	4.660	27.557	8.415	7.850	2.358	2.596
Less MRP Repaid	-1.082	-1.284	-1.646	-2.131	-2.898	-3.488	-3.818
<b>Cumulative Borrowing Existing Schemes Exc. PSL's</b>	<b>41.160</b>	<b>44.536</b>	<b>70.447</b>	<b>76.731</b>	<b>81.683</b>	<b>80.553</b>	<b>79.331</b>

**Table 14 Borrowing Forecast including New Schemes**

**Section 5** of this report lists the proposed new capital schemes in **Table 11a**. The impact of these schemes on borrowing can be seen in the following table.

New Scheme Proposals (see section 5)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms						
<b>Cumulative Borrowing New Scheme Proposals</b>	<b>0.000</b>	<b>0.000</b>	<b>4.963</b>	<b>5.916</b>	<b>5.996</b>	<b>6.033</b>	<b>6.003</b>
<b>Cumulative Borrowing Existing and Proposed Schemes Exc. PSL's</b>	<b>41.160</b>	<b>44.536</b>	<b>75.410</b>	<b>82.647</b>	<b>87.679</b>	<b>86.586</b>	<b>85.334</b>

The increase in borrowing in 2026/27 of £31m is mostly caused by the following:

- Housing Initiatives – to support delivery of temporary housing accommodation will be self-financing £8.6m
- Purchase of Granary Car park £4m, an income-generating scheme
- Replacements £3.2m
- Maintenance of Existing Property Assets £5.1m
- Purchase of assets for future development of sites £1.3m
- Acquisition of land for new cemetery £2.9m
- New schemes as detailed in **Section 5** £5.0m

While net borrowing is projected to increase to £85.3m by 2030/31, several of the asset investments will be either self-financing or generate income. The breakdown in **Table 15** below sets out borrowing by asset type:

**Table 15**

Breakdown of Total Cumulative borrowing by type of investment	£ms
Self-financing or income generating schemes - mostly to reduce TA costs	37.4
Investment toward improving environment and Flood defences	7.9
Chelmer Waterside Side land assessmby	4.7
Maintenance and improvements of assets to continue Council's operations	17.8
Assets replacement programme to continue Council's operations	11.5
New schemes as detailed in Section 5	6.0
<b>Total Cumulative borrowing</b>	<b>85.3</b>

The amount of borrowing was increased as result of Covid. The capital programme at the time of Covid was due to be funded by some £10m of revenue reserves. Instead of using revenue reserves, borrowing was undertaken. This enabled the Council to have a higher level of reserves to respond to the loss of income and costs of Covid. This does mean borrowing is £10m higher than would have been the case. Most of the borrowing was made against spend classified as improvement to assets.

**Table 16**

Breakdown MRP Repaid - short term and long term	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms						
Capital Schemes Approved	0.496	0.665	0.752	1.005	1.194	1.318	1.402
<b>Capital Schemes MRP</b>	<b>0.496</b>	<b>0.665</b>	<b>0.752</b>	<b>1.005</b>	<b>1.194</b>	<b>1.318</b>	<b>1.402</b>
Capital Replacements life less than 10 years	0.013	0.019	0.120	0.487	0.922	1.306	1.492
Capital Replacements Finance Leases	0.573	0.600	0.774	0.639	0.782	0.864	0.924
<b>Capital Replacements MRP</b>	<b>0.586</b>	<b>0.619</b>	<b>0.894</b>	<b>1.126</b>	<b>1.704</b>	<b>2.170</b>	<b>2.416</b>
<b>Total MRP Repaid in Year</b>	<b>1.082</b>	<b>1.284</b>	<b>1.646</b>	<b>2.131</b>	<b>2.898</b>	<b>3.488</b>	<b>3.818</b>

The table above is debt repayment (MRP) split into the cost of funding approved capital schemes and the replacement programme (equipment and vehicles). The additional financing costs of the new schemes are not included in the above but are identified in **Section 5** in the forecast for 2027/28 and later years.

**Table 17** below

The Council earns interest on its cash balances when investing them or forgoes it when internally borrowing as increased borrowing reduces balances held and interest that the council can earn on them. The cost of financing the programme is combined with interest (investment) income earned below to show the net cost of financing. This rises from £2.4m in 2026/27 to £4.6m in 2030/31. Replacement equipment costs make up more than half of the 2030/31 cost.

For some existing schemes, there will be savings elsewhere in the budget or income will be received that will fund the cost of financing. This contribution is netted off in the below financing table as self-financing schemes.

**Table 17**

Budgeted Net Revenue Costs Changes - financing costs of Capital Programme	24/25	25/26	26/27	27/28	28/29	29/30	30/31
	£ms						
<b>Estimate Gross interest income</b>	<b>-1.835</b>	<b>-0.925</b>	<b>-0.800</b>	<b>-0.816</b>	<b>-0.747</b>	<b>-0.759</b>	<b>-0.787</b>
<b>Interest Paid</b>							
Estimate interest costs all borrowing Excluding PSL	0.142	1.178	1.545	2.268	2.406	2.240	1.912
Other funds held intererst	0.213	0.124	0.068	0.063	0.060	0.060	0.060
Income gain from existing schemes - removed Self-financing schemes		-0.113	-0.046	-0.382	-0.381	-0.382	-0.370
<b>Sub-total interest paid</b>	<b>0.355</b>	<b>1.189</b>	<b>1.567</b>	<b>1.949</b>	<b>2.085</b>	<b>1.918</b>	<b>1.602</b>
<b>MRP</b>							
Estimated Existing MRP schemes and leases	1.082	1.284	1.646	2.131	2.898	3.488	3.818
Income gain/saving from existing schemes MRP (self financing not in service budget)		-0.013	-0.003	-0.033	-0.035	-0.068	-0.072
<b>Total MRP</b>	<b>1.082</b>	<b>1.271</b>	<b>1.643</b>	<b>2.098</b>	<b>2.863</b>	<b>3.420</b>	<b>3.746</b>
<b>Cost of financing capital programme excl PSLs</b>	<b>1.437</b>	<b>2.460</b>	<b>3.210</b>	<b>4.047</b>	<b>4.948</b>	<b>5.338</b>	<b>5.348</b>
<b>Net financing costs</b>	<b>-0.398</b>	<b>1.535</b>	<b>2.410</b>	<b>3.231</b>	<b>4.201</b>	<b>4.579</b>	<b>4.561</b>
<b>Change Year on year</b>		<b>1.933</b>	<b>0.875</b>	<b>0.821</b>	<b>0.970</b>	<b>0.378</b>	<b>-0.018</b>

The interest cost falls from 2029/30 to 2030/31. This reflects internal borrowing of expected CIL receipts; however, a transfer is made to reserves elsewhere in the budget to pay for this internal borrowing. The interest transferred into reserve for internal borrowing of CIL will be available to fund future capital expenditure. The CIL interest for Garden Community and South Woodham Ferrers is earmarked for spending in those areas only.

#### **Table 18 Strategic CIL table**

A key resource to the Council is the Community Infrastructure Levy (CIL), which can in some cases be used to finance capital expenditure. The current balance and expected receipts are shown below and have been used when planning the budget:

Strategic CIL Table	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
<b>Balance 31/3/2024</b>	<b>-22.163</b>						
Forecast CIL receipts to be received	-3.128	-1.799	-2.102	-5.560	-10.695	-9.732	-17.347
Ringfenced Income not available to use			0.411	2.787	4.597	5.240	10.647
CIL receipts committed to Capital Schemes	13.619	7.650	1.220	1.554	2.739	0.000	0.000
<b>Cumulative un-ringfenced CIL</b>	<b>-11.672</b>	<b>-5.821</b>	<b>-6.292</b>	<b>-7.511</b>	<b>-10.870</b>	<b>-15.362</b>	<b>-22.062</b>

Change in CIL Forecast	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms
Current	-1.8	-2.1	-5.6	-10.7	-9.7	-17.3
Previous (MTFS Budget Report)	-2.1	-5.5	-9.4	-11.1	-11.9	-27.2
<b>+lower expected CIL in year/-higher expected CIL in year</b>	<b>0.3</b>	<b>3.4</b>	<b>3.8</b>	<b>0.4</b>	<b>2.2</b>	<b>9.9</b>
<b>+Cumulative lower expected/- higher expected CIL receipt</b>	<b>0.3</b>	<b>3.7</b>	<b>7.5</b>	<b>7.9</b>	<b>10.1</b>	<b>20.0</b>

The forecast CIL income has decreased compared with previous projections, primarily due to delays in the commencement of developments. CIL receipts collected on schemes within Chelmsford Garden Community and South Woodham Ferrers are, under council policy, ringfenced to be spent on schemes within those respective locations.

Based on current estimates, there will be an unringfenced surplus of £22.1m by 2030/31 that has not yet been committed to fund planned expenditure. Any interest on the surplus balance will be taken to reserves to fund future capital expenditure. The management and commitment of CIL will become a matter for the LGR process.

**B. Direct Revenue Financing of capital schemes**

The revenue budget for 2026/27 contains contributions from revenue to fund capital (direct revenue financing of capital), which have been increased by £1m to £1.369m in 2026/27, to fund replacement equipment. Additional contributions of CIL from non-earmarked areas are also added to this contribution. The total planned contributions from revenue to capital are shown in **Table 19** below.

**C. Schemes Feasibility or Design Works that are no longer a capital cost**

The Council can charge feasibility, and design works to capital resources only when they result in the creation of an asset. Should a scheme not continue to completion, any costs previously charged to capital are required under Government accounting practice to be charged to revenue. This risk can be managed by maintaining an earmarked reserve to alleviate the consequences, which is detailed in **Section 7**.

**Table 19** below details capital expenditure funded from reserves and revenue.

**Table 19**

Reserves use to fund capital	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£ms	£ms	£ms	£ms	£ms	£ms
Ongoing Revenue Contributions to reserves to fund capital	0.369	1.369	1.369	1.369	1.369	1.369
Transfer of CIL interest to fund capital	0.059	0.131	0.185	0.244	0.361	0.526
<b>Total revenue contribution to reserves to fund capital</b>	<b>0.428</b>	<b>1.500</b>	<b>1.554</b>	<b>1.613</b>	<b>1.730</b>	<b>1.895</b>
<b>Capital funded from Revenue (reserves)</b>	<b>-2.340</b>	<b>-1.464</b>	<b>-1.487</b>	<b>-1.491</b>	<b>-1.395</b>	<b>-1.399</b>

**Unfunded Capital priorities**

The Council cannot currently afford from within its existing resources all the capital expenditure priorities it requires to fund Our Chelmsford, Our Plan. A list of unfunded priority schemes can be found in Annex 1 of the Treasury Management, Investment and Capital Strategies report elsewhere on this agenda. The creation of a full list is now going to need to be addressed in the LGR work streams. The forecast revenue budget does allow the assumed financing of costs of a new crematorium and the benefits of additional car parking on the old riverside site. These are not approved but are indicative of possible outcomes.

## 7. Budget Forecast & Reserves

### Revenue Budget Forecast

The medium-term revenue forecast supports the proposed 2026/27 budget and demonstrates whether the Council's plans are affordable and sustainable.

The forecast is shown in **Table 20** and reflects the Council's best estimate of income and expenditure over the period to 2030/31. Forecasts are inevitably prepared at a point in time and will change as assumptions are updated. The explanations of the movements are referenced to the appropriate section of this report.

**Table 20**

Budget Gap Budget 2026/27 and Forecast (change from preceding year)						
	See Report Section	Budget	New Forecast	New Forecast	New Forecast	New Forecast
		2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
<b>Summary Variances</b>						
<b>A) Change in Government Funding</b>	Sec 2, pg9	-3,295	-245	-187	-187	-187
<b>B) Cost Pressures and change in activity levels</b>						
Pay & Cost - inflation & retention pressures	Sec 3, pg13	2,420	1,712	1,524	1,572	1,624
Homelessness Prevention and Temporary Accommodation	Sec 3, pg15	1,956	784	784	784	784
LGR Funded from Reserves	Sec 7, pg41	140	5	-145	0	0
Other Material variations	Sec 3, pg15	-391	-470	-218	0	0
Net Income (non-price -growth/+loss)	Sec 4, pg17	-1,888	-1,915	-200	0	0
New Service Enhancement & Capital Investment	Sec 5, pg19	1,259	-211	-98	136	136
Unapproved Unfunded Initiatives	Sec 6, pg34	0	-60	341	283	1
Capital Financing (including contributions to capital)	Sec 6	1,145	883	976	315	-10
<b>Total Budget Gap before actions</b>		<b>1,346</b>	<b>483</b>	<b>2,777</b>	<b>2,903</b>	<b>2,348</b>
<b>C) Changes in Reserve Use</b>						
Reserve changes - Additional use (lower contributions) / + less use (increased contribution)	Sec 7, pg39	904	1,533	596	152	241
<b>Budget Gap remaining</b>		<b>2,250</b>	<b>2,016</b>	<b>3,373</b>	<b>3,055</b>	<b>2,589</b>
<b>D) Funding Generated By Council to Meet Gap</b>						
Income - New and increased Fees and Charges	Sec 4, pg18	-1,257	-1,140	-1,174	-1,209	-1,245
Council tax increase and growth	Sec 9, pg51	-632	-625	-646	-669	-693
Council Tax deficit variations	Sec 9, pg51	-362	-16	0	0	0
Funding Generated By Council		-2,251	-1,781	-1,820	-1,878	<b>-1,938</b>
<b>E) Annualised Budget Gap forecast</b>		<b>0</b>	<b>235</b>	<b>1,553</b>	<b>1,177</b>	<b>651</b>
<b>F) Net Gap, If the prior year is not balanced</b>		<b>0</b>	<b>235</b>	<b>1,788</b>	<b>2,965</b>	<b>3,616</b>

### **Commentary on Table 20**

The table identifies the sections of this report where each row is explained in detail. So rather than repeat that detail, summarised issues are:

- The 2026/27 budget is fully balanced.
- A small forecast deficit of £0.2m is identified for 2027/28. Given the size of the Council's budget and normal forecasting uncertainty, this does not currently require significant corrective action.
- Beyond 2027/28, the forecast becomes more uncertain due to Local Government Reorganisation (LGR) and the transition to a unitary authority.

The forecast assumes:

- Council Tax and fees and charges increase by around 3% per annum, consistent with Government funding assumptions.
- Inflation gradually eases after 2026/27.
- Ongoing pressures remain in areas such as homelessness and the financing of asset replacement and refurbishment.

**Risks to the Forecast:** As clearly evidenced by events over the last few years, forecasts are fallible, and the financial strategy must manage the unexpected.

- Homelessness and the demand for and costs of temporary accommodation costs, which remain volatile despite increased investment in prevention.
- Capital financing costs, particularly for replacement and refurbishment of ageing Council assets.
- Government funding changes, including the risk of revisions to provisional settlement figures.
- Local Government Reorganisation, which introduces uncertainty beyond 2027/28 and will constrain future decision-making.

**Section 8** identifies the view of the s151 officer regarding the approach needed to reduce the budget gap and manage the financial risks.

### **Recommended Financial Approach**

- Monitor closely the small 2027/28 forecast deficit during 2026/27 with a full review of the financial position to be reported to Cabinet in October 2026.
- Continue the annual review of fees and charges to ensure income keeps pace with costs where appropriate.
- Officers should review housing and temporary accommodation forecasts following the significant investment in the service in the 2026/27 budget.
- Reserves and their use will need to be considered in the light of all the prevailing financial issues, including LGR. The use of reserves should continue to be only to fund short-term financial issues or one-off investment in services.
- The s151 officer continues to recommend a minimum balance of £9m in the general reserve (contingency) which is expected to be exceeded in the forecast period. The current forecast is a balance of £12m across the planning period and consideration should be given to any appropriate use of surplus reserves.

- Continue to maintain financial discipline to protect reserve levels and ensure the forecast budget gaps remain manageable in size.
- Budget planning on a longer-term basis should be undertaken, but many of the decisions and actions to start to address the deficits for the 2028/29 and beyond will be for the new Unitary Council. At the earliest opportunity, the City Council will engage with the merging authorities to develop options to balance the 2028/29 budget and develop appropriate governance arrangements.
- Capital Planning: there are significant items that will need to be considered by the Council's members up to vesting day:
  - Replacement and refurbishment costs. These cost issues should be considered when developing plans for the Unitary authority, as asset rationalisation should be targeted as part of the LGR process.
  - Crematorium and Cemetery. The existing facilities are approaching the end of their useful life, and the cemetery is running out of burial plots. A business case report is being prepared for a future Council meeting to consider the costs and options. The revenue forecasts in this report would be misleading without making an allowance for the possible significant future costs for maintaining this service. For the sake of simplicity, the central case assumption is a full replacement on a new site (this is not a decision being made in this report). Indicative market evidence suggests a planning/forecast capital cost of £12m should be allowed for, with £0.7m per annum in revenue financing cost. The cost and timing of any scheme will of course be subject to change based on the decisions of the Full Council.
  - Civic centre office accommodation. A review has shown some office space is below an acceptable standard for staff to work in. Also, working from home has provided an opportunity to use freed-up civic building space to achieve financial and community benefits. A business case is being developed to assess how these issues can be dealt with and is likely to be the subject of report during the first half of 2026.
  - Disposal of Chelmer Waterside. No proceeds are currently allowed for in the forecasts. As the site is currently being marketed

## **Reserves**

The Reserves are intended to:

- fund planned and unplanned one-off expenditure or loss of income
- fund one-off investment in services

In **Section 8**, the s151 officer provides their professional assessment of reserves. In this section the reserves are identified as they form part of the budget proposals. Members should read and consider the s151 officer's recommendations before reaching a conclusion on the adequacy of the reserves.

The s151 officer has categorised reserves to help members assess whether the level of reserves is appropriate:

Earmarked reserves:

- Corporate Investment costs: these are reserves set aside to fund expected costs such as the local plan development. This also includes a new reserve for LGR costs.
- Capital Programme funding: these are sums set aside to
  - help fund replacement and refurbishment,
  - project evaluations, and

- interest earned on CIL receipts is saved for future use.
- Risk management: These are sums set for funding specific risks when they are realised such as insurance claims.

**Unearmarked Reserve:**

This is most often referred to as the General Fund balance. It is to cover all remaining risks and costs. The s151 officer recommends a level for this reserve which is currently £9m.

The reserve is forecast to remain above that level throughout the forecast period, so there is some scope to fund additional temporary/one-off expenditure.

**Business rate timing reserve**

This reserve is more like a debtor. It holds funds from the business rate retention scheme that are due to be paid to Government over the next two years. The money is not therefore available for funding Council activities and is treated in the budget as a memorandum item. The figures will also be revised in January under delegation by the s151 officer to reflect the statutory estimation of business rate income.

The level of reserves is considered in the **Section 8**, a statutory report by the s151 officer. This includes explanation of the main changes recommended.

**Table 21** over the page shows the budgeted and projected reserves and explains the LGR reserve in more detail.

Table 21

	2025/26					2026/27 (Forecast)					2027/28 (Forecast)					2028/29 (Forecast)					2029/30 (Forecast)				
	Estimated Closing £000s	£000s	Transfers £000s	+contribution £000s	-Use £000s	Closing £000s	£000s	contrib. £000s	-Use £000s	Closing £000s	£000s	contrib. £000s	-Use £000s	Closing £000s	£000s	contrib. £000s	-Use £000s	Closing £000s	£000s	contrib. £000s	-Use £000s	Closing £000s			
<b>Earmarked</b>																									
<b>Corporate Investment</b>																									
Cultural Support 'Fund'	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Hylands House Reserve	3	3	0	0	0	3	3	0	0	3	3	0	0	3	3	0	0	3	3	0	0				
DPO Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Local Development Plan	232	232	500	0	-220	512	512	0	-120	392	392	0	-80	312	312	0	-150	162	312	0	-150				
Supplementary estimate Reserve	0	0	600	0	-300	300	300	0	-300	0	0	0	0	0	0	0	0	0	0	0	0				
New: LGR Reserve	0	0	6,000	0	-140	5,860	5,860	0	-145	5,715	5,715	0	0	5,715	5,715	0	0	5,715	5,715	0	0	5,715			
	<u>235</u>	<u>235</u>	<u>7,100</u>	<u>0</u>	<u>-660</u>	<u>6,675</u>	<u>6,675</u>	<u>0</u>	<u>-565</u>	<u>6,110</u>	<u>6,110</u>	<u>0</u>	<u>-80</u>	<u>6,030</u>	<u>6,030</u>	<u>0</u>	<u>-150</u>	<u>5,880</u>	<u>6,030</u>	<u>0</u>	<u>-150</u>	<u>5,880</u>			
<b>Capital Programme</b>																									
Project Evaluation Reserve	177	177	500	0	-89	588	588	0	0	588	588	0	0	588	588	0	0	588	588	0	0	588			
Infrastructure fund (to be closed)	542	542	-542	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Sinking Fund for let property	57	57	0	50	0	107	107	50	0	157	157	50	0	207	207	50	0	257	207	50	0	257			
New : Earmarked CIL interest reserve	0	0	0	7	0	7	7	43	0	50	50	68	0	118	118	0	77	195	118	0	77	195			
Chelmsford development & Asset Replacement	36	36	73	1,500	-1,537	72	72	1,554	-1,487	139	139	1,613	-1,491	261	261	1,730	-1,395	596	261	1,730	-1,395	596			
	<u>812</u>	<u>812</u>	<u>31</u>	<u>1,557</u>	<u>-1,626</u>	<u>774</u>	<u>774</u>	<u>1,647</u>	<u>-1,487</u>	<u>934</u>	<u>934</u>	<u>1,731</u>	<u>-1,491</u>	<u>1,174</u>	<u>1,174</u>	<u>1,780</u>	<u>-1,318</u>	<u>1,636</u>	<u>1,174</u>	<u>1,780</u>	<u>-1,318</u>	<u>1,636</u>			
<b>Risk Management</b>																									
Insurance	798	798	402	0	0	1,200	1,200	0	0	1,200	1,200	0	0	1,200	1,200	0	0	1,200	1,200	0	0	1,200			
Investment Reserve	736	736	0	0	0	736	736	0	0	736	736	0	0	736	736	0	0	736	736	0	0	736			
Pension deficiency	1,240	1,240	-690	0	0	550	550	0	0	550	550	0	0	550	550	0	0	550	550	0	0	550			
Park and Ride	298	298	0	0	0	298	298	0	0	298	298	0	0	298	298	0	0	298	298	0	0	298			
Vehicle Fuel Reserve (closed)	300	300	-300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Utility Costs Reserves	1,500	1,500	-1,000	0	0	500	500	0	0	500	500	0	0	500	500	0	0	500	500	0	0	500			
Government funding and Business Rates																									
Contingency Reserve	4,068	4,068	-4,068	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Rent income (temporary loss of tenant)	2,062	2,062	-101	0	-913	1,048	1,048	0	-15	1,033	1,033	0	0	1,033	1,033	0	0	1,033	1,033	0	0	1,033			
New: EPR Funding Reserve	779	779	0	0	0	779	779	0	0	779	779	0	0	779	779	0	0	779	779	0	0	779			
	<u>11,781</u>	<u>11,781</u>	<u>-5,757</u>	<u>0</u>	<u>-913</u>	<u>5,111</u>	<u>5,111</u>	<u>0</u>	<u>-15</u>	<u>5,096</u>	<u>5,096</u>	<u>0</u>	<u>0</u>	<u>5,096</u>	<u>5,096</u>	<u>0</u>	<u>0</u>	<u>5,096</u>	<u>5,096</u>	<u>0</u>	<u>0</u>	<u>5,096</u>			
<b>Total Earmarked Reserves</b>	<b>12,828</b>	<b>12,828</b>	<b>1,374</b>	<b>1,557</b>	<b>-3,199</b>	<b>12,560</b>	<b>12,560</b>	<b>1,647</b>	<b>-2,067</b>	<b>12,140</b>	<b>12,140</b>	<b>1,731</b>	<b>-1,571</b>	<b>12,300</b>	<b>12,300</b>	<b>1,780</b>	<b>-1,468</b>	<b>12,612</b>	<b>12,300</b>	<b>1,780</b>	<b>-1,468</b>	<b>12,612</b>			
<b>Unearmarked</b>																									
<b>General Fund</b>	<b>14,061</b>	<b>14,061</b>	<b>-1,374</b>	<b>0</b>	<b>-311</b>	<b>12,376</b>	<b>12,376</b>	<b>0</b>	<b>0</b>	<b>12,376</b>	<b>12,376</b>	<b>0</b>	<b>0</b>	<b>12,376</b>	<b>12,376</b>	<b>0</b>	<b>0</b>	<b>12,376</b>	<b>12,376</b>	<b>0</b>	<b>0</b>	<b>12,376</b>			
<b>Recommended level £9m</b>																									
	<u>14,061</u>	<u>14,061</u>	<u>-1,374</u>	<u>0</u>	<u>-311</u>	<u>12,376</u>	<u>12,376</u>	<u>0</u>	<u>0</u>	<u>12,376</u>	<u>12,376</u>	<u>0</u>	<u>0</u>	<u>12,376</u>	<u>12,376</u>	<u>0</u>	<u>0</u>	<u>12,376</u>	<u>12,376</u>	<u>0</u>	<u>0</u>	<u>12,376</u>			
<b>Total reserves</b>	<b>26,889</b>	<b>26,889</b>	<b>0</b>	<b>1,557</b>	<b>-3,510</b>	<b>24,936</b>	<b>24,936</b>	<b>1,647</b>	<b>-2,067</b>	<b>24,516</b>	<b>24,516</b>	<b>1,731</b>	<b>-1,571</b>	<b>24,676</b>	<b>24,676</b>	<b>1,780</b>	<b>-1,468</b>	<b>24,988</b>	<b>24,676</b>	<b>1,780</b>	<b>-1,468</b>	<b>24,988</b>			

The business rate timing reserve holds Business rate income due to the Government.. For clarity it is not included in the above table of reserves. It is shown below and will be revised in January once statutory process to finish Business Rate income estimates is complete.

Business Rates Timing Reserve 1,312 1,312 0 0 -1,312 0

The forecast for 2030/31 is a balance above £12m for the General Fund Balance.

Reserves	Purpose	Delegation
Cultural Support 'Fund'	To contribute to Cultural Services costs	Relevant Director & Cabinet member
Local Development Framework	To meet expenditure on the LDF	Relevant Director & Cabinet member
Supplementary estimate Reserve	To fund a normal level of supplementary estimates	Relevant Director & Cabinet member
DPO Reserve (reserve being closed)	The Medium Term Financial Strategy reported to October 2019 Cabinet established a DPO process	Chief Executive
New: LGR reserve	One off costs of Local Government Reorganisation	Supplementary estimate rules
Hylands House Reserve	To contribute to Hylands House and Estate costs	Relevant Director & Cabinet member
Project Evaluation Reserve	The capital programme includes scheme which require further feasibility and business work, so this reserve enables production of robust business plans	Management Team
Sinking Fund for let property	Provide resilience due to the volatility of properties that generate rent income	Budget Decision. Cabinet
Infrastructure Provision (being merged into the Project evaluation reserve)	To manage the risk of Capital costs becoming chargeable to revenue	Section 151 & cabinet member for a Finance
New: earmarked CIL interest Reserve	Development in SWF and Garden Community will generate CIL receipts. The financial policy adopted is to accumulate interest earned on those CIL receipts in this reserve. The use of the reserve will be to support development infrastructure in those areas only.	Budget Decision. Cabinet
Chelmsford development and Asset Replacement Reserve	To support the ongoing development of the Chelmsford City area. And to assist in the funding of replacement and refurbishment of Council assets	Section 151 & cabinet member for finance
Insurance	To meet losses and policy excesses where more appropriate to insure internally than externally.	Relevant Director & Cabinet member
Investment Reserve	To manage the fluctuations in value of the Council's investment in Pooled funds	Used at Outturn as part of accounts closure. S151 officer and Cabinet member for finance
Pension deficiency	To support the financing of the deficiency payments on the pension fund. To fund one off staff costs e.g. flexible retirements, redundancy.	Chief Executive, Director of Corporate Services for one off staff costs.
Park and Ride	Contingency to smooth management contract costs of Park and Ride	Relevant Director & Cabinet member
Vehicle Fuel Reserve	To be used as part of the budget process to alleviate the temporary increase in vehicle fuel	Used at Outturn as part of accounts closure. S151 officer and Cabinet member for finance
Utility Reserve	To be used as part of the budget process to alleviate the temporary increase in energy costs	Used at Outturn as part of accounts closure. S151 officer and Cabinet member for finance
Business Retention Reserve (now being closed)	The reserve was needed to manage the risk of the business rate retention scheme and possible loss of Government funding. The new funding arrangements mean this reserve is not needed	
Rent income (temporary loss of tenants)	To be used as part of the budget process and closure of Accounts to alleviate the temporary loss of rent	Budget Decision. Cabinet. Used at Outturn as part of accounts closure. S151 officer and Cabinet member for finance
New: EPR Funding Reserve	To cover the risk of fluctuations in EPR funding, while the national scheme is bedding in.	Budget Decision. Cabinet
General Fund	These are uncommitted working balances to meet the unforeseen needs of the Council.	Normal Supplementary estimate rules (within constitution)

Table 22

**Chelmsford City Council LGR Reserve and potential costs**

Items in Budget Proposals	£000s	2026/27		2027/28		2028/29		Unitary		2029/30		Unitary		2030/31		Unitary		2031/32		Unitary		Total £000s
		£000s																				
		140	145	TBC																		
Total in budget		140	145	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	285	
<b>Budgeted Reserve</b>	<b>6,000</b>	<b>5,860</b>	<b>5,715</b>	<b>285</b>																		
<b>Possible items - expected to be approved under delegation</b>																						
Commitments upto and including investing day																					0	
Work undertaken todate to fund Business case (City Council Share, estimated and to be finalised)				50																	50	
Share of Elections for Shadow Authority					TBC																0	
Training																					0	
Legal and Governance																					0	
Procurement (additional resourcing)																					0	
Staff Retention packages				TBC	TBC			TBC													0	
Allowance for Staff exit costs, initial unification					TBC			TBC	0													
System Unification (CCC share of )				TBC	TBC			TBC	0													
<u>Also could include</u>																					0	
Press and communication																					0	
Contribution to joint project management				TBC	TBC			TBC	0													
Other																					0	
Total unbudgeted expected costs				50	0			0		0		0		0		0		0		0	50	
<b>Reserve after commitments &amp; Budgeted spend</b>	<b>6,000</b>	<b>5,810</b>	<b>5,665</b>																			

**Proposed Delegation**

The Chief Executive will be responsible for monitoring this reserve and it will be spent in consultation with the Leader of the Council up to sums of £200k. It is assumed any multi-year costs will be approved based on their annual cost, not cumulative.

Amounts between £200k and £1m are Cabinet decisions.

Requests over £1m are matters for Council.

The s151 officer and Cabinet Member for Finance will be consulted on any proposed use of the reserve.

Exceptions:

Staff termination costs: the council is currently reviewing the constitution and decision-making process in relation to the required controls for the Council to agree staff termination costs. It may become necessary for Full Council to approve some termination agreements. However, as no exit payments arising from LGR or otherwise are expected in the next few months, consideration of the appropriate controls will be deferred until later in 2026.

## 8. Section 151 Officer Report – Risks & Robust Budget

### Introduction

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer (s151) to have responsibility for those arrangements.

This section of the budget report is made by the s151 officer and is non-political. It aims to provide members with an understanding of the s151's view of the Council's financial position and fulfils statutory reporting requirements. The factors the s151 has considered are:

- A. Background; Legal Context and Duties of the s151 (Chief Financial Officer)**
- B. Financial Management Arrangements**
- C. Financial Outlook and Budget Uncertainties (Risks)**
- D. Adequacy of Reserves and Overall Financial Standing**
- E. Conclusion**

#### A) Background; Legal Context and Duties of the Chief Financial Officer

It has been established by legal case law that the s151 is not simply an officer of the authority, but holds a responsibility to the local taxpayers. This duty has been expanded over time by Legislation as discussed below.

The Local Government Act 2003 Section 25 includes a specific personal duty on the Chief Financial Officer (CFO) to make a report to the authority when it is considering its budget and Council Tax for the forthcoming year. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act, 'reserves' include 'general balances.') The Act requires the Council to have regard to the report in making its decisions.

Sections 32 and 43 of the Local Government Finance Act 1992 also require authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement.

There are also a range of safeguards in place intended to prevent local authorities from overcommitting themselves financially. These include:

- The CFO's s114 powers, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget. A balanced budget is one where proposed expenditure is fully funded by reserves and income.
- The Prudential Code, which has applied to capital financing since 2004/05.
- Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that 'the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.'

These safeguards should be further reinforced through detailed scrutiny by the Council's external auditors. There is a requirement on the auditor to form a conclusion on the arrangements that

the Council has in place to secure economy, efficiency, and effectiveness in its use of resources (value for money). In addition, the external auditors review the underlying assumptions used to support material estimates within the Council's financial statements, such as reserves, valuations of property assets, and pension liabilities. Clearly, the nationwide failure of audit firms to carry out timely audits of local authority accounts currently makes this control less effective. However, from 2025 onwards external auditors are making annually to November Audit committees Value For Money reports on the council's activities in the previous year. This is a much needed improvement, and the City Council has been told by its auditors there is no significant weakness (a clean bill of health). However, like most Councils in England, our auditors will most likely disclaim the audit of the accounts due to the auditor not being able to validate figures from previous periods when no audits were undertaken. It remains unclear when audit arrangements will return to normal.

## **B) Financial Management Arrangements**

When understanding the budget and financial position, Members of the Council need to be aware of the arrangements for financial management and control.

CIPFA, who, working with Government, provide best practice advice on financial management to local authorities, have made a statement on the role of the Chief Financial Officer in a public sector organisation:

- i) is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest,
- ii) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities, and risks are fully considered and in alignment with the organisation's financial strategy,
- iii) must lead the promotion and delivery by the whole organisation of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently, and effectively.

To deliver these responsibilities, the CFO:

- iv) must lead and direct a finance function that is resourced to be fit for purpose,
- v) must be professionally qualified and suitably experienced.

As section s151, I can demonstrate over 30 years post qualification experience as a finance professional in a local authority.

As s151, I believe the role is adequately resourced but post vesting day with a much larger unitary authority, it would advisable that the s151 is part of the top management team. This would provide more timely and direct advice to Management Team and Members.

In-year expenditure and income monitoring against the budget: the Council has established and continually updates its system of budget monitoring and financial control with reports made to the Audit & Risk Committee (a year-end review) and Cabinet (mid-year review). Monitoring reports are produced for Management team and Cabinet members four times a year for revenue and three times for capital. These reports identify variances against the budget, risks to the forecast, and, where possible, actions to alleviate adverse variances. Additionally, high risk and

high value revenue income and expenditure are reported monthly to Management and Cabinet members. These arrangements are currently being reviewed by internal audit, and it is expected that during 2026/27 any recommended changes will be made.

The Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities and related MHCLG Investment Guidance and these are report in the Capital, Investment and Treasury Strategies. Additionally, the Council has a long-established Treasury Management and Investment sub-committee. These arrangements ensure cash investments, non-cash investments, and borrowing decisions are made by officers in appropriate manner.

The Council has a corporate risk register that is kept continuously up-to date, and this is used to support financial planning, ensuring risks are identified and managed.

The Council's budget planning process has almost always identified that, in each year of forecast, a funding shortfall will occur unless actions are taken e.g. savings or increased charges. Historically, the Council's financial plans have in practice dealt only with the next year's budget deficit which is common among many Councils. This was a weakness identified by Peer Review and has been mentioned over the last few years in the commentary by the s151 officer. Given the imminent merger of the Council and favourable position forecast for 2027/28, this weakness is not likely to be addressed. And in the circumstances is a manageable risk.

Financial planning would also be more resilient with longer-term capital planning. The advent of greater information from condition surveys demonstrates there are gaps in processes. The move through LGR will inevitably lead to a reduction in assets and costs. Also, it should lead to more joined-up planning of infrastructure to support housing growth. The ongoing improvement in foresight over capital asset costs, will continue and reduce risks in financial planning. The need to invest more in refurbishment, repair and replacement is common across the public sector reflecting the tendency of public organisation to reduce or limit capital spend in the face of funding squeezes.

Independent Review of Financial Management is undertaken by:

- External Audit. The disclaimers and lateness of external audit reports mean the budget is being set without external validation of the reserve balances. The s151 officer does sign off the accounts with confidence that financial reporting (including reserves) is materially correct, but it is of great importance that timely external scrutiny of the accounts takes place. The external audit process now does prioritise a Value For Money Assessment, which for 2024/25 was completed and reported to Audit and Risk Committee in November 2025. This does provide an increased level of external assurance.
- The scrutiny of financial management is also undertaken by Internal Audit, the Audit and Risk Committee, the Performance review work of the Overview and Scrutiny Committee, the Treasury Management and Investment Sub-committee, and the Risk Management process.

### **Impact of LGR & Section 24 on the Council's Financial Management**

The budget preparation arrangements for 2027/28 will need to change and include consultation with other authorities due to the introduction of the LGR section 24 notice. However, Officers currently intend to continue to make the Mid-year Financial Review and updated financial projections to October Cabinet.

The section 24 notice will not be published by the Government until after the minded-to decision announcing proposed Unitary configurations expected in March 2026. Previous section 24 notices put in place the control that written consent from the successor council (or joint committee with other merging authorities) will be required for:

- land disposals worth more than £100,000,
- entering contracts of more than £1,000,000 for capital; and
- entering contracts of more than £100,000 for non-capital (whole life costs).

The Council will need to work with partner authorities to develop and manage these controls. Data held on contracts has not been sufficiently centralised in the past to pro-actively manage this process. The s151 expects centralising this data will be undertaken but will require additional officer resource, which could be funded from the LGR reserve.

**Statement by the s151 officer on the robustness of Financial Management arrangements:** I consider the Council's financial management arrangements and planned changes to be sufficiently robust to maintain adequate and effective control of the Council finances in 2026/27.

### C) Financial Outlook and Budget Uncertainties (Risks)

In **Section 7** of this report there is an updated financial forecast for the next five years. The forecast should be considered in conjunction with the comments from the s151 officer below.

The budgets and forward financial forecasts are an assessment of the costs of providing service levels based on the council's existing policies and priorities. The estimates and forecasts use assumptions about pay, inflation, and demand for services. These assumptions are the best available given the significant political and economic uncertainties the Council operates within.

Below is a discussion of the key assumptions, uncertainties and how they are to be managed:

- i) Local Government reorganisation. The experience of authorities who have undertaken LGR is that the process consumes most of the spare capacity of management and financial resource. The budget proposes a £6m reserve to manage LGR costs pre- and post-vesting day. There is a delegation described in **Section 7** to enable the Council to respond flexibly to developing issues. The section also identifies the types of additional costs that may be expected. The financial resource will need to be monitored and reviewed as plans become more certain. The wide range in the overall costs of LGR identified by the various business case submissions to Government highlights the need to accept the high level of financial risk associated with LGR.
- ii) Government Funding. The Government has provided a three-year financial settlement, which includes additional funding for the Council. However, there is a risk of change to allocations over that 3 year time-period:
  - a. The Government provided a provisional finance settlement for consultation. The allocations will not be finalised until early February. There is a risk of change as losing authorities may lobby government. The general balance reserve would be used to balance the budget if funding declined or increased. The budget position would be reviewed during 2026/27.
  - b. The funding allocations are based on statistical data such as population or people held in temporary accommodation. The Government may choose to update the data during the next three years. It is unclear from the settlement consultation what data may be revised in the next three years and what the impact would be.

It is reasonable to assume that the impact would not be catastrophic should data be updated and there is scope for funding to go up, as well as down.

iii) Housing Service costs: This pressure is due to structural issues in the UK economy and therefore levels of demand is difficult for the Council to control or predict. The budgeted cost of each new additional TA case is around £15,000. The budget proposals include significant new spend on prevention measures. However, the result of the additional funding and expenditure on prevention spend is an unknown positive factor. The estimates are based on historic experience of caseload increases, which is the best approach in the circumstances. There remains a risk of under or overspends on this budget which could run into hundreds of thousands of pounds. The general fund balance covers this risk.

iv) Capital financing: the revenue budget contains the financing the costs of the capital programme.

- The net cost of financing will rise year-on-year; the main causes being investment in initiatives which are self-financing (e.g. to keep the cost of homelessness down) and the cost of funding replacement equipment and keeping our building operational. These issues have been raised in previous budget reports. Improvements in the Council's data gathering on building conditions and replacement equipment has resulted in additional costs being identified and this trend may continue. I would expect, as part of LGR, there will be a review of merging councils' assets which could ease this financial pressure.
- The potential financial gains from Chelmer Waterside Development have not been included in financial planning. A report is expected to be made imminently to Cabinet on the results of the initial procurement process.
- Crematorium & cemetery. The Council 2026/27 budget includes assumes a decline of £0.9m net income to the 2025/26 budget. It is believed the reduction is due to increased competition from nearby newly constructed crematorium and new direct (simple) cremations. The forecast budgets in this report include an indicative financing cost of a completely new build facility on a new site. The inclusion of this financing cost reflects the s151 understanding from the service that the facility is approaching the end of its useful life and significant investment or closure of the crematorium are necessary in the coming years. Alternative options may or may not be possible and that will be the subject of a business case report to a future Cabinet and Council. The revenue forecasts are there to assist members in understanding the potential financial outlook. The forecast is not an approval to undertake any project or action.

v) Inflation: the level of inflation as measured by CPI is expected to continue to fall to near the 2% Bank of England target. However, it remains the case that the political and economic environment across the world is volatile. Within the 2026/27 budget, there is a small inflationary contingency (£0.2m). For context, a 1% cost increase in all Council revenue expenditure is around £0.8m. The budget makes an allowance for inflation on the more inflation-prone cost items. A significant issue in the recent past has been energy costs. The reserves proposals contain a provision for energy costs of £0.5m. The overall budget for utility energy is £1.6m and is now subject to forward buying (fixing tranches) for up to three years ahead.

Pay: 3.5% growth is planned in 2026/27 and 3% in 2027/28. For the years after, it is assumed pay increases (allowing for National living Wage) rise at 2.5% per year as

general inflationary conditions improve. The general fund balance would meet any short (in-year) costs of higher than budgeted pay awards.

vi) Rent Income. This is discussed in the reserve section as the risk is managed by the council holding a specific revenue reserve.

vii) Sales, Fees and Charges. The Council is highly reliant on generating its own income. £38m is expected in 2026/27. The income generated by the income is diverse, e.g. car parking, leisure charges and Bereavement services. The table below shows the largest income streams and what a fall in income of 2% and 5% would mean. The General Fund balance can, in the short term, manage fluctuations in income but, in the longer term, permanent solutions would need to be found.

**Table 23**

Sales, fees and charges			
Activity Description	26/27 Budget £m's	2% Variation £m's	5% Variation £m's
Gyms and Leisure	9.396	0.188	0.470
Car Park Operations	8.828	0.177	0.441
Materials Sales & Recycling Credits	1.119	0.022	0.056
Other Recycling & Waste Income (excl. above)	4.469	0.089	0.223
Theatre	4.124	0.082	0.206
Planning	2.755	0.055	0.138
Cemetery And Crematorium	1.826	0.037	0.091
Hylands Park (incl. Festival, excl. Car Park)	1.555	0.031	0.078
Public Health & Protection Services	0.772	0.015	0.039
Other	3.005	0.060	0.150
<b>Total</b>	<b>37.848</b>	<b>0.757</b>	<b>1.892</b>

viii) The Council's financial strategy has been, and continues to be, to look to increase income to balance new budget pressures. This has enabled the Council to continue to provide high quality services, but economic theory does suggest this practice cannot continue indefinitely. When prices rise to a point, which is not predictable in advance, increasing charges can reduce demand and overall income. The Council General balance reserve would have to meet any in year shortfall.

ix) Insurance Arrangements: this is discussed under reserves in **Section 8** below.

x) Extended Producer Responsibility (EPR) funding: this is discussed in the reserve adequacy section below.

xi) Cashflow. The Council must have sufficient cash (liquidity) to pay its suppliers and staff. The most volatile part of the council's cashflow is the funding of the capital programme. The payment for capital schemes has historically taken place later than estimated resulting in higher cash balances and less external borrowing. Each year this results in significant savings in the revenue budget on capital financing. The estimates on capital financing for 2026/27 have sought to allow for greater slippage in expenditure, but these are judgements and the risk of significant reductions remains high. The Treasury Management and Investment Sub-Committee will receive further reports to review practices and risks regarding cashflow during 2026/27.

xii) Interest Rates: these matters are covered in the Treasury, Capital and Investment Strategies elsewhere on the agenda.

xiii) Other risks. These are potential risks, and these will be managed via maintaining unearmarked reserves as near as possible to the £9m target, and where possible, setting aside funding for specific risks where affordable and appropriate.

Based on the factors above, I consider that these budget proposals take due regard to risk, including those arising from the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used for 2026/27 are, in the round, robust.

#### **D) Adequacy of Reserves and Overall Financial Standing**

Determining the appropriate levels of reserves is a professional judgement based on local circumstances, including the overall budget size, risks, robustness of budget preparation, corporate plans, budget assumptions, earmarked reserves and provisions, and the Council's track record in budget management. The legal duty placed does not provide any specific requirements on which to make this assessment.

The assessment of reserves must recognise the existing and new risks now facing the Council, but also the reduction in risk in a number of areas such as Government funding.

In the draft budget there are over 20 reserves for specific purposes. These have been grouped into categories and sub-categories. These are important when assessing the adequacy of the reserve levels:

- Earmarked reserves
  - Corporate Investment (sub-category)
    - The cultural support, Hylands House Reserve and DPO reserve are not financially significant and are a minor source of funds for service investment. The reserves can be judged adequate.
    - Local Development Plan: this is money set aside to fund the cost of developing and maintaining the local plan. The reserve is usually topped up every 2 to 3 years after an assessment of the expected costs. This review took place during 2025, and the reserve now reflects the best and most recent information, so is adequate.
    - Supplementary estimate reserve: this was established to fund the inevitable requests in-year for additional budget from services which arise as circumstances change. The budget assumes an annual usage of £0.3m, which was intended to be target. However, in practice, this has usually been insufficient, and in 2025/26 to date some £1.2m has been requested. The budget also contains an additional £0.2m funded from ongoing resources to finance new costs identified during 2026/26. The reserve is also supplemented by the new LGR reserve. LGR is likely to drive most of the additional funding requests in 2026/27 and a £6m reserve has been established in this budget. The reserve position is adequate.
    - LGR reserve: the reserve is for cost pre-vesting day and is to set aside money for post-unification. This is a significant sum, and it represents what is affordable currently within the Council's own reserve position. The merging of authorities brings both costs and resources. The reserve is adequate currently.
  - Capital Programme
    - Project evaluation reserve and the Sinking fund for let property. At the time of drafting the report, there are no proposals for their use, so these reserves are adequate.

- Earmarked CIL Interest reserve; as a matter of policy, any interest earned on unspent CIL balance is now transferred into reserves. For SWF and Garden Community, that interest is earmarked to be spent on infrastructure in those areas only.
- Chelmsford Development and Asset Replacement reserve. These are funded by contributions from revenue £1.4m and interest earned on unspent unearmarked CIL receipts. These contributions are considered affordable within the budget. They can be judged adequate as the capital funding can be financed by other methods including borrowing.

- Risk Management
  - Insurance reserve: the amount set aside has been determined by an external actuarial review in 2025. It is therefore adequate.
  - Investment Reserve: this alleviates the risk of losses on the Council investments in multi-asset funds falling on the ongoing revenue resources. The current valuations suggest it is adequate.
  - Pension deficiency reserve: the Council pension fund is now in surplus and is, by the end of the next valuation cycle, targeted to remain so. The Reserve is being maintained at £0.55m given volatility in valuations and is judged adequate.
  - Park and Ride Reserve; the City Council manages the park and ride facilities in Chelmsford on behalf of the ECC. This reserve is held to cover possible contractual costs. The reserve is likely not to be necessary post LGR. The reserve is adequate.
  - Utility Cost Reserve: the Council has moved to three purchase agreements for energy. The reserve reflects recent volatility in energy markets. The reserve requirement has been reduced to £0.5m from £1.5m. There is now more certainty over energy pricing due to the forward purchase arrangements, so a lower level of reserve is considered adequate. For context, the Council spent £1.5m on energy in 2026/27.
  - Rent Income reserve; overall rent income from commercial tenants in the 2026/27 Council budget is £3.8m. The budget assumes One Springfield Lyons remains unlet and reserves are temporarily used to support service expenditure . Should One Springfield Lyons be let during 2026, the reserve use will be materially lower and income higher (commercially sensitive figure so not stated). The reserve has a £1m uncommitted balance, which is adequate to deal with annual fluctuations and known tenancy renewals.
  - Extended Producer Responsibility Grant: the Government levy on packaging producers is shared amongst councils. The City Council gains circa £1.8m a year from this scheme in 2025/26. A reserve has been established as it is not clear if income from the scheme will decline or fluctuate in later years. The reserve represents nearly 50% of annual income and is considered adequate.

Un-Earmarked General Balance: this covers all risks not managed by the earmarked reserves. The s151 (Chief Finance) recommends a target level. The s151 after assessing the risks in the budget recommends £9m, which should cover in year and to some extent financial risk in the following year. To provide context, a 5% reduction in all sales, fees

and charges would come at cost of around £1.9m and 5% percent increase in non-benefit spend would be around £4.5m. The general reserve will need to cover the last year, 2025/26, of the risk from the current business rate retention system. Recent years income does suggest the risk is not high or particularly financially large. The final position will not be known until late May when all the Essex authorities in the business rate pool report their positions. There is no Essex business rate pool in 2026/27; the new scheme rules and reset of the retention scheme does not make a pool favourable. The forecast value of the General Fund balance is £12m, which is judged by the s151 officer to remain more than adequate, and this gives some capacity for using reserves for one off investment in services.

Several reserves have been removed or merged reflecting the change in risks identified above.

Based on the above factors, I consider the level of reserves in the budget to be adequate to support the ongoing financial sustainability of the Council.

#### **E) Conclusions**

As noted in the budget report, the LGR process will bring significant changes to financial management but at this stage the exact nature of the changes remains unknown.

Taking all the above into account, as the Council's Chief Financial Officer, I am satisfied that, overall, the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the Council in the current year and years up to vesting day.

Phil Reeves - s151 Officer/Chief Financial Officer

## 9. Council Tax & Business Rates

Council tax provides a significant and stable component £17m of the Council's annual income (£17m in 2026-27). The Council has only limited discretion to increase Council Tax as the Government annually sets a threshold which, if exceeded, requires a local referendum.

This section identifies the issues arising from Business Rates and Council Tax when setting the Council's Budget for 2025/26.

### Council Tax Referendums

The Government has announced that Council Tax increases up to the greater of 3% or £5 for district authorities will not be subject to a local referendum. The budget includes proposals to increase band D Council Tax by £6.78 (2.97%) per year, which is within this limit. This generates some £490k extra per year before allowing for increases in taxbase.

### Council Tax & Special Expenses Proposal 2026/27

The Council levies Council Tax by identifying a Precept (net Council expenditure after government grants); a charge is then calculated for each residential property. The average of these charges is expressed as a "Band D Average." The average is estimated by dividing the precept by the tax base (the number of Band D equivalent properties in the City Council area). The tax base for 2026/27 is 72,682.79, which is 604.30 higher than last year. The increase in the number of properties generates an extra £142k.

A summary of the known Council Tax charges from each of the precepting authorities (an average is shown for Parish and Tiers) is shown below in Table 24. The table will be completed when all the information is available.

Special expenses have not allowed for the new revenue service enhancements as highlighted in Section 5 for 2026/27 as they have not yet been identified to individual areas. These will be allowed for in 2027/28 when more detail is known.

**Table 24**

	2025/26	2026/27	Increase	Increase
	£	£	£	%
Chelmsford City Council	228.07	234.85	6.78	2.97%
Essex County Council	1,579.59			
Police, Fire and Crime Commissioner for Essex	260.37			
Essex Police, Fire & Crime Commissioner Fire & Rescue Authority	87.57			
		2,155.60		
Parish Tier Councils (average)		51.38		
<b>TOTAL</b>		<b>2,206.98</b>		

A Council Tax resolution will be drafted for Council upon receipt of the precepts from other bodies.

After allowing for the tax base and the 2.97% increase, some £632k extra income from Council Tax can be expected in 2026/27.

**Collection fund surplus/deficit:** as part of the formal budget-setting process, the Council is required to estimate each year the surpluses or deficits arising from Council Tax and Business Rates collection.

#### **Council Tax Surplus or Deficit**

The Collection Fund records the amount of income collected from Council Tax and the Local Council Tax Support scheme costs together with precept payments to principal authorities. These elements will generate a surplus or a deficit which should be considered when determining the Council Tax for the following year. Chelmsford City Council's share of the Council Tax deficit for 2026/27 is £17k, a favourable variation of £362k.

#### **Business Rate Surplus or Deficit**

To meet the legal requirements when setting the budget for 2026/27, the Council is required to declare, by the 31st of January 2026, a Business Rate Retention Surplus or Deficit after submitting a return (NNDR1) to Government. The Business Rate Retention figures contained in this report reflect estimates which will be reviewed on completion of the NNDR1.

Table 25

Table 25

CHARGES TO PARISH AND TIER COUNCIL AREAS														
PARISH TIER COUNCIL	<--> 2025/26 <-->					<--> 2026/27 <-->								
	<--> PARISH PRECEPTS <-->			<--> BAND D EQUIVALENTS <-->		<--> PARISH PRECEPTS <-->			<--> BAND D EQUIVALENTS <-->					
	Precept Request	Rounding to ninths	Rounded Precept	CCC charge (excl Special Expenses)	Special Expenses	Total CCC charge	Net Parish Precept	Total Charge to Parishes	Precept Request	Rounding to ninths				
	(1) £	(2) £	(3) £	(4) £	(5) £	(6) £			(1) £	(2) £	(3) £	(4) £	(5) £	(6) £
Boreham	117,445	-40	117,405	195.21	6.39	201.60	82.53	284.13						
Broomfield	228,478	0	228,478	195.21	31.14	226.35	106.20	332.55						
Chelmer	219,161	133	219,294	195.21	44.10	239.31	64.08	303.39						
Chelmsford Garden	244,444	118	244,562	195.21	26.19	221.40	62.01	283.41						
Chignal	7,000	6	7,006	195.21	40.86	236.07	21.87	257.94						
Danbury	412,344	-7	412,337	195.21	2.70	197.91	167.13	365.04						
East Hanningfield	43,308	-4	43,304	195.21	29.07	224.28	75.87	300.15						
Galleywood	130,303	-77	130,226	195.21	37.17	232.38	61.47	293.85						
Good Easter	11,349	0	11,349	195.21	23.76	218.97	62.28	281.25						
Great & Little Leighs	42,000	-45	41,955	195.21	42.66	237.87	36.00	273.87						
Great Baddow	525,237	214	525,451	195.21	10.53	205.74	96.21	301.95						
Great Waltham	101,614	21	101,635	195.21	29.61	224.82	107.37	332.19						
Highwood	40,030	4	40,034	195.21	26.55	221.76	119.52	341.28						
Little Baddow	54,911	-36	54,875	195.21	26.19	221.40	62.73	284.13						
Little Waltham	56,486	22	56,508	195.21	35.64	230.85	102.42	333.27						
Margarettig	14,420	-17	14,403	195.21	26.55	221.76	35.10	256.86						
Mashbury	0	0	0	195.21	23.76	218.97	0.00	218.97						
Pleshey	13,250	0	13,250	195.21	23.76	218.97	93.78	312.75						
Rettendon	49,660	-16	49,644	195.21	32.76	227.97	59.40	287.37						
Roxwell	22,500	17	22,517	195.21	1.98	197.19	47.07	244.26						
Runwell	148,600	20	148,620	195.21	24.39	219.60	70.56	290.16						
Sandon	41,974	3	41,977	195.21	29.25	224.46	54.18	278.64						
South Hanningfield	104,125	11	104,136	195.21	25.74	220.95	82.80	303.75						
South Woodham Ferrers	465,465	-266	465,199	195.21	31.23	226.44	76.23	302.67						
Springfield	238,602	-21	238,581	195.21	45.27	240.48	82.17	322.65						
Stock	52,930	21	52,951	195.21	25.65	220.86	42.48	263.34						
West Hanningfield	32,382	13	32,395	195.21	25.83	221.04	57.06	278.10						
Woodham Ferrers & Bicknacre	102,546	47	102,593	195.21	26.01	221.22	78.12	299.34						
Writtle	182,721	-88	182,633	195.21	4.77	199.98	89.91	289.89						
City Centre (Non-Parished Area)				195.21	45.09	240.30	0.00	240.30						
<b>TOTALS</b>	<b>3,703,285</b>	<b>35</b>	<b>3,703,320</b>											
AVERAGE				228.07	51.38	279.45								

## 10. Revenue Budget

Table 26 - SUBJECTIVE ANALYSIS OF THE REVENUE BUDGET

2024/25		2025/26	2026/27
Actual		Original	Estimate
£000s		£000s	£000s
<b>EXPENDITURE</b>			
43,082	Employees - Salaries	45,629	48,375
426	Employees - Other	163	328
8,484	Premises	9,864	9,511
19,290	Supplies and Services	17,786	20,231
2,713	Transport and Plant	2,532	2,639
4,671	Third Party Payments	2,958	3,431
35,919	Benefit Payments	36,693	34,867
<b>114,585</b>	<b>TOTAL CONTROL EXPENDITURE</b>	<b>115,625</b>	<b>119,382</b>
<b>INCOME</b>			
-33,951	Government Grants	-35,030	-35,900
-5,755	Other Grants and Reimbursements	-4,490	-4,229
-2,384	Sales	-2,241	-2,229
-30,110	Fees and Charges	-32,723	-35,621
-13,515	Rents	-13,049	-10,827
-1,651	Other	-1,733	-1,761
<b>-87,366</b>	<b>TOTAL CONTROL INCOME</b>	<b>-89,265</b>	<b>-90,567</b>
<b>27,219</b>	<b>NET CONTROL EXPENDITURE</b>	<b>26,360</b>	<b>28,815</b>
<b>INTERNAL RECHARGES</b>			
29,322	Service Management and Overheads	30,907	33,238
-29,588	Recharges	-31,159	-33,493
<b>-265</b>		<b>-252</b>	<b>-256</b>
<b>26,954</b>	<b>SERVICE EXPENDITURE</b>	<b>26,108</b>	<b>28,559</b>
<b>OTHER ITEMS</b>			
-1,835	Interest Receivable & Investment Income	-925	-882
1,439	Interest Payable & MRP	2,460	3,213
755	Net Business Rate Retention Impact	-2,250	-6,287
3	Direct Revenue Financing of Capital	1,188	1,546
<b>362</b>		<b>473</b>	<b>-2,410</b>
<b>USE OF RESERVES AND BALANCES</b>			
-1,071	Contributions - from / to Earmarked Reserves	-2,474	-1,651
2,327	Contributions - from / to Unearmarked Reserves	-383	-311
<b>1,256</b>		<b>-2,857</b>	<b>-1,962</b>
<b>28,573</b>	<b>BUDGET REQUIREMENT</b>	<b>23,724</b>	<b>24,187</b>
<b>LESS GOVERNMENT SUPPORT</b>			
-1,800		-7,664	-13,422
156	Collection Fund (Surplus) / Deficit	379	17
<b>26,930</b>	<b>CALL ON COLLECTION FUND</b>	<b>16,439</b>	<b>10,781</b>

## A summary of the budget (Table 27)

TABLE 27 - SUMMARY OF REVENUE ESTIMATES

2025/26 Original Estimate £'000	Original Estimates 2025/26	2026/27	2026/27	2026/27
		Estimated Spend £'000	Estimated Income £'000	Net Estimate £'000
443	<b>Chief Executive</b>	460	0	<b>460</b>
554	<b>Corporate Mngmt &amp; Democratic Represent</b>	1,351	-355	<b>996</b>
1,025	<b>Cabinet Deputy for Cultural Services</b>	4,938	-4,320	<b>618</b>
-2,262	<b>Cabinet Member for Economic Development &amp; Property</b>	1,749	-3,915	<b>-2,166</b>
7,981	<b>Cabinet Deputy for Support Services</b>	8,888	-286	<b>8,602</b>
-5,648	<b>Cabinet Deputy for Sustainable Transport</b>	3,148	-9,136	<b>-5,989</b>
3,671	<b>Cabinet Member for a Greener Chelmsford</b>	11,706	-6,722	<b>4,984</b>
7,178	<b>Cabinet Member for a Safer Chelmsford</b>	19,079	-12,879	<b>6,201</b>
319	<b>Cabinet Member for an Active Chelmsford</b>	10,714	-11,188	<b>-474</b>
4,278	<b>Cabinet Member for Finance</b>	37,738	-33,268	<b>4,469</b>
7,790	<b>Deputy Leader and Cabinet Member for a Fairer Chelmsford</b>	18,516	-8,483	<b>10,032</b>
1,032	<b>Leader and Cabinet Member for Communications &amp; Engagement</b>	1,091	-8	<b>1,082</b>
26,360	<b>Service Expenditure</b>	119,378	-90,560	<b>28,815</b>
<b>Other General Fund Items</b>				
-252	- Charges to SEPP			<b>-256</b>
-925	- Interest Income			<b>-882</b>
2,460	- Minimum Revenue Provision & Interest Paid			<b>3,213</b>
1,188	- Revenue Funding of Capital			<b>1,546</b>
-2,250	- Net Impact of Business Rates Retention Scheme			<b>-6,287</b>
26,581	<b>Net Expenditure</b>			<b>26,149</b>
-2,474	Contributions to / -use of Other Earmarked reserves			<b>-1,651</b>
-383	Contribution to / -from Balances			<b>-311</b>
23,724	<b>Budget Requirement</b>			<b>24,187</b>
-7,664	Government Support			<b>-13,422</b>
379	Council Tax -Surplus/+Deficit			<b>17</b>
16,439	<b>Income from Council Tax</b>			<b>10,781</b>

## Service Budgets (Expenditure and Income) for 2025/26 (Table 28)

### COUNCIL SERVICE BUDGETS

#### Chief Executive

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
443	Chief Executive	460	0	460
<b>443</b>	<b>Total</b>	<b>460</b>	<b>0</b>	<b>460</b>

#### Leader - Corporate Management & Democratic Representation

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
554	CM & DRM	1,351	-355	996
<b>554</b>	<b>Total</b>	<b>1,351</b>	<b>-355</b>	<b>996</b>

#### Cabinet Deputy for Cultural Services

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
107	Culture	113	0	113
117	Theatres	3,795	-4,124	-328
801	Museum	1,030	-196	833
<b>1,025</b>	<b>Total</b>	<b>4,938</b>	<b>-4,320</b>	<b>618</b>

#### Cabinet Deputy for Economic Development & Property

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
513	Economic Development & Implementation	887	-251	636
-3,238	Property Holdings	371	-3,658	-3,287
463	Property - Support Services	491	-6	485
<b>-2,262</b>	<b>Total</b>	<b>1,749</b>	<b>-3,915</b>	<b>-2,166</b>

### Cabinet Deputy for Support Services

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
310	Connected Director	320	0	320
291	Elections	307	-2	305
875	Democratic Services	928	0	928
1,137	Legal and Democratic Services	1,414	-146	1,269
856	Human Resources	943	-80	863
118	Payroll	127	-3	124
3,577	Digital Services	4,047	-55	3,991
817	Customer Services	802	0	802
<b>7,981</b>	<b>Total</b>	<b>8,888</b>	<b>-286</b>	<b>8,602</b>

### Cabinet Deputy for Sustainable Transport

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
-9	Park and Ride	321	-329	-7
187	Parking Support	195	0	195
-5,825	Car Parks	2,632	-8,807	-6,177
<b>-5,648</b>	<b>Total</b>	<b>3,148</b>	<b>-9,136</b>	<b>-5,989</b>

### Cabinet Member for a Greener Chelmsford

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
-8	Allotments	18	-28	-10
6	Amenity Green Space & Other Green Infrastructure	194	-182	12
280	Building Control	712	-366	346
184	Director of Sustainable Communities	209	0	209
-1,869	Cemetery And Crematorium	875	-1,825	-951
166	Development Management	2,359	-1,984	375
236	Ground Maintenance - Crematorium	243	0	243
3,113	Ground Maintenance Operations	3,605	-421	3,185
688	Parks & Heritage Customer & Business Support	698	0	698
-77	Parks Events & Activities	1	-78	-77
90	Parks Gardens & Recreation Grounds	150	-58	92
950	Planning Policy	1,571	-600	971
136	Play Areas	136	0	136
-307	Hylands Park & Estate	207	-535	-328
2	Natural & Semi-Natural Green Space	14	-20	-6
-24	Outdoor Sports & Playing Fields	426	-453	-27
-15	Local Land Charges	163	-171	-8
121	Tree Inspection & Maintenance	125	-1	124
<b>3,671</b>	<b>Total</b>	<b>11,706</b>	<b>-6,722</b>	<b>4,984</b>

### Cabinet Member for a Safer Chelmsford

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
497	Vehicle Maintenance Workshop	656	-88	568
-395	Trade Waste	1,118	-1,451	-333
1,998	Street Cleaning	2,327	-95	2,230
70	Street Services	131	-36	95
1,112	Waste & Garden Composting	3,450	-3,237	213
197	Love Your Chelmsford	200	0	200
-13	Market	539	-552	-13
-156	Licensing	229	-423	-194
1,231	Freighter House Customer & Business Support	1,264	0	1,264
361	Freighter House Depot	338	-9	329
-10	Housing Standards	21	-57	-36
13	Pest Control	32	-19	13
215	Public Conveniences	226	0	226
1,727	Public Health & Protection Support	2,021	-107	1,914
34	Public Health Protection	157	-9	149
-351	Recycling - MRF, General & Food	5,610	-6,638	-1,026
-7	Scientific	39	-49	-10
30	Health & Safety	30	0	30
71	Highways	63	0	63
-5	Animal Welfare	12	-17	-5
370	CCTV	486	-61	425
53	Business Compliance	6	0	6
135	Community Safety	124	-31	93
<b>7,178</b>	<b>Total</b>	<b>19,079</b>	<b>-12,879</b>	<b>6,201</b>

### Cabinet Member for an Active Chelmsford

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
327	Community Sports & Wellbeing	486	-128	358
246	Chelmsford Sports And Athletic Centre	1,297	-1,243	54
-135	Cultural Events	0	-250	-250
41	Dovedale Leisure Centre	500	-456	44
379	South Woodham Ferrers Leisure Centre	1,344	-1,136	208
84	Hylands House & Visitors Centre	1,555	-1,425	130
-873	Riverside Ice And Leisure	5,232	-6,550	-1,318
250	Voluntary Grants	300	0	300
<b>319</b>	<b>Total</b>	<b>10,714</b>	<b>-11,188</b>	<b>-474</b>

### Cabinet Member for Finance

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
105	Procurement	156	-67	89
97	Insurance & Risk	79	0	79
217	Internal Audit	243	0	243
1,502	Revs and Bens	2,880	-1,184	1,697
117	Housing Benefit Subsidy	32,103	-31,993	110
1,093	Finance CM & DRM	1,074	-23	1,051
1,149	Accountancy	1,203	-2	1,200
<b>4,278</b>	<b>Total</b>	<b>37,738</b>	<b>-33,268</b>	<b>4,469</b>

### Deputy Leader and Cabinet Member for a Fairer Chelmsford

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
1,394	Building Services - Properties	1,513	-184	1,329
619	Building Services - Support	656	0	656
300	Energy & Contract Management	327	0	327
16	Housing Needs	27	-10	18
86	Strategic Housing	3,054	-2,232	822
175	Strategic Housing - RDS	175	0	175
5,199	Temporary Accommodation	12,764	-6,057	6,705
<b>7,790</b>	<b>Total</b>	<b>18,516</b>	<b>-8,483</b>	<b>10,032</b>

### Leader and Cabinet Member for Communications & Engagement

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
1,032	Marketing & Communication	1,091	-8	1,082
<b>1,032</b>	<b>Total</b>	<b>1,091</b>	<b>-8</b>	<b>1,082</b>

### Total Council Budgets

2025/26 Original Budget £'000		2026/27 Estimated Spend £'000	2026/27 Estimated Income £'000	2026/27 Net Estimate £'000
<b>26,360</b>	<b>Total</b>	<b>119,378</b>	<b>-90,560</b>	<b>28,815</b>

## 11. Capital Budgets

This section contains:

- Revisions to Existing Approved Capital Schemes – Details in **Table 29** and **Table 30**
- Revisions to the Asset Replacement Programme 2025/26 and proposals for new budgets for 2026/27 and 2027/28 – Details in **Table 31** and **Table 32**

### Existing Approved Capital Schemes

Project Officers have been monitoring schemes and the updated budgets in **Table 29** reflect the latest estimated cost information. In addition to Project Officers monitoring the current schemes, Management Team keep under review approved schemes that have not yet commenced. This is to ensure that, wherever possible, spend on schemes is delayed or removed to reduce the ongoing revenue costs of financing. Removing or delaying schemes will delay or reduce the requirement to borrow as it potentially also frees up resources that can be applied to alternative schemes. Where schemes are removed, they are included on the 'Unfunded Priorities List'. The total estimated cost of the programme is £135.824m.

New budget approvals since last reported are scheme no. 46, which is £4.035m to purchase an operational car park, and £7.650m (£4.438m virement from scheme no. 32 and £3.212m additional budget) for the cost of purchasing a block of flats for supported housing (see scheme no. 33).

A summary of variations for the current approved total scheme costs across all years is a net increase of £3.440m. Most of this variation is £3.862m for the balance on the provision for various condition survey works. The revenue impact of this provision has already been included in budgets.

Details of the £3.440m net increase are shown in **Table 29** with further details in **Table 30** where those variations are more than £25k.

Schemes included on the Council's Unfunded Priorities List will be kept under review for consideration as to whether they will be added back into the programme as the schemes become affordable. The Unfunded Priorities List can be found in Annex 1 of The Capital, Treasury Management and Investment Strategies 2026/27.

As part of the amendments to programme, it is proposed to use £7.65m from scheme no.33, where a budget has been approved for the purchase of a block of flats which is no longer progressing, to establish a new unallocated provision for Supported and Temporary Housing.

An opportunity has also arisen to enter into a long lease agreement for 1 Springfield Lyons which would result in a saving on the refurbishment cost to the Council as the lessee has indicated that they would undertake the refurbishment themselves with a contribution from the Council towards the cost. A report will be prepared for approval when the lease negotiations have been completed. See scheme no 45.

Scheme no. 48 – Cemetery and Crematorium Proposed new facility. This budget is for the costs to prepare the planning application. A report will be taken to Council to review options and to request the approval of a budget for the works.

Capital scheme costs have not always been assessed and approved on the latest costs and there is a risk that costs could increase above estimates when tenders are undertaken. Before commencing, schemes should be reviewed for affordability and outcomes and referred for additional approval where necessary. The costs of any un-started capital schemes are kept under review.

#### Asset Replacement Programme

To maintain the existing level of service delivery, it is necessary to replace items of equipment and vehicles on a regular basis. In some circumstances, to maintain or increase income and enhance customer satisfaction, it may become necessary to enhance those assets being replaced rather than replacing on a like-for-like basis.

Council is requested to approve the latest forecast cost of the current year plus two additional years (2026/27 and 2027/28). This will enable more flexibility for the service to order assets with long lead-in times (some specialist vehicles can have a year lead-in time for delivery).

An estimated overall cost of the asset replacement programme will be kept under review for future years beyond 2027/28 for forward planning purposes to enable the monitoring of the resource position.

All Service Managers are requested to challenge the need for scheduled replacements to take place, with a view to either removing or delaying the spend. **Section 6** highlighted the requirement for borrowing against short-term assets due to be purchased in 2026/27 and the impact on the revenue budget of borrowing against short-life assets.

#### Asset Replacements

**Table 31** provides details of the asset replacement programme. It shows the forecast cost for three years: 2025/26, 2026/27, and 2027/28. The forecast for 2025/26, 2026/27, and 2027/28 was £17.998m. Approval is now sought for all three years and is forecast as a total of £19.372m. This is a net increase on the previously forecast spend for the same period of £1.374m. **Table 31** provides a breakdown of this variation by type. Unfunded increases in costs are £1.354m and this is due to reviews of the prices of some assets which have increased and additional items which have been identified from service reviews as requiring replacement.

**Table 32** provides further details for those variations more than £25K over the three-year period.

#### Capital and Revenue Resources

The Council funds its capital programme from leasing, third party and developer contributions, government grants, capital receipts, revenue contributions, and borrowing. The Capital, Treasury Management and Investment Strategies 2026/27 identify the capital resources position and the Prudential Indicators. The Medium-Term Financial Forecast in **Section 7** identifies the revenue budget position allowing for financing costs.

Table 29

		<b>CAPITAL SCHEMES</b>		<b>VARIATION IN TOTAL CAPITAL SCHEME COSTS</b>						
		Latest Approved Budget - Approved October 2025 and Additional New Schemes Approved Since that Date			Latest Forecast Budget - Additional Requires Approval					
Net Spend to 31/03/2025	£000s	SCHEME DESCRIPTION	£000s	Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	<b>LEADER</b>									
	<i>Economic Development and Special Projects (deputy)</i>									
32	1	Public Realm Wayfinding Signs Phase 3	150	5	155		155		No	Previously reported - Approved Council February 2021. Funding from ECC. 3 year programme ending 2022/23. Still waiting for ECC confirmation that grant will be provided.
647	2	Chelmsford Flood Resilience Programme	4,833	0	4,833		4,833		<b>Business case to be developed with EA</b>	Previously reported - This is the unspent budget from the withdrawn Environment Agency (EA). A new programme of works will be brought back to Cabinet at a later date. Agreement for S106 grants to be paid over to the EA £647k paid over to date.
5,034	3	Public Realm Tindal Square Design and Construction	160	4,874	5,034		5,034		<b>Completed - final account for works agreed</b>	Previously reported - Final account still to be paid
32,596	4	Chelmer Waterside Infrastructure - Bow Bridge and Road, Remediation of Land and GPRS Relocation.	15,500	27,810	43,310		43,310		<b>Bridge Completed GPRS Works ongoing</b>	Previously reported - £15.5m approved at Council February 2020 with a delegation to Cabinet to approve final scheme. Council December 2020 approved an additional £11m budget to be funded by £5.05m CIL, £1.1m S106 and £2.85m additional HIF grant. £2m provision for commuted sum could also be funded by CIL if available otherwise it would result in additional borrowing. £375k approved July 2022 Council for increased design fees and appointment of Project Manager. As noted on previous reports to Cabinet and Council, the cost of scheme is expected to increase significantly above the approved budget. A £9m increase was previously discussed and officers believe it may be materially higher when a report is made Council in July for a decision as to how to progress the works. An additional £16.410m was approved by Council in July 2023. The bridge is complete and the remaining works for the GPRS are ongoing.
12,369	5	S106 Beaulieu Park Station	3,017	18,982	21,999		21,999		<b>Complete</b>	Previously reported - The expenditure on this scheme will be funded by S106. Additional S106 collected or due to be collected for Beaulieu Station and agreement to pay staged payments over to ECC towards cost of station.
	6	Rural England Prosperity Fund- Supporting Businesses and Communities Grant 2025/26		120	120		120		<b>2025/26 Third party grant applications</b>	Previously reported - October 2025 New funding has been provided for 2025/26.
	7	UK Shared Prosperity Fund 2025/26 - Various Grant Funded Schemes		71	71		71		<b>2025/26 Third party grant applications</b>	Previously reported- New funding has been provided for 2025/26.
55	8	Automatic Floodgates and Provision of Locks - Feasibility		55	55		55		No	Previously reported - Budget approved September 2020 Cabinet. Feasibility completed and remaining budget wired from Rivers and Waterways Improvements.

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
									£000s	SCHEME DESCRIPTION
83	9	Civic Offices Improvement Programme	460	11	471		471	Under Review	Previously reported - Approved Council February 2020 with a delegation for the Director and Cabinet Member for Safer and Greener Chelmsford to approve a final scheme. October 2023 £31k wired from replacement scheme. November 2024 £20k wired to Coval Lane Co Working Space scheme. £383k uncommitted balance will be used towards the accommodation strategy and a business case will be required to release the funding.	
238	10	Green Initiatives Phase 1	500	-182	318		318	Business Cases to be Developed	Previously reported - Approved by Council February 2022. Two year programme with delegated authority to the Director of Public Places to spend within the approved budgets. Following consultation with the Cabinet Member for Safer and Greener Chelmsford, they will decide on the preferred schemes. £102k wired towards cost of electric vehicle - approved February 2023. October 2023 £43k wired to fund additional cost of electric sweepers. 2023/24 £37k budget transferred to revenue in relation to spend not capital. Majority of spend on LED lighting upgrades.	
108	11	Green Initiatives Fund Phase 2	6,500	-3,100	3,400		3,400	Business Cases to be Developed	Previously reported - Approved in principal Council Feb 2023 with delegated authority is given to the Director of Public Places, who after consultation with the Cabinet Member for Safer Chelmsford, will agree on the 6 year programme commencing 2024/25 for various schemes which will help the organisation achieve its objective of being Net Zero Carbon by 2030 and to ensure the spend is within the approved budgets. October 2023 Programme reviewed for affordability, budget reduced. Spend on LED lighting upgrades and SWF Pool heating initiatives. Update - £630k from this budget is being used for funding installation of solar panels in 2026/27 see proposed new schemes.	
	12	CIL NE Bypass Bridge Forward Funding	1,500		1,500		1,500	Dependent on Third party	Previously reported - Forward funding grant to ECC to be made 2021/22. Approved Council May 2021. Still awaiting agreement from ECC for payment to be made.	
		<i>Sustainable Transport (deputy)</i>								
13		High Chelmer Car Park Lifts	355	71	426		426	Yes	Previously reported - Approved by Council February 2023. Scheduled for 2025/26.	
	14	High Chelmer MSCP Improvement Works	148	-46	102		110	No	Previously reported - approved by Council February 2024. Works scheduled for 2024/25. Funded by Contribution from SEPP. Scheduled for 2025/26.	
		<b>ACTIVE</b>								
		<i>Leisure and Heritage</i>								
145	15	Dovedales Sports Centre Refurbishment	1,464	670	2,134		2,134	Scheduled for completion 2025/26	Previously reported - Budget approved Council March 2022. Delegated authority to the Director of Public Places to decide on the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Safer and Greener Chelmsford. October 2023 scheme deferred to 2025/26 although work will progress on design. Scheme approved by Urgency November 2024 additional £710k - £644 works and £66k on equipment (see replacement schedule).	
	16	CSAC Activity Room	14		14		14	Completed	Previously reported - Approved at Council February 2025.	
567	17	S106 Strategic Borough Sports		1,575	1,575		1,575	Unspecified	Previously reported - Runwell Sports and Social Club grant to cover costs of scheme. Funding agreement in place.	

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative
			£000s	£000s	£000s	£000s			
		<b>SCHEME DESCRIPTION</b>							
		<b>Voluntary and Community Sector Support</b>							
	18	CIL Grant Chelmsford Society Model Engineers	5		5		5	No - dependent on Third party	Previously reported - CIL funding approved December 2021. Spend approved Council February 2022.
	19	CIL Mencap			2	2	2	Yes	
	20	CIL Grant St John's Church			10	10	10	No - dependent on Third party	Previously reported - CIL funding agreed
	21	CIL Grant St Luke's Church Roof			10	10	10	No - dependent on Third party	
	22	CIL Grant FONS Outdoor Storage				0	7		
	23	CIL Grant Sanctus - Oven				0	9		
54	24	CIL Green Initiatives - Various Schemes	15	58	73		73	No - dependent on Third party	Previously reported - £100k CIL funding approved December 2021 for green initiatives grant funding. Spend approved Council February 2022. £100k pot is drawn down following approval of applications for funding.
		<i>Cultural Services (deputy)</i>							
3,157	25	Theatres' Modernisation	1,000	2,198	3,198		3,198	Main works complete - final account agreed but still outstanding work items to complete	Previously reported - Approved at Council February 2021. Delegated authority to Director and Cabinet Member for Connected Chelmsford for a £1m budget. An additional £500k was approved November 2021. A further £1.246m was approved by Council in March 2022 following the return of tenders for the works. £500k approved Cabinet October 2022. £20k transferred to revenue as spend did not qualify for capital, budget reduced 2023/24.
	26	Oaklands Museum Staff Room and Kitchen Refit	24		24		24	Yes	Previously reported - Approved by Council February 2023 and scheduled for 2024/25. October 2023 following review rephased to 2026/27
	27	Oaklands Museum Roof Works	63		63		63	Yes	Previously reported - Approved at Council February 2024. Works scheduled for 2025/26.
	28	Great Baddow Hoard Gold Coins		180	180		180	Yes	Heritage Lottery Fund Grant
	29	Great Baddow Hoard Gold Coins Display Case		22	22		22	Yes	Heritage Lottery Fund Grant
	30	S106 City Centre Public Art			0		62	Unknown	Update - Approved use of S106 via delegation September 2025
		<b>FAIRER</b>							
		<b>Housing Services</b>							
7,085	31	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094		7,094		40	Refurbishment of final property outstanding	Previously reported - Original budget approved at Council February 2022 £8.2m and currently programmed for 2022/23. Delegated authority to Director and Cabinet Member for Fairer Chelmsford. Budget for purchase of 20 houses. 17 properties purchased remaining budget deferred to 2023/24. Remaining budget to purchase 1 additional property deferred to 2025/26 due to delays in completion. £1.106m budget not required removed and used to establish new pooled fund. Last house purchased in 2024/25 remaining budget for refurbishment.

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative			
			£000s	£000s	£000s	£000s			£000s	£000s		
		<b>SCHEME DESCRIPTION</b>										
			£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	32	Housing Initiatives Future schemes to be developed	6,964	-6,907	57	-57	0	See scheme 35 and 36	October 2023 - Review of housing delivery being undertaken. All unallocated/unspent housing initiatives budgets have been pooled into one single pot, £6.964m which will be used to assist in the delivery of any new policy determined from the review to assist in the delivery of temporary accommodation. Approved Council February 2024. MT review October removed balance £1.094m. Update December 2025 budget being used towards purchase of property to be used for supported housing see scheme 33 and increased costs of other schemes, see schemes 35 and 36.			
	33	Supported Housing/Temporary Housing Provision			7,650	7,650	7,650	Refer to New Schemes Schedule	December 2025 Budget approved under urgency November 2025 to purchase block of flats for supported housing. Proposed purchase now not progressing. Refer to new schemes narrative, new pot to be established using this budget provision.			
8	34	Housing Initiatives - Modular Units Groundworks			250	250	250	Yes	Previously reported - Use of housing initiatives pot. £250k Brownfield Land release Funding secured. Update December 2025 New scheme included on new schemes schedule for proposed modular unit scheme at Meteor Way Car Park site. This budget will be used towards the cost of the scheme.			
	35	Housing Initiatives - Sandford Mill House Refurbishment for use as TA			125	125	40	165	Yes	Previously reported - Use of housing initiatives pot - scheme 32.		
	36	Purchase Medway Garages				0	17	Completed	Previously reported - Use of housing initiatives pot - scheme 32.			
	37	Housing Initiatives - Grant to YMCA			1,000	1,000	1,000	Yes	Previously reported - Use of housing initiatives pot - scheme 32.			
	38	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grants	1,643	-1,323	320		320	Dependent on Third party	Previously reported - Budget approved in principle February 2022 Council. Delegated authority to the Director of Sustainable Communities to decide upon the preferred scheme and spend within the approved budgets following consultation with the Cabinet Member for Fairer Chelmsford. £318k grant for CHP approved by delegation. £1.325m budget has been removed and the S106 funding redirected to the purchase of land for affordable housing.			
	39	Initiatives to increase the provision of Affordable Housing Funded by S106 - Grant to CHP for development Lower Anchor Street	600		600		600	Dependent on Third party	Previously reported - Approved Cabinet April 2025 to enable development of 15 units for affordable rent.			
	40	Local Authority Housing Fund Round 3			3,583	3,583	3,583	Grant Conditions	Previously reported - LAHF3 Grant awarded and will be paid over to CHP for acquisition of properties.			
		<u>Corporate Property</u>										
206	41	Land Development Site Investigations - Waterside	365	-39	326		60	386	Under review	Previously reported - Approved Cabinet November 2021. Additional £50k approved by Council February 2024. £90k transferred to revenue 2024/25 1st Marketing exercise. New marketing exercise currently being undertaken.		
	42	Riverside Outdoor Pool Site Design and Options			0		26	26	Delivery times not yet agreed			

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
									£000s	SCHEME DESCRIPTION
£000s			£000s	£000s	£000s	£000s	£000s		£000s	£000s
4,377	43	Enabling Lockside Growth Area	450	5,706	6,156		6,156	In Negotiations - Late delivery		Previously reported - A Report taken to Cabinet in March 2018 requesting £4.5m and recommended to go on for Council approval. As there was a requirement to spend the budget earlier than the Council approval in July 2018 a sum of £450k was approved via an urgency. The remaining budget for the scheme was approved by Council in July 2018. An additional £500k was approved November 2021. Additional £956k approved July Council 2022. October 2023 delay in purchase of properties now delayed until 2024/25. Acquisition of remaining 2 properties delayed to 2025/26 and potentially later into 2026/27 <a href="#">Update December 2025</a> - one further property purchase complete and the remaining property will need to be acquired through CPO and will not complete until 2026/27
44	44	Land Acquisition Cemetery/Crematorium	1,800	1,400	3,200		3,200	To identify potential Land Site		Previously reported - Approved at Council February 2019. Additional £1.8m approved Council February 2020. Additional £2.4m approved July 2022 Council. October 2023 Potential site identified, surveys for suitability being undertaken, budget adjusted for estimated cost of land Council February 2024.
26	45	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	720	2,230	2,950	-634	2,316	No		Previously reported - Approved at Council February 2024. Delegation to Cabinet to approve a business case following feasibility and to spend within the approved budget. Works required to enable reletting of property. A new approval will be required by Council following tender exercise. Additional £950k budget approved April 2025.
	46	Acquisition Granary Car Park		4,035	4,035		4,035	Yes		£4.035m Budget approved by Urgency November 2025
		<u>Building Services</u>								
	47	Various Condition Survey Works		798	798		3,862	Scheduled over 2 years		Previously reported - A provision was established and approved at February Council for a sum of £4.7m identified from Building Services 5 yearly schedule of condition surveys for works to various buildings. A delegation was put in place. The sum of £601k has been approved via delegation in April 2025 for the first phase of works. The provision will be approved by delegation or business case and has already been included in the revenue financing implications. <a href="#">Update December 2025</a> A further £197k has been approved via delegation September 2025.
		<u>Greener Chelmsford</u>								
		<u>Parks and Green Spaces</u>								
3	48	Cemetery and Crematorium Infrastructure - proposed new facility	6,800	-6,500	300		300	Spend to get scheme to planning approval		Previously reported - Approved Council February 2020 with a delegation for Cabinet to approve a final scheme. MT review October 2024 - decision to remove scheme to Unfunded Priorities List as uncertainty with scheme and scheme costs.

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
									£000s	£000s
40	49	Chancellor Park Pavilion Works	46		46		46	No	Previously reported - Approved at Council February 2020 and programmed for 2021/22. Deferred due to decarbonisation feasibility works to 2024/25.	
14	50	Beaulieu Pavilion Health and Safety Works	33		33		33	No	Previously reported - Approved by Council Feb. 2022. Delegated authority to the director to spend within the approved budget.	
	51	Rivers and Waterways Improvements	600	-55	545		545	No - Scheme to be developed	Previously reported - Approved at Council February 2020 with a delegation to the Director and Cabinet Member for Greener and Safer Chelmsford. Originally programmed over 3 years commencing 2021/22. Start of three year programme deferred to 2024/25. MT Review October 2024 deferred scheme to 2027/28. £52k vired from underspend on Lockgates Feasibility scheme number 8.	
610	52	Mass Tree planting and Woodland Creation	4,400	-2,690	1,710		1,710	Reviewed Annually	Previously reported - Approved at Council February 2020 £4.4m with delegated authority to Director of Public Places, S151 Officer and the relevant Cabinet Members. Funding to be sought circa £2m. Three year programme scheduled wef 2021/22. Spend will now occur over longer period to 2029/30. Budget reduced £2.6m reduction reported to Council February 2024. Spend in relation to revenue transferred and budgets reduced annually. £23k transferred to revenue in 2024/25. Forecast spend increased by £100k over remaining years.	
	53	S106 Beaulieu Park Sport Pitches Top up	800		800		800	Dependent on third party	Previously reported - Approved February 2025 Council	
		Planning								
283	54	Garden Communities Infrastructure Fund			290	290	290	Main Works complete	Previously reported - Various schemes will be grant funded	
		SAFER								
		Community Safety								
	55	Market Road Conveniences Accessibility	20		20		20	No	Previously reported - Approved by Council February 2023. Scheduled for 2023/24.	
114	56	Public Convenience Refurbishment - Admirals and Central Park	168	50	218		218	No	Previously reported - Approved by Council February 2023 £84k each site. Two year programme scheduled to commence 2023/24. Central Park completed £114k. Remaining budget for Admirals Park £54k. Virement from scheme 52 £50k	
151	57	Community Flood Improvements	184	1	185		185	Works Completed Monitoring to continue	Previously reported - Capital grant received to enable the works to be completed. This scheme was approved by Cabinet in June 2017.	

Net Spend to 31/03/2025			Original Approved Scheme Budget	Additional/ Reduced (-) Approved Budget	Latest Approved Budget	More/(Less) Than Approved Budget	Proposed Budget	Scheme Scheduled to Complete on Time against Original Programme	Additional Budget Approval Narrative	
			£000s	SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s
		Waste Management and Recycling								
550	58	Chelmsford Indoor Market Refurbishment	500	50	550		550	Complete	Previously reported - Approved supplementary estimate February 2018. Scheme design finalised. Additional supplementary estimate approved for £200k December 2018 in order to implement the preferred design with suspended ceiling. Estimate reduced by £50k. New budget reported Council February 2020. A further reduction in budget, £50k, was noted by Council in July 2020.	
	59	Retail Market Drainage Improvements	31		31		31	Deferred to 2025/26	Previously reported - Approved by Council February 2022. Delegated authority to Director to spend within approved budget.	
	60	Retail Market Traders' Conveniences Remodelling	102		102		102	Agreed to defer to 2026/27	Previously reported - Approved Council February 2023. Scheduled for 2023/24. October 2023 reviewed and deferred to 2026/27.	
	61	Retail Market Canopy Roof Liquid System	90		90		90	Deferred to 2026/27	Previously reported - Approved by Council February 2024. Works scheduled for 2025/26. MT review October 2024 deferred scheme to 2026/27	
58	62	Freighter House Depot Resurfacing Works	216		216		216	No	Previously reported - Approved at Council February 2023. Five year programme scheduled to commence 2024/25.	
		Support Services (deputy)								
		N/A								
68,654	Grand Total		69,334	63,050	132,384	3,440	135,824			
					Net Variation	3,440				
			Summary of Changes Since Previous Council Report October 2025							
									£000's	
			Latest Approved Budget October 2025						124,868	
			New Schemes Approved						7,247	
			Supplementary Estimates Approved for Existing Scheme						269	
			Total Approved Budget						132,384	
			Latest Forecast Variations shown above							
			Balance on Provision for building condition works						3,862	
			Increased Budgets Require Approval						94	
			Increased Budgets Require Approval Funded						118	
			Decreased budgets Scheme Delivery Changed						-634	
			Latest Forecast Budget December 2025						135,824	
									0	

**Table 30**

Reasons for Variations Greater Than £25,000							
	Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	Reason
		£000's	£000's	£000's			
30	S106 City Centre Public Art	0	62	62	New provision fully funded	Note 1	Use of S106 contribution approved by officer delegation.
31	Housing Initiatives to Support the Homelessness and Rough Sleeper Strategy (ii) Acquisition 20 x Houses	7,094	7,134	40	Increased budget fully funded	0.56%	The final property purchased has been refurbished to allow full accessibility and this will be funded by a contribution from an underspend held from a prior year for Disabled Facility Grants (DFG).
32	Housing Initiatives Future schemes to be developed	57	0	-57	Budget vired	-100.00%	This provision has been vired to use against the increase estimated costs of schemes 35 and 36.
35	Housing Initiatives - Sandford Mill House Refurbishment for use as TA	125	165	40	Increased budget vired from Housing Initiatives Provision	32.00%	Refurbishment of property to bring back into use for temporary accommodation. The works required were more extensive than first estimated.
41	Land Development Site Investigations - Waterside	326	386	60	Increased budget	18.40%	The services required to enable the future use of the Waterside site have proved to be more complex than first anticipated and professional services' costs have increased.
42	Riverside Outdoor Pool Site Design and Options	0	26	26	New budget	100.00%	In order to progress a potential scheme on this site the services of professionals have been instructed to provide designs and scheme costs.
45	Refurbishment of Commercially Leased Properties - 1 Springfield Lyons	2950	2316	-634	Reduced budget	-21.49%	An opportunity has arisen to enter into a long lease for this property with a potential saving on the refurbishment cost due to it being replaced by a contribution to the lessee.
47	Various Condition Survey Works	798	4,660	3,862	Previously agreed Provision now reported with cost of capital scheme	Note 2	The £3.862m is the remaining balance on the provision and has already been included in previous financing costs. The £3.862m needs to be approved either by delegation or business case submitted to Cabinet to release the funding for works to commence.
Note 1 The percentage change in this scheme has not been shown. This is an adjustment to ensure that there is approval in place to enable future agreed staged payments to be made in line with previously agreed funding.							
Note 2 The percentage change in this scheme has not been shown. This is an adjustment to show how much of the previously approved provision has been authorised to spend by delegation in place.							

Table 31

3 YEAR CAPITAL ASSET ROLLING/REPLACEMENT PROGRAMME 2025/26 - 2027/28 Approved and Forecast													
		2025/26			2026/27			2027/28			Total for period		
CAPITAL ASSET REPLACEMENT PROGRAMME		Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Latest Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27	Latest Approved Budget 2027/28	Variance for 2027/28 + Cost / - Saving	Total Proposed Budget for 2027/28	Last forecast 2025/26 to 2027/28	Variance for period + Cost / - Saving	Total Proposed Budget for 2025/26 to 2027/28
SCHEME DESCRIPTION		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	<b>LEADER</b>												
	Sustainable Transport (Deputy)												
1	Car Park Pay on Foot Equipment	341	0	341	0	0	0	0	0	0	341	0	341
2	Car Park Vehicles and Equipment	54	-54	0	3	51	54	0	0	0	57	-3	54
3	Car Parks CCTV	0	0	0	0	0	0	124	0	124	124	0	124
	<b>Active</b>												
	Leisure and Heritage												
4	Dovedales Replacement Equipment	220	-4	216	3	7	10	4	-4	0	227	-1	226
5	Riverside Replacement Equipment	75	-8	67	103	90	193	82	5	87	260	87	347
6	Riverside Dryside Locker Keyless System	11	0	11	0	0	0	0	0	0	11	0	11
7	Riverside Ice Rink Seating	21	0	21	0	0	0	0	0	0	21	0	21
8	Riverside Magic Water System	14	0	14	0	0	0	0	0	0	14	0	14
9	Riverside Studio 2 Upgrade - AV Equipment	5	0	5	0	0	0	0	0	0	5	0	5
10	Riverside Plant	122	-13	109	38	7	45	0	0	0	160	-6	154
11	CSAC Replacement Equipment	38	-35	3	16	53	69	0	0	0	54	18	72
12	CSAC Expansion Fitness Room Equipment	45	0	45	0	0	0	0	0	0	45	0	45
13	CSAC Plant	30	-25	5	0	25	25	30	0	30	60	0	60
14	SWFLC Replacement Programme	31	-31	0	3	31	34	51	0	51	85	0	85
15	SWFLC Plant Replacement	97	3	100	6	9	15	527	0	527	630	12	642
16	SWF 3G Pitch	21	-21	0	400	21	421	0	0	0	421	0	421
17	Hylands House Mechanical and Electrical	25	2	27	0	0	0	0	0	0	25	2	27
18	Hylands Pavilion Infrastructure	34	-34	0	0	33	33	0	0	0	34	-1	33
19	Hylands Pavilion Equipment	60	-50	10	0	55	55	0	0	0	60	5	65
20	Hylands House Equipment	30	-18	12	8	15	23	1	9	10	39	6	45
	<b>Cultural Services (Deputy)</b>												
21	Theatres' Equipment	148	-6	142	824	-446	378	282	1,386	1,668	1,254	934	2,188
22	Theatres' Plant	6	-6	0	0	0	0	0	0	0	6	-6	0
23	Museum Equipment and Vehicles	34	-34	0	84	16	100	0	0	0	118	-18	100

SCHEME DESCRIPTION	2025/26			2026/27			2027/28			Total for period		
	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27	Latest Approved Budget 2027/28	Variance for 2027/28 + Cost / - Saving	Total Proposed Budget for 2027/28	Last forecast 2025/26 to 2027/28	Variance for period + Cost / - Saving	Total Proposed Budget for 2025/26 to 2027/28
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>CAPITAL ASSET REPLACEMENT PROGRAMME</b>												
<b>Fairer</b>												
<u>Building Services</u>												
24 Civic Centre Equipment	0	0	0	0	0	0	14	0	14	14	0	14
25 Civic Centre Plant	0	0	0	0	0	0	0	0	0	0	0	0
26 Civic Centre Pool Cars	0	0	0	50	0	50	0	0	0	50	0	50
27 Civic Centre Stairlift	0	0	0	9	0	9	0	0	0	9	0	9
28 Print and Post Room Replacement Equip.	19	-19	0	0	16	16	0	0	0	19	-3	16
29 Street Lighting	0	5	5	0	0	0	0	0	0	0	5	5
<b>Greener</b>												
<u>Parks and Green Spaces</u>												
30 Crematorium Equipment	170	-33	137	119	-83	36	48	122	170	337	6	343
31 Crematorium Columbarium	14	-14	0	14	0	14	0	0	0	28	-14	14
32 Cemetery Plant	0	0	0	0	0	0	0	0	0	0	0	0
33 Play Area Replacements	378	-259	119	254	83	337	198	-35	163	830	-211	619
34 Parks and Sports Grounds Heating Systems	0	0	0	43	0	43	0	0	0	43	0	43
35 Parks Replacement Vehicles and Equipment	877	-442	435	429	147	576	170	181	351	1,476	-114	1,362
36 Melbourne 3G Pitch	16	-16	0	3	16	19	0	0	0	19	0	19
37 Hylands Estate Car Park Equipment	0	0	0	8	-8	0	102	8	110	110	0	110
38 Hylands Estate Sewerage pump	0	0	0	0	0	0	25	0	25	25	0	25
38 Hylands Kiosk and Play Area CCTV	0	0	0	0	0	0	6	-6	0	6	-6	0
39 Chelmer Park Artificial Pitch	0	0	0	0	0	0	220	-220	0	220	-220	0
<b>Safer</b>												
<u>Community Safety</u>												
40 CCTV Replacement Equipment	141	-11	130	279	-192	87	105	-16	89	525	-219	306
41 CCTV Various Schemes Sites CIL	3	-2	1	0	0	0	0	0	0	3	-2	1
42 PHPS Vehicles	0	0	0	28	0	28	90	0	90	118	0	118
43 PHPS Air Monitoring Equipment	68	-58	10	0	58	58	0	0	0	68	0	68
44 Healthy Home Loans	2	1	3	0	0	0	0	0	0	2	1	3
45 Discretionary Loans DFG Funded	0	0	0	0	0	0	0	0	0	0	0	0
46 RIA Loans DFG Funded	0	0	0	0	0	0	0	0	0	0	0	0
47 RIA Grants DFG Funded	0	37	37	0	0	0	0	0	0	0	37	37
48 Disabled Facility Grants (fully externally funded)	1,367	-37	1,330	0	1,367	1,367	0	0	0	1,367	1,330	2,697
49 Social Capital Funding Projects DFG funded	63	-40	23	0	0	0	0	0	0	63	-40	23
50 Housing Standards	0	0	0	0	0	0	0	0	0	0	0	0

SCHEME DESCRIPTION	2025/26			2026/27			2027/28			Total for period		
	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast 2026/27	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27	Latest Approved Budget 2027/28	Variance for 2027/28 + Cost / - Saving	Total Proposed Budget for 2027/28	Last forecast 2025/26 to 2027/28	Variance for period + Cost / - Saving	Total Proposed Budget for 2025/26 to 2027/28
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>CAPITAL ASSET REPLACEMENT PROGRAMME</b>												
Waste Management and Recycling												
51 Scootas for the Disabled	7	-7	0	20	7	27	8	0	8	35	0	35
52 Town Centre Bins	0	0	0	32	0	32	0	0	0	32	0	32
53 Retail Market Equipment	0	0	0	0	0	0	0	0	0	0	0	0
54 Retail Market Plant	0	0	0	0	0	0	0	0	0	0	0	0
55 Route Optimisation System	0	0	0	0	0	0	45	0	45	45	0	45
56 Freightier House Equipment	0	0	0	0	0	0	16	0	16	16	0	16
57 Street Cleansing Vehicles	644	-644	0	0	953	953	193	-193	0	837	116	953
58 Street Cleansing Equipment	3	-3	0	0	3	3	0	0	0	3	0	3
59 Street Cleansing Gully Cleanser	0	0	0	220	0	220	0	0	0	220	0	220
60 Street Cleansing Crane Vehicle	88	-88	0	0	100	100	0	0	0	88	12	100
61 Wet Team Equipment	107	-107	0	0	117	117	0	0	0	107	10	117
62 Hit Squad Replacements	89	-89	0	0	72	72	0	0	0	89	-17	72
63 Refuse Vehicles	975	-38	937	690	0	690	0	0	0	1,665	-38	1,627
64 Vehicle Maintenance	14	-14	0	38	14	52	38	4	42	90	4	94
65 Recycling Vehicles	952	-26	926	993	0	993	1,374	-19	1,355	3,319	-45	3,274
66 Recycling MRF	20	-20	0	20	0	20	0	20	20	40	0	40
67 Food Vehicles	0	0	0	0	0	0	0	0	0	0	0	0
68 Prov. for Replacement with Electric Veh.	0	0	0	170	-100	70	0	100	100	170	0	170
69 Love Your Chelmsford Van	0	0	0	32	0	32	0	0	0	32	0	32
70 Public Convenience Van	0	0	0	32	0	32	0	0	0	32	0	32
Support Services (Deputy)												
71 Digital Services Replacement Programme	12	-12	0	6	12	18	566	142	708	584	142	726
72 Digital Storage	68	-16	52	0	0	0	0	0	0	68	-16	52
73 Digital Servers	0	0	0	48	0	48	42	0	42	90	0	90
74 Website Upgrade	6	-1	5	139	1	140	0	0	0	145	0	145
75 System Upgrade	9	-9	0	0	9	9	9	0	9	18	0	18
76 System Security	20	-20	0	0	20	20	0	0	0	20	0	20
77 Networks	0	0	0	0	0	0	12	0	12	12	0	12
78 Wifi Hardware	115	0	115	0	0	0	0	0	0	115	0	115
79 Investment in Digital Technology - DPO	150	-150	0	218	-98	120	125	-125	0	493	-373	120
80 Provision for Increases in Prices - Proposed Delegation to S151 Officer	0	0	0	150	0	150	100	0	100	250	0	250
<b>Totals</b>	<b>7,859</b>	<b>-2,466</b>	<b>5,393</b>	<b>5,532</b>	<b>2,481</b>	<b>8,013</b>	<b>4,607</b>	<b>1,359</b>	<b>5,966</b>	<b>17,998</b>	<b>1,374</b>	<b>19,372</b>

	2025/26			2026/27			2027/28			Total for period		
	Latest Approved Budget 2025/26	Variance for 2025/26 + Cost / - Saving	Total Proposed Budget for 2025/26	Last Forecast	Variance for 2026/27 + Cost / - Saving	Total Proposed Budget for 2026/27	Latest Approved Budget 2027/28	Variance for 2027/28 + Cost / - Saving	Total Proposed Budget for 2027/28	Last forecast 2025/26 to 2027/28	Variance for period + Cost / - Saving	Total Proposed Budget for 2025/26 to 2027/28
SCHEME DESCRIPTION	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Rephasing of Schemes to/from years		-2,201			933			451				-817
Variations Increases Require Approval		18			283			1,053				1,354
Variations Cost Decreases		-68			-18			-19				-105
Reduced Demand		-180			-84			-126				-390
Supplementary Estimates Funded New Require Approval		5			1,367			0				1,372
Virement of budget		-40			0			0				-40
		-2,466			2,481			1,359				1,374

Table 32

Scheme Description	Latest Approved Budget	Estimated Budget Required	Variation	Variation Type	Percentage Change	Reason
	£000's	£000's	£000's			
Riverside Plant	260	347	87	Price Variation	33.46%	Higher replacement cost than budgeted.
Theatres' Equipment	1,254	2,188	934	Price Variation	74.48%	Review of replacement programme identifying additional replacements.
Play Area Replacements	830	619	-211	Rephasing and Price Variation	-25.42%	£229K Replacement moved to later year and £18K inflationary costs allowed for.
Parks Replacement Vehicles and Equipment	1,476	1,362	-114	Rephasing and Price Variation	-7.72%	£164K Replacements moved to later year and £50K higher replacement costs.
Chelmer Park Artificial Pitch	220	0	-220	Rephasing	-100.00%	Replacement moved to later year
CCTV Replacement Equipment	525	306	-219	Rephasing	-41.71%	Replacement budget moved to later year as camera lasting longer than standard life assumed of 6 year
DFG funded expenditure (Externally funded)	1,430	2,757	1,327	Price Variation & additional spend Grant funded	92.80%	It has been assumed that the Council will be awarded the same DFG Grant allocation of £1,367K for 2026/27 and 40K virement to capital property refurbishment scheme to provide accessible temporary accommodation
Street Cleansing Vehicles	837	953	116	Price Variation	13.86%	Higher replacement cost than budgeted.
Refuse Vehicles	1,665	1,627	-38	Price Variation	-2.28%	Lower replacement cost than budgeted.
Recycling Vehicles	3,319	3,274	-45	Price Variation	-1.36%	Lower replacement cost than budgeted.
Digital Services Replacement Programme	584	726	142	Price Variation	24.32%	Higher replacement cost than budgeted mainly resulting from assumed higher costs of laptop replacements.
Investment in Digital Technology - DPO	493	120	-373	Reduced Demand on Capital	-75.66%	Pot has been reduced due to it not being drawn down as projects not identified or funded from revenue budgets.

## **APPENDIX 2**

Intentionally Blank - The Council Tax Resolution to be reported to Full Council



## Chelmsford City Council Cabinet

27th January 2026

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### Capital, Treasury Management & Investment Strategies 2026/27

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#### Report by:

Cabinet Member for Finance

#### Officer Contact:

Phil Reeves, Accountancy Services Manager (section 151 officer), 01245 606562,  
[phil.reeves@chelmsford.gov.uk](mailto:phil.reeves@chelmsford.gov.uk)

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#### Purpose

To recommend an approach for managing the Council's cash and other types of investment including property; and

to explain how capital expenditure, capital financing and treasury management activities will contribute to the provision of services, how risk is managed, and the implications for future financial sustainability.

#### Options

1. Accept the recommendations contained within the report and appendices.
2. Recommend changes to the way the Council's investments are to be managed.

#### Preferred option and reasons

Recommend the report to Council without amendment for consideration and thereby meet statutory obligations.

## Recommendations

That Cabinet requests that Full Council approve the Capital, Treasury Management and Investment Strategies.

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### 1. Background

1.1. There are three financial strategies that the Council is obliged by Government to approve when setting a budget:

- Capital Strategy
- Treasury Management Strategy
- Investment Strategy

#### 1.2. Capital Strategy

The Capital Strategy **Appendix 1** sets out a framework for the management of capital finance and links to capital and revenue budget plans being reported to Cabinet in January 2026. The strategy is not reviewed by the Treasury Management and Investment Sub-committee. The strategy should support the Council's objectives in 'Our Chelmsford Our Plan' and sets the framework in which the capital programme is planned. It enables the Council to prioritise the use of limited resources to support long-term priorities whilst balancing services' operational requirements. The strategy reports on deliverability, affordability and the risks associated with the strategy. The aim of this Capital Strategy is also to ensure that members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risks.

#### 1.3. Treasury and Investment Strategies

Members of the Treasury Management and Investment Sub-Committee (TMISC) have reviewed the contents of these strategies and recommended that the Cabinet note their contents and seek Council approval for the Strategies. The activities around the management of the Council's cash and external borrowing are known as Treasury Management (TM). Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), members are required to receive reports on the Council's TM activities. The document in Appendix 2 complies with the Code and relevant Government regulations.

Full Council has overall responsibility for the Treasury Management Strategy but delegates to the TMISC responsibility to monitor activity and recommend changes to the strategy. The Accountancy Services Manager (Section 151 Officer) has delegated responsibility to manage operational TM activities within the approved strategy.

1.4. The Ministry of Housing, Communities and Local Government requires the Council to publish and have approved an Investment Strategy. This strategy covers investments that are deemed not to be Treasury Management activities. The Investment Strategy is in **Appendix 3**.

## 2. Executive Summary

### **Capital Strategy**

- Sets out how this strategy will support the Council towards achieving 'Our Chelmsford Our Plan'.
- Sets limits to amounts that can be borrowed by the Council.
- Summarises the costs of the capital programme.
- Identifies how the Council plans to finance its capital expenditure programme and the cost to the revenue budget.
- Identifies how processes will limit risks associated with the strategy.
- Will ensure that members understand the Capital Strategy requirements, governance procedures and risks.

### **Treasury Strategy**

#### Investments

- Increase liquidity balance from £5m to £10m to improve cashflow resilience during the year. As the Council's cash balances have reduced, the Council will enter a period of borrowing, additional balance will be needed to ensure Council cash holdings are sufficient to cover risks. This target may be adjusted by officers during the year if liquidity management requires it.
- Reduction of the limit for balances held in Multi-Asset Funds from £12m to £8m.
- No other material changes from the previous year.
- Cash available for investment is expected to reduce as the Council funds the capital programme.
- Prior to completion of the budget, gross interest income of circa £800k is expected for 2026/27 based on an assumed interest rate of 3.71% across the Council's portfolio.

#### Borrowing

- No material changes from the previous year.
- Borrowing will only be undertaken for the purpose of managing temporary liquidity or to fund the capital programme.
- Limits for external borrowing will be set in the Capital Strategy which will be reported to Cabinet and then Council as part of the 2026/27 Budget.
- Under the Constitution, the Section 151 Officer manages investments and borrowings, so will undertake any borrowing as needed. Prior to

completion of the budget, the Council's cashflow planning forecast estimated £20m of borrowing by the end of the March 2026. Projections suggest external borrowing of £60m by March 2027 may be needed.

- Recognises there are significant risks to the borrowing forecasts given historic experience of slippage in the capital programme.

### **Non-Cash Investments (Investment Strategy)**

- No changes to the principles of last year's investment strategy are recommended.
- No new capital expenditure (investments) will be made where the purpose of the investment is primarily for yield. This restriction is in line with 2025/26 Strategy.
- The strategy has provision to allow for the creation of a stand-alone housing company if needed and subject to appropriate approvals.
- The monitoring of non-treasury investments is undertaken by the Treasury Management and Investment Sub-committee.

### **3. Conclusion**

3.1. Cabinet is asked to accept the endorsement by Treasury Management and Investment Sub-committee and to recommend to the Council the Treasury Management and Investment Strategies.

3.2. Cabinet is asked to recommend the Capital Strategy to Council. This strategy should be reviewed regularly and reported on during the year.

#### **List of appendices:**

Appendix 1 - Capital Strategy 2026/27

Appendix 2 – Treasury Management Strategy 2026/27

Appendix 3 – Investment Strategy 2026/27

#### **Background papers:**

Nil

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#### **Corporate Implications**

Legal/Constitutional: The report meets statutory obligations on reporting Treasury Management Activity

Financial: As detailed in the report

Potential impact on climate change and the environment:

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to managing risks arising from Treasury Management and it's Capital Strategy.

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

N/A

### Consultees:

Management team, Section 151 Officer and Monitoring officer

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### Relevant Policies and Strategies:

Our Chelmsford Our Plan

## **Capital Strategy 2026/27**

1.1 This capital strategy report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

It should be noted that this strategy has not included future receipts which will be realised from disposals of strategic sites such as Chelmer Waterside as the amount and timing of the receipts is not currently known. Future forecasts and outlook should be judged considering the potential upside from these receipts when realised.

Decisions made this year on capital and treasury management will have financial consequences for the authority for many years into the future. They are therefore subject to both a national regulatory framework and a local policy framework, summarised in this report.

Local Government Reorganisation (LGR) is currently under way, and Chelmsford will become part of a larger unitary authority from April 2028. As part of this transition, it is anticipated that a spending restraint order, known as 'Section 24 notice', will take effect at some point during 2026. This notice will impose restriction on both revenue and capital spend.

2026/27 is the last year that the Council will be setting its budget without any constraints. However, even projects within the existing capital programme could still be affected if the contractual commitment is not in place prior to the commencement of the Section 24 notice. It is likely that once the Section 24 notice is in place, a new joint committee made up of members from all merging councils will need to approve any capital spend over £1m, prior to entering into contractual agreements.

Once a new unitary authority is established, further implications are expected for the management of the Council's assets, as asset rationalisation is likely to take place. This will need to be considered during the transition period when decisions on assets and investments are made. Furthermore, during transition, strategies for all merging councils will need to be aligned to form a new unified strategy for the new unitary authority.

1.2 Capital expenditure is where the Council spends money on items, such as property or vehicles, that will be used for more than one year. The majority of these assets are used in service delivery. Additionally, in local government it can include spending on assets owned by other bodies, and loans or grants to other bodies which enable them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 do not have to be capitalised and can be charged to revenue in year.

1.3 **Governance: Capital Investment in Council Services – Capital Schemes and Replacement Programme**

The Replacement Programme is expenditure required to maintain existing levels of service provision. It includes software, vehicles, plant, equipment, grants and improvement loans which are budgeted for annually.

Capital Scheme items are usually building works but can be anything which does not meet the criteria of replacement, including regeneration schemes.

Details of the approved capital schemes, replacement programme and new scheme proposals included in this strategy can be found elsewhere on the agenda as part of the Budget 2026/27 report.

The Prudential Code requires that authorities demonstrate that they make capital spending and investment decisions in line with service objectives and have proper stewardship arrangements, provide value for money, and are prudent, sustainable and affordable.

The Council's constitution and financial regulations govern the capital programme.

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's constitution.
- Capital expenditure must comply with the statutory definition.
- The Capital Programme is approved by Full Council as part of the Council's annual budget report. It reports on the revenue cost of financing the capital expenditure to ensure that it is affordable. This is kept under review and updates are reported to Cabinet and approved by Full Council when required during the year.
- All schemes are formally approved into the capital programme by following an agreed process (see below).
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.

### **New Capital Spending – Prioritisation and Approval**

New capital spending should only be considered where the proposals are fully funded from new external sources, from internal resources currently available, or where capital financing costs are offset from income/savings generated from the proposal or when increasing revenue costs is considered affordable.

It is always difficult to make choices between competing priorities and with reduced resources this is more challenging. To assist, during 2026/27 it is proposed that monitoring of capital programme projected costs will also include monitoring of resources to ensure the use of limited resources are prioritised.

Funding of new capital projects will require the production of a business case. An annual process is in place where Service managers bid in September for new capital scheme proposals and replacement items to be included in the Council's capital programme.

Business cases are collated by Accountancy who review the proposals and ensure that financial elements are validated and calculate any financing and/or running costs.

The bids are reviewed and prioritised by Management Team then referred to Cabinet which then makes recommendations to Council in February each year.

The Council has introduced a corporate Project Management Toolkit to support good project management practice across the Council. The toolkit provides templates for business cases and guidance on all aspects of project management.

In determining viability, capital business cases must include:

- details of how the proposal will help to achieve the corporate priorities;
- details of the intended outcomes and potential running costs;
- a statement of the risks of undertaking the scheme and how these will be managed;
- details of consultations undertaken in arriving at the proposal and any potential alternatives; and
- robust/validated costs. Proposals will not be taken forward for approval where costs are indicative.

If the above items cannot be included, then the service manager should consider whether a feasibility study should be undertaken prior to submission of the business case.

Due to the impact that the financing of capital schemes has on the revenue budget, all future one-off schemes that are not self-financing (produce income or savings at least equivalent to the additional revenue costs of the proposal), will be automatically included on an Unfunded Priorities list.

Management team will review proposals on the Unfunded Priorities list as part of the budget estimates' cycle. Schemes management team consider as a priority will be progressed to a feasibility study to gain a clearer understanding of potential costs and therefore affordability of the scheme.

The Unapproved Priorities list has been produced in Annex 1 and will be maintained and updated on an annual basis. This list will take time to fully establish but will contain details of potential future schemes linked to the priorities in 'Our Chelmsford Our Plan'. When schemes become 'affordable' and of sufficient priority they will be brought forward for approval following submission of a business case and included in the Capital programme. This list will need to be reviewed with reference to LGR and spending constraints introduced by the Section 24 notice.

Wherever possible, proposals will only be taken forward for approval and added to the capital programme when there is certainty with the cost and outcomes of the proposal. This may be based on quotes or in some cases a full tender exercise. The full cost of the proposal must be identified, including the revenue consequences and financing costs, to ensure that the scheme is affordable. As the timing of the feasibility and tender works will not always align with the budget approval timetable it is likely that approval for the one-off schemes will be sought throughout the year.

Following approval, the agreed Corporate Project Management Toolkit should be used to ensure successful delivery of the project.

There are always going to be schemes which need to be approved outside this process, due to urgent health and safety issues for example, or the need to respond quickly to market opportunities, and these will need approval in line with financial rules.

Governance and reporting arrangements, including risk management, will be reviewed to ensure that it remains fit for purpose and is in line with best practice.

## 1.4 Funding the Costs of Capital Expenditure

Below is an explanation of the Council's proposed approach to funding capital expenditure.

### Methods of Capital Financing

Capital resources, these are the funds that pay for capital expenditure and can come from many sources. Broadly speaking these are:

- **Sales of Assets (Capital Receipts):** Any disposal of property or equipment over £10,000 in value is a capital receipt. These can only be spent on other capital items. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. The use of cash proceeds from disposals up to £100k will be prioritised to fund assets with the shortest useful life, such as vehicles and equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost. The use of more strategic disposals, which will result in larger receipts, should be considered with a view to paying down debt and reducing financing costs. Relative benefits of the disposal of assets in exchange for non-cash benefits, such as housing nomination rights which may reduce future Council revenue costs, will also be assessed on a site-by-site basis.
- **Leasing:** This is where we can use an asset in exchange for making a series of payments over several years. Leasing is treated as a debt on the balance sheet. Leasing differs from traditional debt as more often than not the leasing company/property owner retains legal ownership of the asset. Companies are able to obtain capital allowances to reduce the cost to the Council. Leasing will be used following due diligence, comparing the financial and non-financial benefits and risks to the Council versus owning such assets outright.
- **Borrowing** (excluding leasing):
  - The Council can borrow externally from other local authorities, the Government or the private sector.
  - Borrowing can also be carried out internally, where cash balances are "borrowed" to fund capital expenditure.

If the Council undertakes any form of internal or external borrowing, then payments must be made to cover future or current principal debt repayments (Minimum Revenue Provision (MRP)). Before the start of each financial year the Council should prepare a statement of its policy on charging MRP in respect of that financial year and submit it to full Council for approval. The statement should describe how it is proposed to discharge the duty to make prudent MRP charges during that year. The method to calculate MRP is set out in section 1.6 below 'The Borrowing Strategy'. Councils can choose to pay off debt from surplus capital resources, such as capital receipts, at any time.

- **Revenue contributions to capital:** the Council can use revenue budgets set aside to fund capital expenditure.
- **Grants:** there are Government grants and grants from external organisations. These can be used towards specific works that the Council can often bid for or can be non-specific.
- **Section 106 agreements and Community Infrastructure Levy (CIL):** if a new development is undertaken within the City, the Council is legally entitled

to ask for assets or money to mitigate the impact of the development. Wherever possible these contributions are used towards the financing of eligible capital spend.

The circumstances where each type of capital resource will be used depends on the nature of the scheme. Whilst developing scheme proposals, consideration should be given to the types of funding which offer the best value for money for the Council. Clearly, the optimal funding arrangements are those where third parties fund or help fund the investment. The s151 Officer will, at the end of each financial year, determine the appropriate funding for the capital programme.

The Council has limited capital resources and will apply those resources in a way that reduces the revenue burden of the schemes.

## 1.5 Cost of the Capital Programme

In the 2026/27 budget, the Council is planning capital expenditure as summarised below:

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Replacement Programme Updated Budgets Require Approval	£3.558m	£5.393m	£8.013m	£5.966m	£6.337m
Capital Projects – Forecast Variations Require Approval	£31.213m	£26.853m	£22.482m	£5.401m	£5.943m
New Capital Submissions 2026/27 – Additional Budget Requires Approval	£0.000m	£0.126m	£6.439m	£0.060m	£0.000m
Existing Provision for Building Condition Works – Require Approval	£0.000m	£0.812m	£3.207m	£0.641m	£0.000m
New Provision for Building Condition Works – Require Approval	£0.000m	£0.000m	£0.607m	£1.182m	£0.378m
<b>TOTAL</b>	<b>£34.771m</b>	<b>£33.184m</b>	<b>£40.748m</b>	<b>£13.250m</b>	<b>£12.658m</b>

Details of the programme can be found in the Budget Report 2026/27.

This forecast expenditure has been assessed following a full review of the existing programme by Management team. Some schemes previously removed from the approved programme remain on the Unapproved Priorities list as they are considered as possibly being unaffordable or the expected costs have not been validated. An example of this: the proposal for the new cemetery and crematorium infrastructure was removed until an updated business case is brought forward.

### Basis for Estimating Future Costs

The above table reflects the forecast capital programme including new scheme proposals and known replacement items. These costs are reflected in the Budget Report 2026/27 and variations from previously reported costs require approval.

The replacement programme will be approved for the years 2026/27 and 2027/28. The two-year approval provides services with the ability to better manage their replacements. They can move items between the two years should it be necessary and are able to place orders in advance as some vehicles have over a year lead-in time for delivery. As the budgets will be approved in advance of spend, a provision for increases in price has been included. Use of this provision will be delegated to the s151 Officer.

There is a high risk that scheme costs will increase due to inflation and supply and demand. Annual reviews of approved scheme budgets will be undertaken to identify and seek approval for the consequences of inflation.

The table includes provisions for works which have been identified from building condition surveys. Decisions will need to be taken on the affordability and priority of these works. Feasibility and option appraisals will be carried out and business cases will need to be completed for some of the larger more complicated projects such as the Riverside Chiller Unit. A delegation is in place to enable the provision to be drawn down as more certainty of the costs is achieved.

The building condition surveys are carried out as part of a rolling programme so additional provisions will be required in future years.

The replacement programme is continually being reviewed by Service Managers to ensure that there is a full cycle of replacements included in the programme. This review has led to an increased replacement programme cost and further reviews could result in additional cost.

This capital programme has been based on what is affordable. Long-term unfunded priorities will only be included when they become affordable.

The planned financing of the whole programme and replacement items is shown in the table below.

	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Capital Receipts	£1.655m	£0.470m	£0.200m	£0.200m	£0.200m
Grants and Contributions	£28.337m	£25.714m	£6.564m	£1.966m	£2.739m
Revenue Contributions	£0.003m	£2.340m	£1.464m	£1.487m	£1.491m
Borrowing	£4.464m	£4.430m	£30.932m	£9.507m	£6.464m
Finance Leases	£0.312m	£0.230m	£1.588m	£0.090m	£1.764m
<b>TOTAL</b>	<b>£34.771m</b>	<b>£33.184m</b>	<b>£40.748m</b>	<b>£13.250m</b>	<b>£12.658m</b>

1.6 **Borrowing strategy**

The table above shows that the Council will need to borrow to fund its Capital spending.

For details on the governance for Council borrowing, please see Appendix 2 of the Treasury Management Strategy.

Impact of IFRS16 Implementation

Changes to accounting regulations came into effect on the 1<sup>st</sup> April 2024 which required conversion and restatement of operational leases and contract hire to finance leases. The effect of this conversion is that the outstanding liability on the leases is now shown as a debt on the balance sheet. The conversion increased the level of debt held on the Council's balance sheet.

The converted debt balances at 31<sup>st</sup> March each year for Private Sector Landlord (PSL) Leases are shown in the table below as they need to be reported and included in the Authorised Limit and Operational Boundary borrowing limits. The costs and income associated with these leases are reflected in service revenue budgets to ensure that the complete cost of housing services can be shown.

The Capital Financing Requirement (CFR) is the calculation of the Council's internal and external borrowing used to finance its capital expenditure. Statutory guidance is that long-term debt should remain below the CFR. Temporary breaches for cashflow are acceptable.

The table below highlights the requirement for external borrowing to finance the capital programme.

Estimates of Gross Debt and the Capital Financing Requirement	31.3.2025 Actual	31.3.2026 Forecast	31.3.2027 Budget	31.3.2028 Budget	31.3.2029 Budget
Leasing (Debt)	£1.537m	£1.086m	£1.900m	£1.351m	£2.333m
IFRS16 Conversion PSL Debt on Balance Sheet	£4.288m	£3.506m	£2.692m	£1.838m	£0.941m
External Borrowing	£11.000m	£20.000m	<b>£60.000m</b>	£68.000m	£68.000m
<b>Total "External Borrowings"</b>	£16.825m	£24.592m	<b>£64.592m</b>	£71.189m	£71.274m
<b>Total Capital Financing Requirement (CFR)</b>	£45.448m	£48.017m	<b>£78.077m</b>	£84.460m	£88.595m
Internal Borrowing (makes up the difference between CFR and external borrowings)	£28.623m	£23.425m	<b>£13.485m</b>	£13.271m	£17.321m

Although new borrowing to finance capital spend is forecast to be £31m, the Council is expected to increase its external borrowing by £40m in 2026/27. This is because resources such as CIL that had been used as internal borrowing for previous expenditure are now funding (applied to) new expenditure, so internal borrowing becomes externalised.

The Council is required to approve a policy for repaying debt (MRP) which is in italics below:

*MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis up to a period of 50 years. For those short-term assets with a life of less than 10 years an average life year rate will be applied. When calculating the MRP charge, Interest based on the PWLB annuity rate for a loan with a term equivalent to the life of the asset will be used. For assets acquired under leases, the principal repayment inherent in the lease will be used as the basis for MRP in respect of those assets. When this is not available PWLB rates will be used. This policy does not prevent the Council from making early or one-off repayments of debt from capital receipts or from revenue provisions.*

*MRP is charged in the year following the one in which the expenditure is incurred or the first year following the one in which the asset becomes operational.*

### **Affordability of the Capital Programme**

The table overpage shows the planned repayment of debt. This is a charge to the revenue budgets. The consequences of any capital spend must be considered in relation to the impact on the revenue budgets and whether it is affordable. There are limited sources of new capital financing available, so some additional capital spending will be financed by borrowing. The Council will only commit to additional capital spending where it is affordable. The Council must take a prudent approach to new borrowing, any business cases brought forward must be robust and include forward predictions of affordability, with the aim that projects should be self-funding.

The table provides an indication of the cost to the revenue budget of repaying borrowing, both MRP and interest on external borrowing. Some of the capital schemes, earmarked for being financed by borrowing, will provide an income which will offset the cost of the MRP and interest. The revenue budgets for these schemes have not yet been included. These financing costs could vary due to the timing of the capital spend and the interest rate when the financing is sourced. The borrowing costs included below assume interest rate assumptions made in the Treasury Management Strategy.

#### Affordability Indicator: Financing Costs to Net Revenue Stream

This is an indicator we are obliged to publish under the Prudential Code. This is the cost for finance arranged for borrowing (MRP, Interest and all leasing including PSLs) and does not include income generated by those assets.

	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
<b>Total Financing Costs (excludes income generated by capital schemes)</b>	<b>£2.407m</b>	<b>£2.830m</b>	<b>£4.226m</b>	<b>£5.658m</b>	<b>£6.629m</b>
<b>Affordability Indicator</b>					
Net Revenue Stream	£29.186m	£29.770m	£30.365m	£30.972m	£31.590m
<b>Ratio of financing costs to Net Revenue Stream</b>	<b>8.25%</b>	<b>9.51%</b>	<b>13.92%</b>	<b>18.27%</b>	<b>20.98%</b>

The net revenue stream does not take into account the income generated on capital schemes which understates the cost benefit from self-financing schemes and overstates the ratio.

The table below provides a reconciliation back to table 17 in the 2026/27 Budget Report. The adjustments include the removal of PSLs. The costs and income associated with these leases are reflected in service revenue budgets to ensure that the complete cost of housing services can be shown.

	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
<b>Total Financing Costs of Capital Programme from Table above</b>	£2.407m	£2.830m	£4.226m	£5.658m	£6.629m
Technical adj. and new schemes financing removed to tie back to budget includes adj. for PSLs, interest and Self-financing schemes	-£2.805m	-£1.295m	-£1.816m	-£2.427m	-£2.428m
<b>Net Revenue Financing Costs</b>	<b>-£0.398m</b>	<b>£1.535m</b>	<b>£2.410m</b>	<b>£3.231m</b>	<b>£4.201m</b>

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. The higher borrowing limit may not reflect long-term need and may only be reached for short periods. It therefore can be higher than the Capital Financing Requirement.

Authorised limit and operational boundary for external debt in £ms is shown in the table below.

	2025/26 limit	2026/27 limit	2027/28 limit	2028/29 limit
Authorised limit – total external debt	£50m	£85m	£90m	£90m
Operational boundary – total external debt	£28m	£68m	£72m	£72m

Authorised limit – total external debt – this includes Finance leases.

Operational Boundary – total external debt – this is based on the debt outstanding on forecast finance leases and potential external borrowing.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the annual treasury management strategy approved by Council. Three times a year, the Treasury Management and Investment Sub-committee meets to review activity and any new material issues, recommend new strategies and review year-end performance.

## 1.7. Sustainability – Capital Funding

### Capital Receipts from Disposals

The consequences of the Capital programme, such as loss of interest on capital receipts spent, or scheme running costs, will be included in the annual revenue budget reports to Council and Medium-Term Financial Forecast. This provides Members with the ability to gain assurance of the affordability and sustainability of the capital expenditure plans.

The Council has a plan for disposals of assets. The Council will be considering plans to dispose of several sites in the period up to the end of March 2029. Not all disposals will result in a capital receipt and there may be other benefits such as nomination rights for the use of affordable housing developed by Registered Social landlords (RSLs) on previously owned Council sites. There could be revenue costs associated with the disposal of assets and a loss of income which should be considered before a decision is made on the disposal.

Sites Under Consideration for disposal are listed below. Individual values of estimated receipts are not shown for commercial reasons.

1. Chelmer Waterside
2. St Michaels Drive Roxwell Garage Site
3. Pease Place East Hanningfield
4. Glebe Road South Car Park
5. Rectory Lane East Car Park
6. Medway Close Garage Site
7. George Street Car Park
8. Railway Street Car Park
9. Odeon Meadows Land
10. Waterhouse Lane Petrol Station

11. Writtle Street Car Park (Land at Cricket Club)
12. Commercial site Land at Westway
13. Various Council owned dwellings currently used as temporary accommodation

Reports have been approved for disposal of items 2-8 and 11 above.

A more cautious approach to the timing of receipts has been taken to move towards a 'worst-case' funding assumption reflecting economic conditions. The development potential of some larger sites is being considered but, due to the uncertainty of the developments and the timing, no receipts are being shown for the period up to 31/3/2029.

On the 31/3/2029 there are no forecast material holdings of capital receipts from asset sales. All of the smaller receipts collected will have been applied to resource the capital spend.

As detailed above, the limited forecast of capital receipts decreases the sustainability of capital funding and unless external sources of funding are identified for individual capital projects then borrowing will be required for future capital spending and the affordability of borrowing will need to be kept under review.

Where a disposal results in a receipt it should be carefully considered how that receipt should be applied to the funding of the capital spend.

### **Funding of the Replacement Programme**

The Council will need to borrow against shorter-life assets to fund them. The forecast borrowing for 2026/27 is £30.9m where replacements for short-life assets is approximately 10% of this but represents 26% of the MRP charge for this spend.

This is due to the MRP on short-life assets being spread over a shorter number of years resulting in higher annual MRP charges relative to longer-life one-off capital.

From 2026/27, the ongoing contribution from revenue to fund capital has been increased from £0.369m to £1.369m and this has been included in the budgets. This additional £1m revenue funding will be used to fund short-term replacement assets which will reduce the financing cost of the capital schemes. £1m of borrowing on short-term assets with a 7-year life would result in interest and MRP costs of an estimated £175k per annum.

Although an additional £1m contribution from revenue will be used towards funding short-term assets from 2026/27, it is expected that there will still be a need for short-term replacement assets to be funded by borrowing. The table below provides details of the proposed funding of the replacement programme.

<b>Funding Capital Replacements</b>	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Funded Spend	£4.215m	<b>£3.241m</b>	£1.626m	£1.610m
Borrowing	£1.178m	<b>£4.772m</b>	£4.340m	£4.727m
<b>Percentage of replacements funded by borrowing</b>	22%	60%	73%	75%

*2026/27 budget includes £1.4m Disabled Facility Grant (DFG) spend funded by grant not included in later years.*

As part of LGR, merging authorities will rationalise assets, including short-life assets. The cost of the capital will be reviewed and amended by the new authority.

#### Risk

To reduce the risk of overspends, it is intended that wherever possible budgets should only be approved following completion of a business case when validated/robust scheme costs have been identified allowing for suitable contingencies and inflation. Once schemes are approved, regular monitoring is undertaken to identify those schemes at risk of overspending or not being delivered on time so that appropriate action can be taken. To support risk management, a corporate project management “tool kit” for officers undertaking large projects is available.

As part of capital planning, a number of potential future projects or needs for additional funding have been identified. These are included in the Unapproved Priorities List (Annex 1). The list will be kept under review, which should improve planning of capital financing and minimise the risk of allocating resources against lower-priority schemes. This will likely be impacted by LGR and the introduction of the section 24 notice.

The updating of building condition surveys has reduced the risk of not identifying high-need capital spend in a timely manner and improved prioritisation in the short term. As these are carried out on a rolling programme there remains a risk that future capital costs have not been included in later years. The next round of condition surveys is due in 2028/29 which will improve the accuracy of longer-term forecasting of costs.

As the Council continues to improve its identification of replacement and refurbishment need, this could result in additional cost. The extra cost will be from services identifying items for replacement which have not been included previously in plans and the need replacement with a higher modern equivalent specification.

The resourcing of the capital spend has been based on assumptions of receipts, grants and contributions being received and applied. To minimise risk, these assumptions have been prudent, however circumstances outside of the Council's control, such as economic environment, may impact on the timing of receipt of resources.

Future decisions in relation to the method of application of Community Infrastructure Levy to priority schemes may lead to an increase in borrowing costs but may aid prioritisation of funding long-term priorities.

#### Summary

The responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with Full Council. The level of the Council's borrowing is significant, reaching a forecast £88.6m by March 2029 with a rising revenue cost, but these matters will be addressed as part of LGR when councils are merged and capital programmes reviewed.

All members need to be fully informed as to all implications of capital investment decisions, in particular those funded from borrowing. Council is asked to approve the 'Authorised Limit for External Debt' as shown in the table in section 1.6, £85m in 2026/27.

The borrowing and financing figures discussed do not include any costs for scheme proposals on the Unfunded Priorities list (Annex 1). These should be reviewed and brought forward for consideration on the basis of priority and affordability.

Due to the timing and uncertainty of receipts from disposals, this strategy is currently based on the assumption that there will not be any large receipts in the period covered by the report. If capital receipts are realised for some of the larger strategic sites, such as Chelmer Waterside, within this period, there will be significant benefits to the forecast.

Regular reporting and reviews of capital schemes costs, condition surveys and resources will ensure capital plans remain affordable.

## Treasury Management Strategy

- 1.1 Treasury Management at Chelmsford City Council is conducted within the code/framework set by the Chartered Institute of Public Finance and Accountancy. *Treasury Management in the Public Services: Code of Practice 2021 Edition* requires the authority to approve a Treasury Management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA code.
- 1.2 Treasury Management covers the management of the Council's cash flows, borrowing and investments, and any associated risks. Chelmsford City Council has substantial cashflows and investments from its activities and is therefore exposed to a series of financial risks including the loss of invested funds. Risk also arises from possible changes in interest rates affecting investment income or the cost of any external borrowings.
- 1.3 The Council's investment priorities are, in order of priority:
  - (a) the security of capital,
  - (b) the liquidity of its investments; and
  - (c) yield.

The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

- 1.4 Borrowing purely to invest or lend on to make a return is unlawful and this Council will not engage in such activity. The borrowing to fund the capital programme is allowed and including borrowing up to a year in advance to secure the funding or de-risk the interest rates. Officers will aim to minimise borrowing costs by investing surplus cash based on forecast cashflow needs.
- 1.5 In the event of unforeseen major changes to the external environment or financial plans of the authority, it may be necessary for the Council to revise its strategy during the year.
- 1.6 This Treasury Management Strategy will focus solely on investments and debt management activity arising from the organisation's cashflows, taking into account the capital programme. Non-treasury investments will be covered separately under the Investment Strategy (Appendix 2). The monetary limits on borrowing will be set in the Capital Strategy which forms part of the 2026/27 budget papers going to Cabinet and Council in January and February.

## 2. External Context

- 2.1 The macroeconomic environment has a significant impact on the Council's treasury operations via inflation, interest rate and counterparty risks.

The Council obtains advice on macro-economic issues from its Treasury advisor, MUFG Corporate Markets, and public news sources.

## The Economic Environment and Interest Rate Forecast

2.2 The Bank Base Rate was maintained at 4.00% in November 2025 by the Bank of England's Monetary Policy Committee (MPC) where the last cut was in August 2025 of 0.25%. At the December meeting the Bank Rate was reduced to 3.75%. Interest rates are generally expected to fall further.

2.3 GDP growth for 2025-2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.

CPI inflation continued to drop in November to 3.2% from 3.6% in October, whilst core inflation fell to 3.2%. Services inflation fell at 4.4%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

A looser labour market is driving softer wage pressures. The 3-month year-on-year rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

2.4 The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets. Below is their latest forecast after the Bank of England rate change in December. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps. The table does not reflect the Bank of England interest rate cut in December. MUFG Corporate Markets will be revising their interest rate forecast after the December MPC meeting. In summary interest rates are expected to fall.

MUFG Corporate Markets Interest Rate View 22.12.25														
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	
<b>3 month ave earnings</b>	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	
<b>6 month ave earnings</b>	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40	
<b>12 month ave earnings</b>	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60	
<b>5 yr PWLB</b>	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	
<b>10 yr PWLB</b>	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70	
<b>25 yr PWLB</b>	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.20	5.20	5.20	5.20	5.20	
<b>50 yr PWLB</b>	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00	

### 3. Forecast cashflow and external borrowing for the City Council

3.1 Forecast year-end investment balances are in the table below. These are best estimates at this stage (*Please note: if any changes are made to the capital programme in the budget, then the figures below will be amended before the report is presented to Council by the s151 officer.*)

	31/03/2025 Actual (£m)	31/03/2026 Forecast (£m)	31/03/2027 Forecast (£m)	31/03/2028 Forecast (£m)	31/03/2029 Forecast (£m)
Year-end investment held	23	12	17	17	17
Cumulative External <b>Borrowing</b>	11	20	60	68	68

In practice, the amount of borrowing could well be lower than the forecast due to slippage in capital expenditure and CIL incoming arriving earlier than expected. The forecasts made by officers over the last few years have shown the correct trend but significantly overstated the amount of borrowing needed.

Within the £40m of increase in external borrowing forecast in 2026/27, the value of items certain to occur is £10m and the balance £30m of items can be said to be likely to be spent. However, historic experience does highlight the risk that this type of assessment can be materially wrong leading to overstating the level of external borrowing. The TMISC has been provided with confidential details on the assumptions made in the cashflow forecasting.

3.2 Cash/ Investment forecast:

During most months, the cash balance can rise and fall by up to £15m due to receipt of various income and payments including precepts to other Essex bodies. The Council should therefore aim to keep sufficient cash in hand to manage these fluctuations and allow for unknown risks.

The Government consulted on proposed changes to the Council Tax regime, and it is expected that, from 2026/27, Council Tax will be collected over 12 instalments by default rather than the 10 instalments that we have been previously used to. The result of this is the Council will no longer benefit from a lift in cashflow at the beginning of the year and fall later in the last two months when traditionally less Council tax income would come in.

A minimum of £10m of investments needs to be held by the Council to satisfy money market regulations (MiFID II requirements required £10m to enable the Council to maintain its professional client status). An investment balance below £10m will reduce the counterparties (banks etc) willing to transact with the Council. £10m should therefore be the minimum average balance targeted.

The Council's officers will aim to hold a continuous £17m of cash and investments made up of £10m cash held for liquidity and a maximum £7m of long-term investments. The Council will borrow where necessarily to maintain its liquidity balance.

The £17m reflects a proposal to increase the liquidity allowance from the previous £5m to £10m due to the Council entering a period of borrowing and advice from the treasury

advisors suggesting the £5m is low. The long-term investments are supported by reserves and other balances in section 4.

The principles to establish how we borrow are in Section 3 below and how investments should be managed are discussed in Section 4 below.

### 3.3 Borrowing Forecast:

The Capital Strategy published with the Revenue 2026/27 budget papers will include debt limits reflective of the 2026/27 budget.

The CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by (internal and external) borrowing. The capital strategy will update the forecast of the CFR. The table below shows current estimates. This may be amended by s151 before this report is taken to Council.

	March 2025 Actual £m	March 2026 Forecast £m	March 2027 Forecast £m
<b>Capital Financing Requirement</b>	<b>45.4</b>	<b>48.0</b>	<b>78.1</b>
<b>Made up of:</b>			
Surplus cash internally borrowed	28.6	23.4	13.5
External Debt (leasing)	5.8	4.6	4.6
External Borrowing	11.0	20.0	60.0

The Council does reduce investments by internally borrowing the cash (balance sheet resources) to fund the capital programme instead of external loans. This can lower financing costs payable by the revenue budget compared to external borrowing.

## 4.0 How we intend to Borrow

4.1 This section of the strategy sets out the Council's methods to borrow. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. Long-term borrowing is only used to fund the capital programme so the level of borrowing will never exceed the CFR (Capital Financing Requirement) for any meaningful amount of time. As previously stated in Section 3.3, the CFR is the amount of capital expenditure the Council has which will be financed by internal or external borrowing. The CFR will be determined by the decisions in Budget Report 2026/27.

4.2 The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with external loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels. The Section 151 Officer will monitor the position to determine the optimal mix of internal and external borrowing. To seek to strike a balance between minimising interest costs, securing certainty of borrowing costs and ensuring sufficient liquidity.

4.3 Examples of where the Council can seek to borrow funds from are:

- Public Works Loan Board (PWLB). This is only allowed if a Council has no approved capital plans to purchase assets primarily for the purposes of yield. More details can be found in the Investment Strategy and paragraph 4.4 below.
- Other UK Local Authorities. This is usually relatively short-term debt running from a few days to two years in duration.
- Any institution which meets the Council's investment criteria.
- UK public or private sector pension funds (Excluding the Essex Local Authority Pension Fund).

4.4 The PWLB can lend to local authorities for any duration up to 50 years. The PWLB is the source of loans/funds if no other lender can provide finance. The PWLB will not lend to an authority that plans to buy investment assets primarily for yield. The Section 151 Officer must certify to the PWLB that no such purchases are planned.

From a Treasury Management perspective, it is recommended that the PWLB should be retained as a borrowing option and therefore purchase of investment assets primarily for yield should not be considered. This is recommended not only due to the reduced rates available through PWLB but due to the backstop accessibility of this source of borrowing.

4.5 Officers can undertake borrowing within the constraints the following debt indicators, the amounts for each are approved in the Capital Strategy:

- The Authorised Limit is the limit placed by the Council on the absolute level of its gross debt at any time. The Local Government Act 2003 stipulates that it must not be breached at any time. When setting the limits, these will need to be consistent with the liability benchmark as this shows the borrowing requirement to fund the forecast capital programme.
- The Operational Boundary of external debt is lower, reflecting the planned maximum level of debt at any time, the difference being designed to give headroom to deal with unforeseen movements in cash flow. A sustained or regular trend above the Operational Boundary would require investigation and appropriate action.

The calculations are linked to the CFR (the overall borrowing needed to fund the capital programme).

During the financial year TMISC will receive reports on how any borrowing compares to the indicators.

In Annex 3 of this report, Prudential Borrowing and Investment indicators are shown.

4.6 In addition to borrowing via loans, other debt financing models may be used to finance the capital programme where this represents best value for the authority. These forms of debt are included in the overall borrowing limits. Such debt finance models include:

- Sale and leaseback arrangements
- Hire purchase arrangements

## 5 How we intend to Invest

### 5.1 Investment objectives are in order of priority:

- Security of assets – investing in counterparties only where the risks of incurring a capital loss through default, and the risks of late payment of principal and interest, are low. Also, by spreading risk as widely as is practically possible.
- Liquidity – Ensuring that the authority can access enough cash to meet its obligations with appropriate notice. It is recommended for 2026/27 a target of at least £10m of short-notice funds is held. The definition of short notice will be any held for less than or equal to 35 days.
- Yield – subject to the management of risks associated with security and liquidity of assets, the Council will seek to maximise the yield from its investment portfolio.

The Government regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. The Council will aim to achieve the optimum return on its investments with proper levels of security and liquidity that is within the Council's risk appetite.

### 5.2 **Annex 3** sets out the background detail relating to counterparties, also limits of size of investment and durations. These are unchanged from previous years.

### 5.3 The institutions the Council can invest with are well-capitalised. General credit conditions across the sector are expected to remain benign, limiting the chances of losses to the Council. However, no investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit-rating criteria.

### 5.4 Public Bodies provide much less risk as investment counterparties, but yields can vary depending on the liquidity available within the market. The Council will consider security, liquidity and return when reviewing new investments over different organisations and different investment categories (pooled funds, public bodies, etc.) to provide a satisfactory balance of security of capital and return. The City Council will avoid lending to councils that have a section 114 notice but there is no evidence that a s114 notice makes a loss of investment more likely.

### 5.5 Changes in valuation of the multi-asset fund holding under IFRS9 accounting standards are chargeable to a company's profit and loss in the financial year. For a Council, if IFRS9 were applied, it would mean the local taxpayer meeting valuation changes through the general fund as cost or gain even if they were due to temporary volatility. The Government has extended the IFRS9 statutory override to apply to existing local authority investments in pooled investment funds that were made before 1st April 2024. The government has extended this specific override for these existing investments until 1st April 2029, to provide local authorities with additional time to manage their investment strategies.

However, any new investments in pooled investment funds made on or after 1st April 2024 are subject to the standard IFRS9 accounting requirements, meaning fair value movements must be recognised directly in the general fund. The override prevents these "paper" fluctuations from immediately impacting the authority's revenue accounts and annual balanced budget requirement.

Additionally, IFRS9 impacts the write-down in the valuation of impaired loans.

### 5.6 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision-making, but the framework for evaluating investment

opportunities is still developing and therefore the Council's approach does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Therefore, externally managed funds will be required have regard for ESG, but this is not possible for internally managed bank deposits and short-term investments (money market funds).

5.7 The Council's cashflow and need to borrow mean officers expect investments during 2026/27 to be relatively short in duration with main purpose to manage liquidity, with the exception of the multi-assets funds which are regarded as long-term holdings but kept under review by s151 and who is delegated to make decisions regarding their use.

5.8 In practice:

- officers will most likely invest in short-dated money-market funds, as they offer the best way to manage liquidity and reduce investment risk (by spreading counterparties).
- The use of multi-asset funds would probably be reduced over the next few years, given the gradual move to long-term borrowing. However, there will be significant changes to cash and debt holdings due to LGR over the next three years. The decisions regarding the continued use of multi-asset funds will need to be assessed in that light and fund performance.

The indicative budget for interest income for 2026/27 is £800K based on an average investment portfolio of £21m at an interest rate of 3.7%. If actual levels of investments or actual interest rates differ from those forecasts, performance against the budget could be significantly different. The interest income is highly dependent on the timing of capital programme expenditure

## 6 Role of the Treasury Management and Investment Sub-committee

6.1 The Sub-committee will be informed of investment, borrowing activity and significant changes in conditions that may lessen or increase the risks of Treasury Management activity. The Sub-committee will, where necessary, consider changes to the strategy and report back to Council.

6.2 Reporting and reviewing of treasury management activity will include

- Monitoring Treasury management indicators (**Annex 4**): The code requires local authorities to have regard to certain treasury indicators. The indicators will assist in measuring and managing the Council's exposure to Treasury Management risk in 2026/27. The 2021 Prudential Code introduced Prudential indicators and a requirement for monitoring to be reported formally on at least a quarterly basis. However, due to the volume of finance reports already made to formal committees, it is recommended that reporting is three times a year to TMISC or Cabinet. Officers believe the existing 3 meetings of the TMISC are sufficient.
- The indicators include some limits and some indicators. Limits should not be breached, and if they are, TMISC should report that to Full Council, whereas

## Appendix 2

indicators can be breached during the year if necessary. TMISC should seek clarification on why an indicator is breached and seek appropriate actions.

## **Investment Strategy**

This document ensures compliance with the requirements of the CIPFA Prudential Code and the Ministry of Housing, Communities and Local Government (MHCLG) guidance on local authority investment. The CIPFA code and MHCLG guidance recognise that organisations may make investments for reasons outside of treasury management objectives and these investments may prioritise other objectives above the security of capital.

### **Contents of the Investment Strategy**

1. The types of non-cash investments
2. How Council monitors performance
3. The role of the sub-committee

## **1 The types of non-cash investments**

### **1.1 Investment Primarily for Yield (overarching principle)**

Guidance from the PWLB issued in 2020/21 bans any local authority from borrowing from it if, in the current or following 2 years, the authority has plans in its capital programme to invest in assets to be held primarily for yield. The City Council can access non-PWLB sources to fund capital investment. However, the Council previously approved the principle that keeping access to PWLB borrowing was more important than keeping the option to undertake the purchase of investment property primarily for yield. The recommended overarching principle in the investment strategy is that the Council will not undertake any capital investment with the primary objective of yield. The CIPFA 2021 Prudential and Treasury Management best practice code is explicit that authorities must not borrow for the primary purpose of earning a financial return.

### **1.2 Service Investments: Loans and Shareholdings**

These cover making loans to, and buying shares in, local service providers, local small businesses to promote economic growth, and, for some authorities, subsidiary companies that provide services. Considering the public service objective, Councils can take moderate risk with the principal invested.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans have been set as follows: -

Category of borrower	31 March 2025 Actual			2025/26	2026/27
	Balance owing	Loss allowance	Net figure in accounts	Forecast	Approved Limit
Chelmsford City Football Club	£0.021m	£0.021m	£0.000m	£0.000m	£0.0m
CHESS (Support for Homeless Service)	£0.478m	Nil	£0.478m	£0.462m	£0.467m
Maximum New loans if required.	Nil	Nil	Nil	Nil	£10.000m
<b>TOTAL LIMIT</b>	<b>£0.499m</b>	<b>£0.083m</b>	<b>£0.478m</b>	<b>£0.462m</b>	<b>£10.467m</b>

The above table includes an allowance of up to £10m of new loans should the Council for example decide to create a standalone company to facilitate the creation of additional affordable housing or for other trading purposes. Any decision would be subject to Council approval.

The football club has made the final payment during 2025/26, and the loan repayment has been cleared.

CHESS took out a loan from the Council in March 2025 of £0.478m that is secured against their asset. Repayments of this loan started in April 2025 and all monthly payments have been made to date.

The Council will monitor the financial position of the recipient or potential recipient using (but not limited to) credit ratings where appropriate, published financial information (such as annual accounts), press articles and by maintaining an open dialogue.

Accounting standards require the Authority to set aside an allowance for losses on loans, reflecting the likelihood of non-payment. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit-control arrangements in place to recover overdue repayments.

There may be times to approve items outside this process, due to urgent health and safety issues for example, or the need to respond quickly to market opportunities. These changes will need approval in line with the constitution.

### 1.3 Commercial Investments:

MHCLG defines property to be a commercial investment if it is held primarily to generate a financial return. This type of investment may also involve making loans to subsidiaries or partners, where the aim is achieving profit.

The Council's commercial property investments are summarised below. No new assets have been acquired since last reported; any increases shown reflect improvement or refurbishment works.

There was a fall in valuation mainly resulting from the transfer of Lockside land into Surplus and the valuation on 1 Springfield Lyons building as a result of property being

vacant and refurbishment works to the building. The value of Meadows Retail Shopping Centre fell due to low rents and occupancy.

Property Type	Value in accounts	31.3.2025 Actual				
		Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£15.65m	£0.00m	£0.00m	£0.03m	-£1.52m	<b>£14.16m</b>
Other	£4.65m	£0.00m	£0.00m	-£2.38m	£0.12m	<b>£2.38m</b>
Retail	£33.79m	£0.00m	£0.00m	£0.00m	-£0.04m	<b>£33.75m</b>
Industrial	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	<b>£0.00m</b>
<b>TOTAL</b>	<b>£54.09m</b>	<b>£0.00m</b>	<b>£0.00m</b>	<b>-£2.35m</b>	<b>-£1.44m</b>	<b>£50.29m</b>

Property Type	Value in accounts	31.3.2026 Expected				
		Acquisitions In Year	Disposals In Year	Transfers to PPE in Year	Works/ Additional Gains or (losses)	Value in accounts
Office	£14.16m	£0.00m	£0.00m	£0.00m	£0.19m	<b>£14.35m</b>
Other	£2.38m	£0.00m	£0.00m	£0.00m	£0.03m	<b>£2.41m</b>
Retail	£33.75m	£0.00m	£0.00m	£0.00m	£0.03m	<b>£33.78m</b>
Industrial	£0.00m	£0.00m	£0.00m	£0.00m	£0.00m	<b>£0.00m</b>
<b>TOTAL</b>	<b>£50.29m</b>	<b>£0.00m</b>	<b>£0.00m</b>	<b>£0.00m</b>	<b>£0.25m</b>	<b>£50.54m</b>

The Council will consider the purchase of commercial property but only where it supports regeneration, facilitates land assembly for future regeneration projects, or supports Council priorities set out in “Our Chelmsford: Our Plan”, but not where the primary purpose would be for yield.

Properties will only be purchased within the Council’s geographic area.

Any properties that generate commercial yield will be monitored by the Treasury Management and Investment Sub-committee until redevelopment occurs.

#### 1.4 Loan Commitments and Financial Guarantees

The Council has entered into a new loan agreement with CHESS (Support for Homeless Services) of £478K to help finance their redevelopment of a Homeless Accommodation in March 2025.

## 2 How Council monitors performance

### 2.1 Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Accountancy Services Manager (Section 151 Officer) is a qualified accountant with over 30 years' experience and the Head of Property is a member of the Royal Institution of Chartered Surveyors with over 20 years' experience in both Public and Private Sectors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and external short courses to keep abreast of developments and maintain up to date skills and knowledge.

**Elected members:** The Council does not expect members to make investment decisions but to understand the risks the Treasury & Investment Strategies create. The Council therefore provides training for members on the appropriate issues by providing advice and access to MUFG, the Council's Treasury Advisors.

**Training and qualifications:** Documents and schedules will be kept of training and qualifications of the key roles.

**Due Diligence:** When undertaking investments there is a need to recognise where the Council is lacking detailed market knowledge and then external advisors will be employed. The Council uses MUFG as Treasury Management Advisors and external property valuers are engaged when undertaking material purchases.

### 2.2 Investment Indicators (Limits or Indicators)

The Authority must set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.

**1) Total investment risk exposure (indicator):** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	£22.8m	£11.6m	£16.6m
Service investments: Loans	£ 0.5m	£0.5m	£0.4m
Commercial investments: Property	£50.3m	£50.5m	£58.4m
<b>TOTAL INVESTMENTS</b>	<b>£73.6m</b>	<b>£62.6m</b>	<b>£75.4m</b>

The commercial property forecast values shown above are projected changes. It has been assumed that valuations remain relatively static in 2025/26, with increase in 2026/27 resulting from the planned reletting of 1 Springfield Lyons.

**2) How investments are funded (indicator):** Investments funded from borrowing have more risk than those funded from surplus resources, so Government guidance is that there should be indicators on how investments are funded. Since the Authorities do not normally associate particular assets with specific borrowing liabilities, this guidance is difficult to comply with. However, the following table probably best describes any borrowing link to investments.

Investments funded by borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast	31.03.2028 Forecast
Service investments: Loans	£0.5m	£0.5m	£0.5m	£0.4m
Commercial investments: Property*	£6.7m	£7.9m	£9.5m	£9.3m
<b>Total funding by borrowing</b>	<b>£7.2m</b>	<b>£8.4m</b>	<b>£10.0m</b>	<b>£9.7m</b>

In 2019/20 to alleviate the temporary costs of the pandemic, the Council choose not to make revenue contributions to capital. The overall level of borrowing would have been lower, and the commercial assets (Aquarium offices) would not have been funded from internal borrowing. The additional borrowing in 2027 relates to remodelling works to existing properties and development of existing sites.

**3) Rate of return received (indicator):** This indicator shows the net investment income received less the associated costs, including the cost of borrowing where appropriate, calculated as a proportion of the sum initially invested.

The increase in income for 2026/27 assumes the let of 1 Springfield Lyons.

Investments net rate of return (income)	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.9%	4.1%	3.6%
Service investments: Loans	N/A	5.4%	5.4%
Commercial investments: Property	5.8%	6.1%	6.3%
Treasury Management Income (draft estimate 26/27)	£1.8m	£1.0m	£0.8m
Investment Rent Income (draft estimate 26/27)	£2.9m	£3.1m	£3.7m

#### 4) Other investment indicators

The Section 151 Officer has identified the following estimates to help assess Risks and Proportionality of investment activity at the Council.

Estimates	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Income from Treasury Management as Percentage of Net Revenue Stream	3.9%	2.2%	1.6%	1.6%	1.4%
Commercial Income as percentage of Net Revenue Stream	11.8%	12.2%	14.0%	13.7%	13.5%
Total Borrowing Undertaken to Fund Investment Properties	£6.7m	£7.9m	£9.5m	£9.3m	£9.2m

The estimates/indicators reflect historic decisions, and the schemes included in the proposed/approved Capital programme.

#### 5) Investment Indicator Limits

Below are limits on investments which reflect the estimates above plus allowance for some headroom or flexibility to undertake higher levels of investment activity. The limit is that recommended by the Section 151 Officer. These limits are required under Government guidance and should not be exceeded. If the Council does exceed these limits, then it is expected not to rashly dispose of investments but instead should avoid entering any further investments except for short-term Treasury Management activity until appropriate alleviation of the breach is undertaken.

Limits	2025/26 Limit	2026/27 Limit	2027/28 Limit	2028/29 Limit
Commercial Income as percentage of Net Revenue Stream	19%	19%	19%	19%

### 3 Role of Treasury and Investment Sub-committee

The non-cash investments require continuous monitoring, and the role of the sub-committee is to undertake that ongoing assessment. At a previous sub-committee meeting, it was agreed that the following would be the basis of the ongoing monitoring:

- Any changes in the portfolio in the period (acquisitions and sales).
- All charges and receipts, indicating any arrears.
- Capital expenditure; planned or reactive.

- Performance against budgets; both expenditure and income.
- Any potential changes to the income through lease renewals and rent reviews.

The Sub-committee is also responsible for recommending the Investment Strategy. The strategy requires Full Council approval.

## Unfunded Priorities List Identified December 2025

	<b>Proposed Schemes</b>	<b>Brief Overview of Proposal</b>
	<b><u>Leader</u></b>	
1	Accommodation Strategy – Coval Lane Building	To relocate staff in Coval Lane to Duke Street with the intention to rent out the majority of the Coval Lane Building with the aim of covering fixed costs whilst also generating a rental income.
	<b><u>Active Chelmsford</u></b>	
2	SWF Leisure Gym & Studio expansion	To convert existing "gym" to enhance health & fitness facilities to enable daytime use in line with the swimming pool
3	Hylands Walled Garden	To bring walled garden into use (TBA) with a commercial partner. Feasibility, followed by market testing – will likely need some CCC financial input.
	<b><u>Strategic Outdoor Sports Provision</u></b>	
4	Melbourne Park Changing Room Pavilion, Flood lighting and surface replacement of multi-sport Courts	Enhancement of existing community facility
5	Coronation Park additional Rugby Pitch	Provision of additional facility for community
6	Additional 3G Pitch – Warren Farm Sports Area additional floodlit artificial pitch	Provision of additional facility for community
7	Saltcoats Park and Compass Gardens – new cricket and football facilities and sports pavilion	Provision of additional facility for community
	<b><u>Connected Chelmsford</u></b>	
8	Museum Re-imagining The Bothy, Oaklands Park	Adaptations to expand use of asset
	<b><u>Greener Chelmsford</u></b>	
9	Sandford Mill Future Use of Area	
10	Rivers, Waterways and bridges – development and improvement	Parks, Green Spaces and Waterways Strategy 2022 and Improvement Plan for Rivers and Waterways Policy Board 2022
11	Cemetery and Crematorium Infrastructure	To enable provision of current service at new location
	<b><u>Growing Chelmsford</u></b>	
12	Local Plan Digital Platform	Replacement digital solution to engage, prepare, consult and monitor future Local Plan
13	Public Realm – Market Square (1)	Enhancement to Market Square to make the space more attractive and active
14	Public realm – Half Moon Square to Stone Bridge (2)	Improve public realm in city centre
15	Public Realm – Stone Bridge to Baddow Road (3)	Improve public realm in city centre

16	Public Realm – Springfield Road (4)	Improve public realm in city centre
17	ECC Army and Navy Contribution	Contribution to ECC to enable development of highways
18	ECC East Chelmsford Cycling & Walking Connectivity	Contribution to ECC to enable works
19	Q-Tech Park	Economic development initiative
20	Car Parking – Future requirements	Potential decked car park
21	North-East Chelmsford Garden Community Infrastructure Ringfenced CIL	New development
22	South Woodham Ferrers Town Infrastructure – Ringfenced CIL	Improve facilities
23	Land Bank	To create a provision to acquire new land for the future (not from CIL)
24	Park and Ride	Additional facility

## Treasury Investment Types

**Enhanced Money Market and Money Market Funds.** The Council has access to enhanced money market funds (AAA rated) which offer a rate of return but require 2 – 5 days' notice to withdraw funds.

The Council invests short-term cash in several AAA-rated money market funds. These funds provide a rate of interest (3.97%-4.04% at 12<sup>th</sup> December 2025) and most importantly allow same-day access to funds. Interest rates are linked to the BOE base rate and so any increase in this will feed through to the rates earned for the Council.

These funds spread the Council's investment over many financial institutions, so reducing risk. Historically the funds have proved very safe.

**UK Public Bodies.** Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts are all investments with the UK Central Government. These are the safest possible form of UK investment, so the Council will place no limit on the amount that can be invested.

Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans). These are theoretically as safe as lending to Government, but what would happen should a Local Authority go bankrupt has never been tested in law. It is therefore prudent to place some limit on investments with each local authority but recognising this type of investment is much safer than most alternatives.

**Unsecured UK bank investments.** The changes to UK Bank regulation from the adoption of a "bail-in" approach to recapitalising banks and the move to ringfencing of UK bank retail operations have increased the amount that could be lost in the event of a bank failure. With the completion of ringfencing activities by major banks to protect retail investors from investment banking losses, different banks have placed local authority depositors in either the retail or investment banking divisions. It should be noted that the credit scores for the banks to which the Council lends have either remained the same or improved because of ringfencing. The Council believes that it is prudent to invest with banks who are on MUFG suggested lists. MUFG only suggest investments with UK banks for up to 6 months for the majority of those listed. The Council differs from MUFG advice in terms of the length of investment, up to a period of 365 days. But only if the credit rating criteria (below) are met and no information is available that identifies unacceptable risk. The Council will not invest with any bank that is not on the suggested MUFG list.

**Unsecured building society investments.** MUFG recommend a pool of Building Societies that it suggests clients could invest with. Where our criteria do differ to MUFG relates to the suggested duration periods where MUFG only recommend up to a maximum of 6 months. The Council current policy goes beyond MUFG advice and lends up to 365 days.

It is recommended that the Council's treasury strategy takes a different approach to investing with building societies than that suggested by MUFG. If a building society has a long-term credit rating of at least A- then investments for up to 365 days should be allowed. This is the same as the Council's previous counterparty policy for Building Societies but is a higher risk approach than MUFG based on duration.

**Unsecured Non-UK bank investments.** MUFG has different the approach for investment with non-UK banks compared to UK banks. This reflects the different risks and ownership structures that affect the security of the investment. The Council first uses MUFG advice to select appropriate non-UK banks and then uses credit rating information to make

investment decisions. The Council uses credit rating of AA- for selecting investments with non-UK banks of up to a maximum of 365 days and A- for investments of up to 100 days.

The Council may differ from MUFG advice in terms of the length of investment, if the credit rating criteria above are met. The Council will not invest with any bank that is not on the suggested MUFG list. In practice, the Council's approach is more conservative than MUFG who, for non-UK banks with a Fitch rating of between A- to A+, suggest in many cases durations up to 6 months. The Council is broadly consistent with MUFG where the suggested duration is up to 2 years for the non-UK banks with a rating of AA-.

**Registered Social Landlord (RSL) Loans.** The Council can lend to RSLs in the pursuit of treasury management objectives but must treat any loans made for policy reasons as capital expenditure. The option to lend for Treasury purposes has been on the Council's counterparty list for several years but there has not been a suitable opportunity.

**Covered Bonds, Reverse Repurchase Agreements and Supranational Bonds.** These are all different investment products but have in common the highest levels of credit rating. They are either backed by a pool of guaranteed bank assets or UK and/or foreign Governments. The Council takes advice from MUFG before undertaking any of these investments, so an investigation of the individual strength of each investment has been determined. They are rarely used by the Council.

**Multi-Asset, Bond and Property Funds.** These potentially offer the Council income and capital growth of the sum invested. There are several types of funds including property funds, bond funds, equity funds and multi-asset funds. Funds seek to reduce risk by building a pool of investments and as such are considerably safer than an investment of comparable size in a specific single asset.

However, any fund exposes the Council to market price volatility. Officers will carefully consider any investment opportunities and always keep any ownership under review. A review of the risks and benefits of using Funds was made in the summer of 2019 and which concluded that Multi-Asset, Bond and Property funds provide a suitable method to invest Council funds.

As at the end of November 2025, the Council has an investment of around £6.6m in 2 Multi-Asset funds.

## Counterparty – Duration and Monetary Limits

The Council uses credit ratings and MUFG's advice to determine suitable counterparties. MUFG employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies.
- CDS spreads that may give early warning of changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

Link combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The result is a series of colour-coded bands which indicate the relative creditworthiness of counterparties.

The Council's policy has been and is recommended to differ from MUFG advice when it comes to duration of investments with Banks (UK and Foreign) and Building Societies. The Council's officers have focused more on long-term credit ratings and an assessment of systematic importance to the UK economy when assessing investment duration. This means the Council has a slightly longer duration and slightly less Counterparties than suggested by MUFG, but still maintains diversification of investments and security of the Council's assets.

The duration that an investment is made affects the amount of risk to the capital invested. The longer the investment the more risk of some unexpected change occurring to the financial strength of the deposit taker. Perhaps, more importantly the Council can only invest for durations that enable Council's liquidity to be managed effectively. To reduce these risks limits can be placed on the length of investments. The Council is required by law to identify the proposed investment criteria under the categories Specified and Non-Specified, as shown below:

### Specified Investments

- investments of duration less than or equal to 365 days and denominated in sterling.
- investments made to UK Government, UK local authorities or institutions of high credit quality.
- high credit quality defined as a minimum A- by Fitch or the equivalent score of the other main rating bodies (Standard & Poor's, Moody's).

Specified Counterparty	Minimum Credit Criteria	Max. Limit £m	Max. maturity period	Change from Prev. approach
Enhanced Money Market Funds (Variable Unit Price) Up to 5 funds	AAA	£6m each fund	2-5-day notice	None
Money Market Funds (per fund)	AAA	£6m each fund	Instant Access	None

Debt Management Agency Deposit Facility, Government Treasury Bills or Gilts	UK Government	No Limit	365 days	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans)	UK Government	£10m each authority	365 days	None
UK Banks	A-	£3m for each group	365 days	None
Building Societies	A-	£3m for each group	365 days	None
Non-UK Banks	AA-	£3m each group	365 days	None
Non-UK Banks	A-	£3m each group	100 days	None
Registered Social Landlord Loans	A-	£3m each group	365 days	None
Covered Bonds	AA-	£6m	365 days	None
Reverse Repurchase Agreements (each agreement)	AA-	£6m	365 days	None
Supranational Bonds (per institution)	AAA	£6m	365 days	None

The counterparty limit for 2025/26 is £3m per financial institution and it is recommended that this is retained for 2026/27. Reducing the £3m limit would reduce the number of institutions willing to take Council deposits, as a smaller investment would be judged too small to be economic for large institutions. Indeed, there are many institutions who will not accept £3m from the Council as this is too small for them.

### Non-specified Investments

These do not meet the criteria of specified investments. They are identified separately to ensure the Council understands that these are higher risk, either due to counter party risk, liquidity risk, market risk or interest rate risk.

Counterparty	Min. Credit Criteria	Max. Limit £m	Max. maturity period	Change from existing approach
Multi-Asset or Bond funds	Unrated	£5m per fund	n/a	None
Covered Bonds (per bond)	AA-	£6m	3 years	None
Supranational Bonds (per each institution)	AAA	£6m	3 years	None
Debt Management Agency Deposit Facility, Government Bills or Gilts	UK Government	No Limit	5 years	None
Local Authorities / Bank Deposits Collateralised (guaranteed against local authority loans	UK Government	£10m each authority	5 years	None

## Treasury Management Indicators

### Limits

**1) Long-Term Treasury Management Investments (Limit)** – The purpose of this indicator is to manage the Authority's exposure to the risk of incurring losses by seeking early repayment of its investment or the costs of enforced borrowing for liquidity purposes. The prudential limits on the long-term treasury management investment will be: -

Price Risk Indicator	2024/25	2025/26	2026/27
Limit on total principal invested beyond year end	£10m	£10m	£10m
Investment Funds	£8m	£8m	£8m

The £8m shown is a maximum limit for investment funds which have no fixed maturity date such as Multi Asset. Additionally, there is a separate £10m limit for sums invested in fixed term investments over 365 days in duration. The £10m limit for cash invested over 365 days is only expected to be used if cash balances turn out materially higher than forecast, which is unlikely.

**2) Counterparty limit** – The Council will be informed whether investments have been made within the approved limits for counterparties and any breaches will be reported during the year. The limits are shown in Annex 3.

**3) Maturity structure of borrowing:**

These gross limits set to reduce the Authority's exposure to large amounts falling due for refinancing in a short space of time. Officers will have regard to prevailing interest rate assumptions when undertaking borrowing.

The Council is asked to approve the following treasury indicators and limits: -

Maturity structure of fixed interest rate borrowing 2026/27		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%

Maturity structure of variable interest rate borrowing 2026/27		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	50%
10 years to 25 years	0%	50%
25 years to 50 years	0%	50%

The borrowing limits are set within the capital strategy and the above shows the maturity structure of loans.

## Indicators that are Targets

1) **Liquidity** – The liquidity indicator is a voluntary measure that seeks to ensure that the Council has the necessary funds to meet unexpected payments within a rolling period without additional borrowing.

Liquidity Risk Indicator	Target
Total minimum cash available within 35 days	£10m

## 2) Liability Benchmark (indicator):

This indicator is a tool to help establish whether the Council is likely to be a long-term borrower or long-term investor and as a result aids long-term planning. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Ref.	Liability Benchmark	31/03/25 Actual (£m)	31/03/26 Forecast (£m)	31/03/27 Forecast (£m)	31/03/28 Forecast (£m)	31/03/29 Forecast (£m)
1	Capital Financing Requirement (CFR)	45	48	78	84	89
2	Less: Balance sheet resources	57	33	28	26	31
3	Net loans requirement (Negative shows surplus cash/ Positive are external borrowing requirement)	-12	15	50	58	58
4	Plus: Liquidity allowance.	14	5	10	10	10
5	Liability benchmark (Total forecast external borrowing) (Negative shows net surplus cash/ Positive are external borrowing requirement)	2	20	60	68	68

<----- Forecast - Externally borrowed ----->

The table above shows

Row 1 our capital financing requirement, being total external and internal borrowing needed to fund the capital programme. The forecast 31/03/26 has capital programme needing £48m of borrowing with forecast external loans borrowing of £20m (ref/row 5).

Row 2: shows the balance sheet resources (cash) available to use as internal borrowing instead of external debt. Where most of the resource is cash from revenue reserves and capital grants.

Row 3 A positive figure means external borrowing is being forecast. However, further allowance must be made to ensure the Council has a minimum level of liquidity cash available (row 4). The higher borrowing than actually needed in 2024/25 meant the Council had more cash to invest resulting in increased liquid funds held in row 4, £14m compared to the £5m minimum liquidity target.

Row 5 shows the forecasts year end external borrowing required. The new projection shows external borrowing needed of £20m at end of 2025/26 and £60m at the end of 2026/27.



## Chelmsford City Council Cabinet

27 January 2026

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### Discretionary Exception to Council Tax Premiums in respect of second homes

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#### Report by:

Cabinet Member for Finance

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#### Officer Contact:

Rob Hawes, Revenue and Benefit Services Manager, 01245 606695,  
[robert.hawes@chelmsford.gov.uk](mailto:robert.hawes@chelmsford.gov.uk)

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#### Purpose

To determine whether to apply an additional local discretionary exception to Council Tax premiums imposed in respect of second homes and to consider whether to delegate such decisions to Officers in future.

#### Options

- 1 To agree a limited local discretionary exception to Council Tax premiums imposed on second homes and to recommend the delegation of future such decisions to Officers
- 2 To refuse to agree to extend local discretionary exceptions to Council Tax premiums imposed on second homes
- 3 To not recommend the delegation of future such decisions on discretionary exceptions to Officers

## Recommendation

That Cabinet recommends to Full Council to agree the implementation of an additional local discretionary exception to Council Tax premiums imposed on second homes as defined in paragraph 2.4 and to delegate future decisions on such matters to the Director of Connected Chelmsford in consultation with the relevant Cabinet Member (Option 1)

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### 1. Background

- 1.1. At its meeting on 21 February 2024 Full Council agreed to impose a council tax premium of 100% on properties where there is no resident occupier and which are substantially furnished (commonly known as 'second homes') with effect from 1 April 2025. At its meeting on 18 December 2024, Council agreed a range of discretionary exceptions to the application of the 'second home' premium, which extended the statutory exceptions and exemptions created by legislation.
- 1.2. The 'second home' premium has now been in place for ten months and the statutory and discretionary exceptions have served their intended purpose to reduce hardship in cases where it would be unfair or unreasonable to increase the Council Tax liability.
- 1.3. Inevitably there are situations which were not foreseen either by legislators or Officers and this report requests that Cabinet approves a specific technical amendment to the existing discretionary exceptions (Option 1).

### 2. Proposed discretionary exception to the application of the second home premium

- 2.1. Billing authorities are prevented by statute from charging council tax following the death of the liable person whilst probate or letters of administration are still outstanding. Once probate or letters of administration have been granted, and council tax can again be charged, there is a further 12-month exemption period when the second home premium cannot be charged if the property remains unoccupied but furnished. There is a clear legislative intention not to impose additional charges immediately after a bereavement.
- 2.2. However, where a property is owned by a third party and occupied by a person who has no material interest in that property nor any sort of formal licence to occupy it, such as a tenancy agreement, the exemptions and exceptions in paragraph 2.1 do not apply. Council tax continues to be

charged after the death of the occupier and a second home premium is applied immediately.

2.3. It is proposed that a very specific local discretionary exception is introduced in these circumstances to allow the owner of the property some time to come to terms with the death of the occupier, who is often a close friend, and to decide what to do with the property. It is not possible to override the statutory requirement to levy council tax in this particular circumstance, but the Council does have the discretion not to apply the second home premium.

2.4. The proposal is that the 100% second home premium shall not be applied for a period of six months after:

- an occupier has died and leaves a property, which they neither owned nor had a contractual right to occupy (via tenancy or licence or some other recognised legal instrument), furnished and unoccupied; *and*,
- the owner of the property becomes liable for council tax; *and*,
- that owner is a private individual; *and*,
- the deceased person was a relative by blood or marriage or some other close personal connection: *and*,
- no council tax probate or statutory second home premium exception can be granted

2.5. The reason for such specificity in the definition is that there is already a statutory exception to the second home premium if a property is put up for let, which would be the situation with respect to a property routinely let on a commercial basis. This proposal gives the owner a breathing space, following a personal bereavement, to decide on their next course of action now that their second home is unoccupied.

2.6. It is not anticipated that there will be many of these cases as only one has arisen since 1 April 2025. The potential financial loss to the Council by not charging the second home premium for six months is less than the cost of using alternative discretionary methods to mitigate the premium once charged. This is because the benefit to the Council of charging the premium is 12% of the total charged, whereas the Council bears the full cost of awarding discretionary hardship relief to cancel out the premium once it has been levied.

### 3. Delegation to Officers in respect of future local discretionary exceptions to the long term empty or second home premiums

3.1 It is possible that further discretionary exceptions may become desirable in the future and these are likely to be narrow and highly specific in scope. That being the case, Cabinet is requested to recommend to Full Council that a delegation is agreed to allow Officers to define and implement future

discretionary exceptions, subject to consultation and agreement with the relevant Cabinet Member.

#### 4 Conclusion

4.1 This report seeks Cabinet's agreement to implement an additional discretionary exception to the second home council tax premium to reduce residents' emotional and financial distress in limited circumstances. It also suggests delegation of future technical exceptions to Officers so that the Council can react swiftly in appropriate cases.

#### List of appendices:

None

#### Background papers:

None

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#### Corporate Implications

Legal/Constitutional: All relevant constitutional and legal considerations are addressed within the body of the report and the proposed policy.

Financial: Implementing discretionary exceptions to empty property premiums will cause a minor financial loss.

Potential impact on climate change and the environment: None.

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

Personnel: None

Risk Management: None

Equality and Diversity: None

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

Health and Safety: None

Digital: None

Other:

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#### Consultees:

Director of Connected Chelmsford, Legal and Democratic Services Manager,

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**Relevant Policies and Strategies:**

The report takes into account the following policies and strategies of the Council:

Chelmsford Housing Strategy 2022-2027

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## Chelmsford City Council Cabinet

27<sup>th</sup> January 2026

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### Community Infrastructure Levy – Governance update

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#### Report by:

Cabinet Member for Greener Chelmsford

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#### Officer Contact:

Stuart Graham, Economic Development and Implementation Manager, 01245 606364,  
[stuart.graham@chelmsford.gov.uk](mailto:stuart.graham@chelmsford.gov.uk)

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#### Purpose

To consider proposed changes to the Council's Community Infrastructure Governance document as set out in the report.

#### Options

1. Agree the proposed changes to the Community Infrastructure Governance document.
2. Agree the proposed changes to the Community Infrastructure Governance document, with amendments.
3. Do not agree the proposed changes to the Community Infrastructure Governance document

#### Preferred option and reasons

The preferred option is Option 1.

#### Recommendations

It is recommended that

1. Cabinet agrees that the proposed changes set out in the report are made to the Community Infrastructure Governance Document for publication on the Council's website.

## 1. Background

- 1.1. The Community Infrastructure Levy (CIL) was adopted by Chelmsford City Council on 1 June 2014. It is a non-negotiable charge on new buildings to help pay towards the infrastructure needed to support growth in an area.
- 1.2. Following the adoption of the Levy, Cabinet adopted arrangements that set out how it would manage and govern the spend of the Levy in June 2016.
- 1.3. Since 2016, the Council's approach to managing and governing CIL has been published on the Council's website and has been reviewed on a number of occasions, to keep the policy up to date.
- 1.4. This latest review has been carried out to update the governance arrangements for what is known as the CIL Cap.
- 1.5. Under the national CIL Regulations where development takes place in a parished area the Parish Council receives 15% of the receipt, or 25% if there is an adopted neighbourhood plan in place. The Council has no discretion to alter this provision.
- 1.6. The CIL Regulations (Regulation 59A) state that the total amount of CIL receipts passed to a Parish or Town Council is capped at £100 per Council Tax dwelling (in the area of such local council) per year. This cap is index linked to the year in which the transfer is made. The CIL Regulations do not state what should happen to any surplus Neighbourhood Allocation, once the £100 per Council Tax dwelling cap has been reached. It is only this element that the Council has some discretion over and that is what is addressed in this report.
- 1.7. The Council has set out its governance arrangements for the Neighbourhood Cap in the 'Community Infrastructure Levy Governance – the Neighbourhood Cap' document, published in June 2018 following Cabinet approval. This approach enabled Parishes and Non-Parished Neighbourhood Groups in the vicinity of the development to submit an expression of interest in applying for funding. Any proposals were then taken through the then CIL Spending Panel/Cabinet for decision. The approach failed to generate the level of interest in projects against which to allocate the funding and this policy is now out of date and requires updating.

1.8. Given the Council's financial position, and the available balance of approximately £110,000 held (in this case as a result of development on the north-western edge of Chelmsford in the parish of Chignal), it is now considered appropriate to align the policy alongside the remainder of the Neighbourhood Allocation, as per the suggested Governance arrangements below:

- The CIL Cap Balance can only be spent on identified capital projects in the wards that immediately adjoin the Parish where the development has taken place, within the Parish itself, or within a Ward or Parish impacted by the development from which the CIL receipts arose
- The CIL Cap Balance should be spent on identified CCC capital projects, meeting the definition of infrastructure set out within the CIL Regulations
- The CIL Cap Balance shall be overseen by the Community Funding Panel and aligned with the role of the Panel as set out in the Constitution, whereby any expenditure over £10,000 is referred to Cabinet for decision
- Planned expenditure of the CIL Cap should be aligned to the capital bid process.

1.9. If this approach is adopted, then in effect this means that there will be in the region of £110,000 currently available in Northwest Chelmsford that can be used to fund CCC capital projects in the relevant wards.

1.10 The alteration to this policy only affects Northwest Chelmsford at the current time, given the development that has taken place there in Chignal Parish, which given the number of dwellings the Parish Council was not able to receive its full 15% neighbourhood allocation. In relation to the adopted Local Plan and the potential additional sites currently being consulted on, it is not expected that any other parishes will be impacted by this policy change.

1.11 An updated version of the Community Infrastructure Governance document is attached at Appendix 1, with the section on the CIL Cap policy set out at 5.7. This updated main governance document will remove the need for a separate CIL Cap policy to be published on the website as currently.

#### **List of appendices:**

Appendix 1 – Community Infrastructure Levy Governance Document

#### **Background papers:**

CIL Regulations 2010 (as amended)

Community Infrastructure Levy: The Neighbourhood Cap June 2018

## Corporate Implications

Legal/Constitutional: This proposal for the management and governance of surplus Neighbourhood Allocation is considered to be lawful: it is in accordance with the statutory framework (Planning Act 2008 and CIL Regs 2010) and government guidance which regulates the proper operation of CIL.

Financial: Re-allocation of funds from the CIL Cap is within existing held funds.

Potential impact on climate change and the environment: Dependent on the project being funded.

Contribution toward achieving a net zero carbon position by 2030: Dependent on the project being funded.

Personnel: None

Risk Management:

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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## Consultees:

Community Funding Panel.

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## Relevant Policies and Strategies:

Our Chelmsford Our Plan

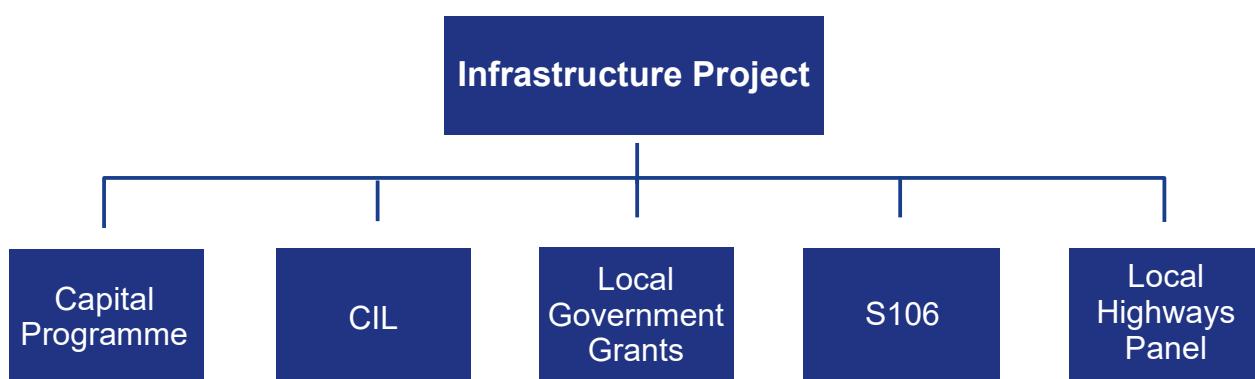
Chelmsford Local Plan (May 2020)

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## 1. Introduction

- 1.1 The Community Infrastructure Levy (CIL) is a charge which local authorities can place on developers to help fund infrastructure needed to support new development in their areas. CIL is governed by the CIL Regulations 2010 (amended).
- 1.2 Chelmsford City Council approved the introduction of CIL on 26 February 2014 and started charging on 01 June 2014.
- 1.3 CIL is paid to the Council by developers after their planning permissions commence. Since CIL was implemented, it has become the only significant means by which the Council is able to collect and pool developer contributions to deliver infrastructure improvements.
- 1.4 In Chelmsford, CIL is charged on all residential and retail developments which add one or more new dwelling(s) or more than 100sqm of floor space. The Council's CIL Charging Schedule sets out a levy of £125 per sq.m for residential development, and £87 and £150 per sq.m for retail development, and a zero rating for all other types of development. The CIL rate changes on 01 January each year in line with an index of inflation.
- 1.5 This document details the governance arrangements in place at Chelmsford City Council for the allocation and spending of CIL.
- 1.6 Since adopting CIL, the Council has funded a range of infrastructure projects and these are detailed in the "how we spend CIL" pages published at [www.chelmsford.gov.uk/cil](http://www.chelmsford.gov.uk/cil)
- 1.7 CIL is just one funding stream that can be used, in conjunction with others, to fund infrastructure projects. Alongside CIL, S106 obligations still exist, but generally as one-off agreements to mitigate the impacts of larger developments and to secure on-site developer requirements, such as the provision of affordable housing. Examples of how infrastructure projects can be funded can be seen in Figure 1.

Figure 1 - Funding Streams



## 2. Statutory Requirements

- 2.1 Under the CIL regulations, Chelmsford City Council will act as the designated Charging Authority. As a Charging Authority the Council has an obligation to:

- Prepare and publish the CIL Charging Schedule
- Determine CIL spend, ensuring it is used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support development of its area
- Report publicly on the amount of CIL revenue collected, spent and retained each year in an annual Infrastructure Funding Statement.

2.2 Chelmsford City Council's CIL Charging Schedule and annual Infrastructure Funding Statement can be found on the Council's website at [www.chelmsford.gov.uk/cil](http://www.chelmsford.gov.uk/cil)

### 3. What CIL can be spent on

3.1 CIL is pooled into one fund, which can be used for any infrastructure needed to support new development across the Council's administrative area.

3.2 Unlike other obligations or charges, CIL spending does not need to be directly related to the donor development.

3.3 The key points set out by the CIL Regulations and Guidance relating to CIL funding are:

- CIL should be spent on infrastructure, including roads and other transport, schools and other education, community facilities, health, sport / recreation, and open spaces as defined in the Planning Act 2008
- The infrastructure funded must support the development of the area
- CIL can be used to increase the capacity of existing infrastructure or to repair failing infrastructure, if needed to support development
- CIL cannot be used to fund the delivery of affordable housing

3.4 As per the CIL Regulations and Guidance, CIL is proportioned and allocated using the following approach:

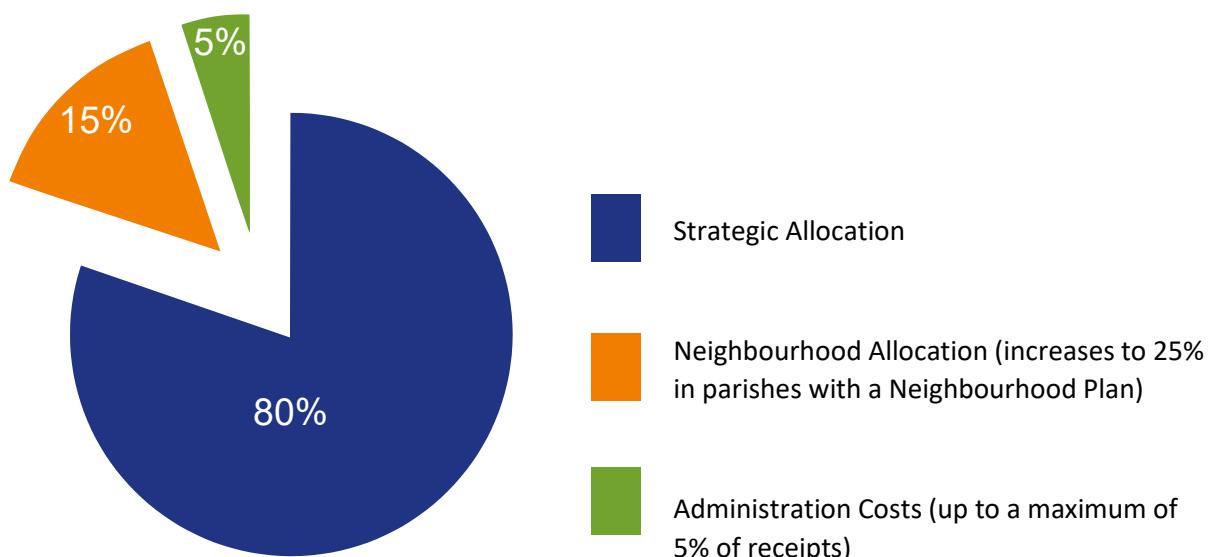
- A maximum of 5% is retained by Chelmsford City Council to cover administrative costs (including consultation on the levy charging schedule, enforcing CIL, legal costs and reporting on CIL activity).
- 15%, known as the Neighbourhood Allocation, is established for spending within the neighbourhood of contributing development (up to a maximum of £100 per existing Council Tax dwelling in areas with a parish or town council). This allocation can either be transferred to the relevant parish council or retained by Chelmsford City Council to be spent on neighbourhood projects where the development is not in a parish. This allocation rises to 25% when a parish has a Neighbourhood Plan in place. Details of currently adopted neighbourhood plans within the administrative boundaries of Chelmsford City Council can be found in the Planning section of the Council's website.
- The remainder (around 80%), known as the Strategic Allocation, is retained by Chelmsford City Council to allocate to strategic infrastructure projects.

3.5 It is very unlikely that CIL will generate enough funds to completely cover the cost of new infrastructure needed to fully support planned development. As such, there will be

competing demands for this funding. It is therefore important to ensure there are robust, accountable and democratic structures in place to ensure the spending of CIL funds are prioritised in the right way.

- 3.6 The sections that follow set out the governance arrangements and approach for how decisions are made on the prioritisation and spend of CIL.

Figure 2 – How CIL is allocated in Chelmsford



## 4. Governance Arrangements - Strategic Allocation

4.1 The majority of CIL funds, the Strategic Allocation, are retained by Chelmsford City Council for spending on infrastructure in accordance with the definition in the 2008 Planning Act (section 216).

4.2 The spend of CIL receipts will be prioritised for the delivery of infrastructure to support the development set out in the Council's adopted Local Plan and its associated evidence base, including the Infrastructure Delivery Plan.

4.3 Inevitably, there will be competing interests for the use of CIL to fund strategic infrastructure priorities and the framework below sets out how the Council will prioritise spend and involve external organisations in this process.

### Core principles

4.4 In deciding how to allocate CIL funding to strategic infrastructure the City Council will adopt the following core principles:

- Strategic CIL will only be spent on infrastructure projects within the definition of infrastructure as defined in the 2008 Planning Act.
- In determining how funding is allocated to strategic infrastructure, the City Council will prioritise expenditure taking into account the adopted Local Plan, the Infrastructure Delivery Plan and the Council's capital expenditure priorities. This will be reviewed on an annual basis aligned to the Council's capital programme.
- External strategic partners (including Essex County Council and NHS England) will be able to submit an expression of interest for project funding through the Council's website, which will be permanently open.
- For any strategic projects that are the responsibility of the City Council, relevant service areas will be required to submit an expression of interest via a Capital Programme bid.
- Expressions of interest/business cases will be expected to demonstrate what other sources of funding are being used to support the infrastructure project.
- Strategic CIL receipts that arise from the Strategic Growth Area in South Woodham Ferrers will be ring fenced to support infrastructure that is required to support the development in that town.
- Strategic CIL receipts that arise from the Strategic Growth Area in North East Chelmsford (Chelmsford Garden Community) may be used to help fund infrastructure required to support the delivery of Chelmsford Garden Community when it can be independently verified that the cost of infrastructure requirements for the development as a whole, make development unviable.

### Supporting Infrastructure Delivered by Chelmsford City Council

4.5 The City Council is a core provider of strategic infrastructure within the definition of infrastructure as defined in the 2008 Planning Act. Specifically, it is the provider of sport and

recreation facilities (including museums and theatres), community facilities, open space/public realm and burial and cremation services.

4.6 All these facilities are impacted as new development comes forward within the City Council's area. The CIL will therefore be used, where appropriate, to deliver new and improved infrastructure that the City Council has responsibility for as Chelmsford grows.

### **Supporting Infrastructure Delivered by External Partners**

4.7 The City Council recognises that infrastructure to support the development of the area is also the responsibility of key external partners, including Essex County Council, the Environment Agency and NHS England.

4.8 In prioritising spend, the needs and aspirations of the Council's external partners will be part of the prioritisation process, with a recognition that there will be limits to how much funding can be made available.

### **Eligibility for Externally Funded Projects**

4.9 For a project to be considered for CIL funding, the following eligibility criteria must be met:

- The Expression of Interest Form on the Council's website has been completed satisfactorily
- The organisation has the legal right to carry out the proposed project
- The project is clearly defined as 'Infrastructure' as per the CIL Regulations and Planning Act 2008

### **The Decision Making Process**

4.10 Funding decisions will be taken by Cabinet. If agreed by Cabinet, stakeholders are informed and funds allocated, subject to completion of a funding agreement.

4.11 There may be occasions where the release of additional CIL funds is required for urgent or unforeseen infrastructure requirements. In these cases, a report will be taken to Cabinet for approval for the release of further funds or dealt with, in exceptional circumstances, through the Council's urgency arrangements.

### **Once the Funding Decision has been made**

4.12 If a project is successful with its request for funding, the funds will then either be allocated to the relevant Chelmsford City Council service area or transferred to a third party who are responsible for delivering the project (once any funding conditions have been met). All approved schemes will be shown within the Council's Capital Programme. If funds are to be transferred to a third party, a legal funding agreement will be signed. Successful applicants of CIL funding are expected to maintain communication with Chelmsford City Council on the progress of their project after a decision has been made to provide funding. Where funding has been agreed 'in principle' or where staged payments are agreed, the scheme applicant is expected to provide information to justify funding being transferred.

4.13 Applicants should continue to provide information until the scheme has been completed and all CIL funding has been spent. At a minimum, an annual report will need to provide information on the progress of each scheme that funding has been allocated to. A

requirement to submit this information forms part of the agreement that the successful applicant is required to sign between themselves and Chelmsford City Council.

## 5. Governance Arrangements – Neighbourhood Allocation

- 5.1 One of the purposes of CIL is to encourage communities to support growth and recognise that development can bring clear and identifiable benefits to an area.
- 5.2 CIL places a responsibility on Chelmsford City Council to pass CIL monies to local neighbourhoods. This equates to 15% of CIL collected having to be spent locally.
- 5.3 The Neighbourhood Allocation of CIL can be used much more widely than the Strategic Allocation, provided it supports:
  - The provision, improvement, replacement, operation or maintenance of infrastructure; or
  - Anything else that is concerned with addressing the demands that development places on an area.

### Parished Areas

- 5.4 In parished areas, 15% of CIL receipts from development within the parish will be transferred from Chelmsford City Council to the town or parish council. This allocation rises to 25% when a parish has a Neighbourhood Plan in place. This is capped at a maximum of £100 per existing council tax dwelling in each financial year, adjusted annually by an index of inflation.
- 5.5 The Neighbourhood Allocation will be transferred to the town or parish council every six months, at the end of October and at the end of April.
- 5.6 To ensure transparency, town and parish councils are required to produce an annual report detailing their total CIL receipts, total CIL expenditure and total amount of CIL payments retained at the end of the reported year. Town and parish councils must publish this report on their website or on Chelmsford City Council's website.
- 5.7 If a parish or town council is due more money than the cap allows, the amount that cannot be transferred to the parish or town council will be retained by Chelmsford City Council as the CIL Cap Balance, and be spent according to the following governance principles:
  - The CIL Cap Balance can only be spent on identified capital projects in the wards that immediately adjoin the Parish where the development has taken place, within the Parish itself, or within a Ward or Parish impacted by the development from which the CIL receipts arose
  - The CIL Cap Balance should be spent on identified CCC capital projects, meeting the definition of infrastructure set out within the CIL Regulations
  - The CIL Cap Balance shall be overseen by the Community Funding Panel and aligned with the role of the Panel as set out in the Constitution, whereby any expenditure over £10,000 is referred to Cabinet for decision
  - Planned expenditure of the CIL Cap should be aligned to the capital bid process.

## Unparished Areas and the Community Funding Scheme

- 5.8 In Chelmsford's unparished areas, the 15% Neighbourhood Allocation is administered by the City Council. It must be spent by the Council to support the development of the unparished areas. The Council retains 85% of this Neighbourhood Allocation to spend on capital projects within the unparished areas.
- 5.9 The Council has set up the Community Funding Scheme to review and distribute the remaining 15% of the Neighbourhood Allocation in unparished areas.
- 5.10 Voluntary and community organisations working within or for the benefit of Chelmsford's nine unparished wards, responding to the infrastructure needs linked to new developments (as detailed in the CIL regulations) can apply for this element of the Neighbourhood Allocation of CIL via the Community Funding Scheme.
- 5.11 For the purpose of the Neighbourhood Allocation of CIL, the nine unparished wards are considered as one geographical area.
- 5.12 Organisations interested in the Community Funding Scheme can submit an online form with information about the organisation requesting funding, a breakdown of costs and risks, as well as details of how the project aligns to the Council's corporate priorities.

## The Decision Making Process

- 5.13 If the funding request is less than £10,000, Council officers will review the application and consult the Community Funding Panel. The membership of the Community Funding Panel is set out in the Council's constitution. Decisions are made by officer delegation in consultation with the Community Funding Panel and where agreed, the relevant parties will be informed, and funds will be allocated once any funding conditions have been met.
- 5.14 For projects requesting funding over £10,000, Council officers will review the application and make recommendations to the Community Funding Panel.
- 5.15 The Community Funding Panel will review the proposals received and make recommendations which will go forward to Cabinet. If agreed by Cabinet, the relevant parties will be informed, a funding agreement will be put in place and funds will be allocated once any funding conditions have been met.

## Once the Funding Decision has been made

- 5.16 If a project is successful with its request for funding, the funds will then either be allocated to the relevant Chelmsford City Council service area or transferred to a third party who are responsible for delivering the project. If funds are to be transferred to a third party, a legal funding agreement will be signed, and terms and conditions must be met. It is expected that the Community Funding Panel will receive updates on the progress of the project(s).
- 5.17 Unsuccessful projects will receive feedback detailing why the request for funding was unsuccessful and, if appropriate, details of what information or actions are required to secure a future positive result.

## 6. Monitoring and Review Arrangements

- 6.1 Chelmsford City Council is committed to ensuring the use of CIL is open and transparent. The Council is required to produce an annual Infrastructure Funding Statement that includes both CIL and S106 funding revenues and spend.

- 6.2 Chelmsford City Council will continue to monitor the operation and implementation of CIL.
- 6.3 If you have any questions about this guidance, or CIL generally, please contact Chelmsford City Council at [cilenquiries@chelmsford.gov.uk](mailto:cilenquiries@chelmsford.gov.uk) or call 01245 606817.

## Appendix 1 – Chelmsford Unparished Areas

[To be inserted by VW]



## Chelmsford City Council Cabinet

27<sup>th</sup> January 2026

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### Community Infrastructure Levy – Spend of Neighbourhood CIL

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#### Report by:

Cabinet Member for Active Chelmsford

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#### Officer Contact:

Stuart Graham, Economic Development and Implementation Manager, 01245 606364,  
stuart.graham@chelmsford.gov.uk

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#### Purpose

To consider the proposed spend of neighbourhood CIL as set out in the report.

#### Options

1. Agree the proposed spend of the neighbourhood CIL.
2. Agree the proposed spend of the neighbourhood CIL, with amendments.
3. Do not agree the proposed spend of the neighbourhood CIL.

#### Preferred option and reasons

The preferred option is Option 1.

#### Recommendations

It is recommended that

1. Cabinet agrees that the proposed spend of the neighbourhood CIL is approved alongside the Capital Programme.

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## 1. Background

- 1.1. Since Cabinet agreed to retain 85% of neighbourhood CIL in the nine unparished wards for CCC capital projects (November 2023), a process for collecting bids and allocating this funding has been undertaken.
- 1.2. In the Summer, Service Managers were asked to submit bids through the existing Capital Programme process, but to also answer some additional questions if applying for neighbourhood CIL funding, to align the project with the purposes of CIL and the Council's Corporate Plan priorities. These were prepared in consultation with the relevant Cabinet members.
- 1.3. 11 bids were received, of which one cannot be considered for CIL funding as the project does not benefit the community. The ten eligible bids have a total funding request of £730,000, including identified contingency costs. The bids are summarised in Appendix 1, including comments on whether the project sits within the eligible area for use of the CIL Cap pot, and how the projects link with the Corporate Plan.
- 1.4. There is a current balance of £573,667.18 available for neighbourhood CIL for CCC projects in the nine unparished wards.
- 1.5. £189,788.31 of s106 funding has also been identified, which can be split across four of the projects (all of which meet the purposes defined in the s106 agreements). Owing to the use of this s106 funding, all projects can be funded, with no shortfall in the neighbourhood CIL balance.
- 1.6. If it is agreed that in the region of £110,000 of CIL Cap funding can be used against some of these projects (as outlined in an earlier report, agenda item 9.1), then there would be a remaining balance in the neighbourhood CIL pot for the unparished area of £143,455.49. It is suggested that the CIL Cap funding be put towards the Melbourne Outdoor Sport Grounds Maintenance Area Improvement project, and the Melbourne Park Make Space for Girls project.
- 1.7. It is likely that the use of the Disabled Facilities Grant (£50,000) would be approved for the Riverside Pool Pod for the Learner Pool. This would negate the need for neighbourhood CIL funding for this project, and the remaining neighbourhood CIL balance would then be £193,455.49. However, in the unlikely event that this is not approved by ECC, neighbourhood CIL funding could be used.
- 1.8. Taking into account all of these funding streams, the table below shows the remainder that is to be considered for neighbourhood CIL funding.

Table 1: Proposed distribution of funds towards capital projects

Project name	Description	Request for CIL funding	Other funding identified	Balance to consider for CIL funding
Riverside Pool Pod Learner Pool	Purchase of Pool Pod for Learner Pool to make it accessible	£50,000	Disabled Facilities Grant – likely to be approved	£50,000 to approve in the event the DFG is not approved
CSAC Air Conditioning Studio 1	Upgrade and improve Studio 1 air conditioning	£17,000		£17,000
Purchase Allotments Princes Road	Purchase the land to safeguard the allotments. Will receive rent.	£64,000		£64,000
Purchase Lake Central Park	Purchase freehold interest to remove rent liability.	£133,000		£133,000
Safer Spaces for Girls	Roll out Make Space for Girls project in Savernake Park, John Shennan Playing Field, Lionmede Recreation Ground and Melbourne Park.	£120,000 (£60,000 2026/27 and £60,000 2027/28)	CIL Cap allocation of £10,000 towards Melbourne Park scheme	£110,000
Melbourne Outdoor Sport Grounds Maintenance Area Improvements	Repurposing of disused public toilet block to provide staff welfare accommodation, storage, and garaging to support the grounds maintenance operation.	£127,500	S106 funding of £21,288.31 identified  CIL Cap allocation of £100,000	£6,211.69
City Centre Parks Strategic cycle rack provision	Provide 2 areas of new cycle rack provision – Central Park, Tower Gardens	£8,000	S106 funding of £8,000 identified	£0
Central Park Chess Garden	Tables, seats, picnic tables, cupboards for community space focused on chess.	£34,500	S106 funding of £34,500 identified	£0
Restoration Works Central Park Bridge	Grade II listed Seymour Street Bridge requires extensive repairs.	£126,000	S106 funding of £126,000 identified	£0

City Centre Public Art Project	Public art project for the City Centre, at either Cornhill or the Meadows Retail Car Park stair tower.	£50,000		£50,000
<b>TOTAL</b>		<b>£730,000.00</b>		<b>£430,211.69</b>

1.9. It is anticipated that CIL neighbourhood funding for CCC capital projects of at least £459,247.74 of neighbourhood CIL receipts in the unparished area over the next three financial years. This is based on CIL Demand Notices issued for developments that has commenced. Any projects that are not considered the best use of funding in this cycle could be reconsidered next year alongside any new bids.

1.10 Cabinet is asked to approve the spend of Neighbourhood CIL and CIL Cap funds up to the possible maximum required as detailed in the report (£430,211.69 of neighbourhood CIL, £110,000 of Cap funds) and that these projects are added to the Capital Programme accordingly.

#### [List of appendices:](#)

Appendix 1 – CIL Capital Bids Summary

#### [Background papers:](#)

[CIL Regulations 2010 \(as amended\)](#)

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#### [Corporate Implications](#)

**Legal/Constitutional:** These proposed CIL funding allocations are considered to be lawful: they are in accordance with the statutory framework (Planning Act 2008 and CIL Regs 2010) and government guidance which regulate the operation of the CIL regime.

**Financial:** These funds come from developer contributions and are ringfenced for certain purposes. These projects would be funded from existing held funds. The purchase of Central Park Lake will remove rent liability for the Council. The Council will receive rent through the purchase of the allotments.

**Potential impact on climate change and the environment:** Cycle rack provision will encourage sustainable transport.

**Contribution toward achieving a net zero carbon position by 2030:** Cycle rack provision will encourage sustainable transport.

**Personnel:** None

Risk Management: None

Equality and Diversity: The Pool Pod project would increase accessibility for the Riverside Learner Pool. Make Space for Girls projects would increase the diversity of park users.

Health and Safety: None

Digital: None

Other: None

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**Consultees:**

Community Funding Panel.

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**Relevant Policies and Strategies:**

Our Chelmsford Our Plan

Chelmsford Local Plan (May 2020)

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## **Agenda Item 10.1 Appendix 1 CIL Capital Bids Summary**

### **Active Chelmsford**

#### **Riverside Pool Pod Learner Pool**

Project cost - £50,000 (including 10% contingency)

Project description: Purchase of Pool Pod for the Learner Pool at Riverside in order to make it accessible. Pod has an estimated life span of 5 years before requiring replacement.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? No

Corporate Plan link – action G46: Explore new health and wellbeing opportunities within leisure centres and recreational facilities, building on the successful ‘Active Health’ programme delivering innovative solutions to address community health needs.

#### **CSAC Air Conditioning Studio 1**

Project cost - £17,000 (including contingency)

Project description: Studio 1 air conditioning needs to be upgraded and improved upon with a system that can cool to UKactive guidance of 16-19 degrees. Will have a positive impact on staff and members of the community who use the space for classes. Estimated life span of 15 years prior to replacement.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? Yes

Corporate Plan link – action G46: Explore new health and wellbeing opportunities within leisure centres and recreational facilities, building on the successful ‘Active Health’ programme delivering innovative solutions to address community health needs.

#### **CSAC Air Conditioning Offices – *ineligible project***

Project cost - £7,000 (including contingency)

Project description: Offices have reached in excess of 35 degrees this summer. Reflective vinyl and blackout blinds were installed, but temperatures still above 28 degrees. Need a solution to resolve these issues.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? No

In the Chignal Cap area? Yes

## **Fairer Chelmsford**

### **Purchase Allotments Princes Road**

Project cost - £64,000

Project description: The purchase of land fronting Princes Road and adjoining John Shennan Playing Fields totalling approx. 2.9 acres. The land will continue to be leased to the Princes Road Allotment Association, but at an enhanced rent receivable of £1,000 per annum subject to annual RPI increases. The purchase will safeguard the allotments – another buyer could consider development and bring the tenancy to an end.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? No

Corporate Plan link – action E36: Promote, encourage and provide opportunities for people to access and connect with the natural environment through the active use of parks, green space and waterways, enjoying positive experiences whilst using them.

### **Purchase Lake Central Park**

Project cost - £125,000 cost of land, £8,000 external fees – total £133,000

Project description: Currently CCC continue to occupy land in Central Park from Network Rail originally let by way of a lease for a term of 20 years from 13<sup>th</sup> Sep 1997. The original rent was £3,000 per annum, now £5,506. The land comprises the lake adjacent to the viaduct and land directly beneath and adjoining the viaduct arches. Approx. 5.5 acres. The opportunity arose to negotiate the purchase of the freehold interest which is preferred, thus allowing CCC complete control of the land with no rent liability. A price of £125,000 is agreed although the land directly beneath the viaduct will be held by way of a long lease as Network Rail may require occasional access for operational reasons.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? No

Corporate Plan link – action E36: Promote, encourage and provide opportunities for people to access and connect with the natural environment through the active use of parks, green space and waterways, enjoying positive experiences whilst using them.

## **Greener Chelmsford**

### **Safer Spaces for Girls**

Project cost - £60,000 2026/27 and £60,000 2027/28 (including contingency) – this is for 4 sites – funding could be approved for fewer sites

Project description: To roll out the Make Space for Girls project in Savernake Park (Waterhouse Farm), John Shennan Playing Field (Moulsham Lodge), Lionmede Recreation Ground (Trinity) and Melbourne Park (St Andrews). These locations are based on analysis of crime statistics, antisocial behaviour and local need. The project provides safe and inclusive locations within our green spaces for girls and gender diverse young people that are designed through consultation with our local students and young people. The Partnership has chosen to work with Hylands School (based on need and deprivation, and with the school catchment covering both Savernake and Melbourne Park) for the full consultation, with light-touch consultation in the other areas. Allocation of £25,000 requested per site to deliver a project such as seating, swings, lighting and associated planting.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? Melbourne Park scheme is, the others are not.

Corporate Plan link – action G47: Implement the Community Safety Partnership Action Plan, driven by the priorities identified by the Essex Police Strategic Assessment and Essex Crime Prevention Plan.

### **Melbourne Outdoor Sport Grounds Maintenance Area Improvements**

Project cost - £127,500 including contingency. Could be lower if work is not outsourced.

Project description: Repurposing of the disused public toilet block to provide staff welfare accommodation, storage, and garaging to support the grounds maintenance operation. Part of the existing changing room and toilet building is unsafe and is closed for future use, the garaging and grounds maintenance part of the building is non-compliant with water regulations. The repurposing of the existing building will also avoid future demolition cost estimated at £35-£40k. The estimated cost to keep part of the Melbourne Pavilion currently used for the grounds maintenance operation is estimated to be £38k – this would not be required in the short term if the project to repurpose the disused public toilets goes ahead.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes. Will ensure the outdoor sports provision and wider grounds maintenance operation will be appropriately supported.

In the Chignal Cap area? Yes

Corporate Plan link - action E36: Promote, encourage and provide opportunities for people to access and connect with the natural environment through the active use of parks, green space and waterways, enjoying positive experiences whilst using them.

### **City Centre Parks Strategic cycle rack provision**

Project cost - £8,000 including contingency

Project description: To provide 2 areas of new cycle rack provision within two parks - at Central Park adjacent to the café, and at Tower Gardens adjacent to the new cycling proficiency track area. To assist with encouraging cycle use and to provide safe/secure location for cycle storage commensurate with park use requirements.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes. Increasing cycle provision.

In the Chignal Cap area? Tower Gardens site is, Central Park is not.

Corporate Plan link – action A6: Promote more active forms of travel such as walking and cycling and encourage greater connectivity between different modes of transport and public transport providers.

### **Central Park Chess Garden**

Project cost - £34,500 including contingency. (Chess tables £20,000, Seats, picnic tables, cupboard - £8,000)

Project description: To provide a community space that is focused on chess as an activity for all ages and abilities, that can be used at all times of the year. The space will create opportunities for social inclusion and assist in improving the environment.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes. Increased population and park visitors have increased pressure for use of green space and public requests for alternative use and facilities have been received.

In the Chignal Cap area? No

Corporate Plan link - action E36: Promote, encourage and provide opportunities for people to access and connect with the natural environment through the active use of parks, green space and waterways, enjoying positive experiences whilst using them.

### **Restoration Works Central Park Bridge**

Project cost - £126,000 including contingency

Project description: Seymour Street Bridge is of architectural and historic interest, recognised from a national perspective by being grade II listed. It requires extensive repairs, which would ensure its long-term future. This would maintain the busy pedestrian crossing and would avoid long term health and safety issues and more costly repairs in the future.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? No

Corporate plan link – action A6: Promote more active forms of travel such as walking and cycling and encourage greater connectivity between different modes of transport and public transport providers, and action E36: Promote, encourage and provide

opportunities for people to access and connect with the natural environment through the active use of parks, green space and waterways, enjoying positive experiences whilst using them.

### **Growing Chelmsford**

#### **City Centre Public Art Project**

Project cost - £111k, but £50,000 requested from CIL

Project description: The proposal is to boost the budget for a public art project for the City Centre, at the location of either Cornhill (adjacent Market Square and High Chelmer) or the Meadows Retail Car Park stair tower. The City Centre environment is in constant need for new investments for physical interventions in the public realm to keep the public interested and stimulated to ensure people return and for new visits. S106 funding of £61,250 already assigned to this project – further funding is required to create a budget significant enough to deliver a meaningful and quality artwork.

Does it meet the definition of infrastructure under the CIL regulations? Yes

Is there a wider community benefit? Yes

In the Chignal Cap area? No

Corporate Plan – action I57: Develop a strategy for the integration of art and craftwork in public places, recognising the value that it has in creating a sense of place and identity, and establishing a co-ordinated cross-sector programme of public art commissions in partnership with local developers.



## Chelmsford City Council Cabinet

27<sup>th</sup> January 2026

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### Greater Essex Combined County Authority – Terms of Reference for nominating body for non-constituent members and future delegation arrangements

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#### Report by:

Leader of the Council

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#### Officer Contact:

Lorraine Browne, Legal and Democratic Services Manager, 01245 606560, lorraine.browne@chelmsford.gov.uk

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#### Purpose

To approve Terms of Reference for the nominating body for non-constituent district tier representation for the Greater Essex Combined County Authority and approve a delegation for future executive decisions.

#### Options

1. Agree the Terms of Reference.
2. Not agree the Terms of Reference.

#### Preferred option and reasons

The preferred option is Option 1.

#### Recommendations

1. That Cabinet agrees the Terms of Reference for the nominating body for non-constituent members of the Greater Essex Combined Authority (GECCA).
2. That Cabinet further agrees that the Leader of the Council should take any appropriate executive actions that arise from devolution.

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## 1. Background

- 1.1. This report relates to devolution and the creation of the new Greater Essex Combined County Authority (GECCA). It is anticipated that legislation will shortly be laid to create the GECCA. As well as constituent members, GECCA can appoint non constituent (and associate members). In November 2025, the Leaders of Southend, Thurrock and Essex wrote to the Chair of Essex Leaders and Chief Executives to invite district tier councils to nominate two leaders to sit on the GECCA as non-voting non-constituent members.
- 1.2. All district tier councils within Essex have been consulted in relation to the creation of a nominating body and the terms of reference for this body have been proposed. This report seeks approval of the terms of reference for the nominating body which will determine the two district tier representatives that sit on GECCA as non-voting non-constituent member of the new authority. Each district tier authority is being asked to approve the content of the terms of reference for the nominating body.
- 1.3. Prior to the establishment of the GECCA, the intention is for a Shadow Board to mirror, as closely as possible, the final composition of the future GECCA Board. Arrangements are being made for nominations for membership to GECCA to ensure full representation for all parties are in place for when the Shadow Board meets. The nominating body will be asked to appoint the two representatives referred to above and the approval of the terms of reference will enable this decision to be taken.
- 1.4. It is recommended that Cabinet approves the terms of reference and the delegation for the future.

### List of appendices:

Appendix 1 – draft Terms of Reference

### Background papers:

Report to Essex Leaders and Chief Executives (December 2025)

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### Corporate Implications

Legal/Constitutional: This is an executive matter which falls within the remit of Cabinet. There are other executive actions that may arise in relation to devolution.

Whilst the Leader of the Council has the legal power to take delegated decisions in relation to executive matters it has not been Chelmsford City Council's practice for any individual Cabinet Members to take such decisions. An exception has already been made in relation to local government reorganisation. Given the timeframes and nature of the matter it is recommended that in relation to devolution, the Leader of the Council also uses this legal power to take delegated decisions.

Financial: None

Potential impact on climate change and the environment: None

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

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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**Consultees:**

Other non-constituent district tier bodies

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**Relevant Policies and Strategies:**

None

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## **[Essex Nominating Body]**

### **DRAFT Terms of Reference**

#### **1. Role and Purpose**

- 1.1 The *[Essex Nominating Body]* is an unincorporated association, established to provide a constituted forum where Essex Leaders from the Membership below, meet to undertake the role of the Nominating Body to the Greater Essex Combined County Authority (the Combined Authority), or any other committee, sub-working group or scrutiny committee established by the Combined Authority.
- 1.2 The Combined Authority (or such other name as it may be known) will consist of Constituent Members and Non-Constituent Members.
- 1.3 Each of the Non-constituent Authorities listed below, has agreed to establish the *[Essex Nominating Body]* through their own governance arrangements, and have agreed to these Terms of Reference.

#### **2. Membership**

- 2.1 The *[Essex Nominating Body]* shall consist of the Leader from each of the following Essex Authorities:

- Basildon Council
- Braintree District Council
- Brentwood Borough Council
- Castle Point Borough Council and
- Chelmsford City Council
- Colchester City Council
- Epping Forest District Council
- Harlow District Council
- Maldon District Council
- Rochford District Council)
- Tendring District Council and
- Uttlesford District Council.

Together known as the Non-constituent Authorities.

- 2.2 The Chair of the *[Essex Nominating Body]* shall be elected from the Non-constituent Authorities.
- 2.3 If the Leader of one of the Authorities listed at 2.1 above is unable to attend, then their Deputy Leader shall be entitled to attend and vote in their absence.

#### **3. Roles and Responsibilities**

- 3.1 The *[Essex Nominating Body]* will have the following responsibilities:

- (a) To act as the Essex Nominating Body for the Combined Authority;

- (b) To appoint two Leaders to be the Nominated Representatives, as non-constituent members of the Combined Authority;
- (c) To be informed of any key decisions, strategy development and thematic areas being discussed at a Combined Authority level;
- (d) Be provided with an opportunity to consider any representation(s) it would like its Nominated Representatives to make; and
- (e) To be provided with updates following all meetings of the Combined Authority.

#### **4. Arrangements for Meetings**

- 4.1 Meetings of the *[Essex Nominating Body]* will be timed to run in sequence with the Combined Authority meetings.
- 4.2 Additional meetings may be arranged as required.
- 4.3 The *[Essex Nominating Body]* meetings if required may take place in a private session.
- 4.4 Meetings will take place at a location convenient to the Non-constituent Authorities, and shall be notified in advance of any meetings called.
- 4.5 The co-ordination of the meetings will be undertaken by officers supporting the Chair of the *[Essex Nominating Body]*.
- 4.6 The *[Essex Nominating Body]* will establish its priorities and agendas for meetings that seek to ensure delivery towards its roles and responsibilities set out in section three above.
- 4.7 Requests for additional items should be made to the Chair's office no later than ten days prior to the meeting. Additional items received after this will be included at the discretion of the Chair.
- 4.8 In order to assist discussion at the meeting, Officers responsible for items of business on the agenda may be asked to prepare a report, presentation or short briefing note on the agenda item. This item should be submitted to the Chair's office no later than ten days before meeting.
- 4.9 The agenda for the meeting will be circulated in the week before the meeting and, where available, it shall include the reports, presentations, short briefing notes related to each item.
- 4.10 Following the meeting the Chair's office will prepare and circulate notes of the meeting setting out decisions and agreed actions. This will normally be within ten days of the meeting.

4.11 Costs associated in administering the arrangements and support for the meetings will be met by the Council holding the Chair of the *[Essex Nominating Body]*.

4.12 Voting on matters before the *[Essex Nominating Body]* will be determined by way of a simply majority.

## **5. Nominated Representatives Role Profile**

5.1 Those nominated to the Combined Authority on behalf of the Non- constituent Authorities are expected to be involved in decisions reflecting the views and objectives of the Combined Authority area as a whole as well as those of their individual local authority.

5.2 In addition, they will be required to maintain a strong working relationship with the Mayor and Portfolio Lead Members, as well as maintain effective working relationships with Officers of the Combined Authority.

5.3 It is the responsibility of the Nominated Representatives to ensure that the Non- constituent Authorities are informed of any lead member approvals (where relevant), key decisions, strategy development and thematic areas for discussion at a Combined Authority level and that the Non- constituent Authorities has an opportunity to consider any representation(s) that it would like that Nominated Representatives to make.

5.4 The Nominated Representatives should make themselves aware of what the Combined Authority expects from them. In so doing, may seek information from appropriate Combined Authority officers in relation to the Combined Authority Constitution, Committee Terms of Reference, and accounts etc.

5.5 The Nominated Representatives are expected to operate within the rules of the Combined Authority Constitution and adhere to the Code of Conduct for the Combined Authority.

5.6 Nominated Representatives are expected:

- (a) to attend meetings of the Combined Authority to which they are appointed;
- (b) to report on the activities of the Combined Authority to the Non- constituent Authorities and the impact of those activities on the Non- constituent Authorities, taking advice as appropriate.

5.7 The Nominated Representatives should take an active and informed role in the affairs of the Combined Authority and in the appropriate representation of the Non- constituent Authorities.